Protean eGov Technologies Limited

Standard Operating Procedures
For
Processing of Scheme Preference change request

Version 1.2

REVISION HISTORY

Sr. No.	Date of Revision	Ver	Section Number	Description of Change
1		1.0	-	Initial Version
2	14/08/2024	1.1	-	Updated
3	24/09/2024	1.2	-	SOP are updated as per new functionality released, New Screenshots are incorporated

Background:

An NPS Subscriber has option to change the Pension Fund Manager (PFM) once in a financial year as well as scheme preference four times in financial year in CRA system. The Subscriber has been provided with several options to choose from.

In NPS, there are multiple PFMs, Investment options (Auto, Active & Balance Life Cycle) and four Asset Classes i.e. Equity, Corporate Bond, Government Securities and Alternative Investment Funds are available for selection.

The Subscriber can select any one of the investment schemes as mentioned below for Tier I & II:

Two different scheme preferences are available for selection.

1) Active Choice
2) Auto Choice
3) Balanced Life Cycle

1. Active Choice

In this type of investment choice, Subscribers have the right to actively decide as how their contributions to be invested, based on personal preference. The Subscribers have to select PFM as well as percentage allocation for each asset class as per their preference. There are four Asset Classes available for selection in Active Choice as mentioned below. Percentage allocation needs to be specified by subscriber for selected Asset class.

- ❖ Asset class E - Equity and related instruments
- ❖ Asset class C - Corporate Bond and related instruments
- ❖ Asset class G - Government Securities and related instruments
- ❖ Asset Class A - Alternative Investment Funds including instruments like CMBS,MBS, REITS, AIFs etc.

Maximum permitted Investment Allocation for each Asset class for Tier I is mentioned below:

Asset Class	Cap on Investment
Equity (E)	75%
Corporate Bonds (C)	100%
Government Securities (G)	100%
Alternate Investment Fund (A)	5%

Maximum Investment Allocation in Asset class for Tier II is mentioned below:

Asset Class	Cap on Investment
Equity (E)	100%
Corporate Bonds (C)	100%
Government Securities (G)	100%

Asset Class A is not available for selection under Tier II

PFRDA has allowed selection of multiple PFMs in case of Active Choice. The choice of multiple PFMs is available only for subscribers associated under All Citizen of India and corporate sector for Tier-I Account and for all sectors Subscriber for Tier-II Account.

Subscriber can select up-to three PFMs across different asset class. However, PFM opted for Alternate Investment Fund (A-scheme) should be from one of the PFMs selected for other schemes. For Example: if a subscriber is selecting PFM1 for Asset Class E, PFM2 for Asset Class C and PFM3 for Asset Class G, then subscriber can select either of PFM1 or PFM2 or PFM3 for Asset Class A.
Option of selection of multiple PFMs is available as part of scheme preference change in CRA.

2. Auto Choice:

Lifecycle Fund NPS offers an easy option for those Subscribers who do not have the required knowledge to manage their NPS investments. In this option, the investments will be made in a life-cycle fund. Here, the proportion of funds invested across three asset classes will be determined by a pre-defined portfolio (which would change as per age of Subscriber).

A Subscriber who wants to automatically reduce exposure to more risky investment options as he / she gets older, Auto Choice is the best option. As age increases, the individual's exposure to Equity and Corporate Debt tends to decrease. Depending upon the risk appetite of Subscriber, there are three different options available within 'Auto Choice' – Aggressive, Moderate and Conservative. The details of these Funds are provided below:

- LC75 - Aggressive Life Cycle Fund:
  This Life cycle fund provides a cap of 75% of the total assets for Equity investment. The exposure in Equity Investments starts with 75% till 35 years of age and gradually reduces as per the age of the Subscriber.

- LC50 - Moderate Life Cycle Fund:
  This Life cycle fund provides a cap of 50% of the total assets for Equity investment. The exposure in Equity Investments starts with 50% till 35 years of age and gradually reduces as per the age of the Subscriber.

- LC25 - Conservative Life Cycle Fund:
  This Life cycle fund provides a cap of 25% of the total assets for Equity investment. The exposure in Equity Investments starts with 25% till 35 years of age and gradually reduces as per the age of the Subscriber.

3. Balance Life Cycle:

PFRDA had introduced a new investment option – Balanced Lifecycle Fund. This addition provides more flexibility to subscribers in managing investments under the National Pension System (NPS).

The Balanced Lifecycle Fund works similarly to the existing Auto Choice option, with a key difference in the tapering phase. While Auto Choice begins tapering from age 35, the Balanced Lifecycle Fund will start tapering from age 45. This provides a more gradual shift from equity to safer asset classes, offering a balanced approach to long-term investments.

Asset class wise distribution at different ages is as under.

Balanced Life Cycle Fund (BLC)			
Age	Asset Class E	Asset Class C	Asset Class G
Upto 45 Years	50%	30%	20%
46 Years	48%	28%	24%
47 Years	46%	26%	28%
48 Years	44%	24%	32%
49 Years	42%	22%	36%
50 Years	40%	20%	40%

51 Years	39%	18%	43%
52 Years	38%	16%	46%
53 Years	37%	14%	49%
54 Years	36%	12%	52%
55 Years and beyond	35%	10%	55%

Procedure for submitting Scheme Preference Change Request

UOS & Corporate Subscribers have options to submit their Scheme Preference Change request by Logging Online into the CRA System

Subscribers may raise an online request in the CRA System for changing the scheme preference. This request will be an OTP based request and hence, it is imperative that the Subscribers' Mobile No. is registered with CRA. The request initiated online by the Subscriber is self-authorized and authorization byNodal office is not required in the CRA System.

A. Scheme Preference Change Request by Subscriber:

➢ In order to initiate Scheme Preference/PFM Change request, Subscriber needs to login to CRA systemwww.cra-nsdl.com with PRAN as User ID & Password as given below in Figure 1.

Figure 1

➢ Subscriber needs to click on Menu "Make Transaction" and select sub menu "Change PFM-Asset Class"as given below in Figure 2.

Figure 2

➢   PRAN of the Subscriber will be auto populated and Subscriber is required to select Tier Type as given belowin Figure 3.
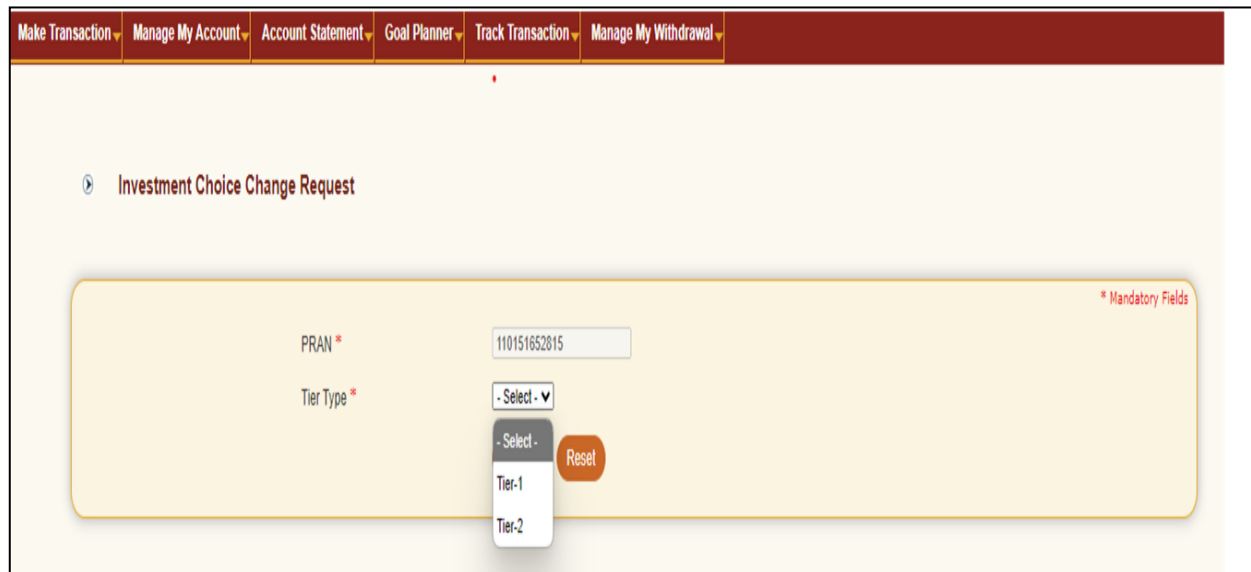
Figure 3

➢ At this stage, System will display a Pop-up message after selecting Tier type as shown below in Figure 4.The Pop-up message will contain information related to timelines followed for processing of request.
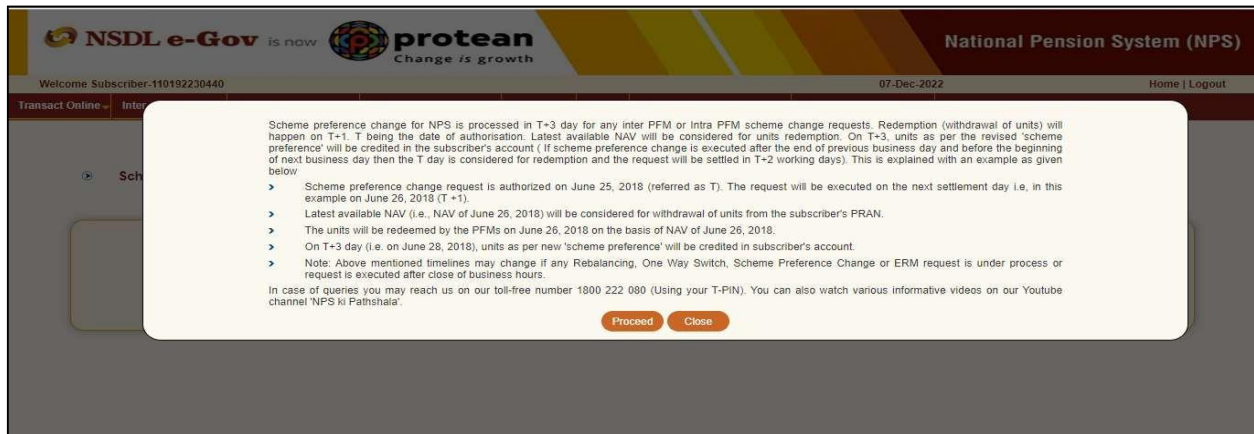
Figure 4

➢ At this stage Subscriber is required to select "Scheme Preference Change" option and click on Submit to proceed further. Please refer below Figure 5.

Figure 5

➢ At this stage Subscriber is required to select Scheme Preference Type i.e., Standard, Auto or Active. In case of Active Choice, Investment can be made in 100% Government & Corporate Bond Scheme only. In case of Auto Choice, Investment can be made in "Moderate" , "Conservative" and "Aggressive" options only.

➢ After selection of option, click on "Submit" to proceed further. Please refer below

Figure 6.

Figure 6

- ➤ At this stage, options selected will be displayed for confirmation. Subscriber is required to click on "SendOTP" button as shown in below Figure 7 to receive OTP on the mobile number present in CRA records.

> ➢ Subscriber will enter OTP received on Mobile Number and click on 'Submit OTP' to submit request. Pleaserefer below Figure 8.

Figure 8

➢ Once OTP is submitted, Scheme Preference Change request gets processed successfully.

Figure 9

<u>Scheme Preference Change Timelines:</u>

- The scheme change process (after authorization of request in CRA) and related timelines are given below:

  o The process of change of PFM and/or change of investment option (Active/Auto choice) and/or change of asset allocation ratio [i.e. percentage allocation amongst asset class Equity(E)/Corporate Debt(C)/Government Securities(G)/Alternative Investment Funds(A)],involves redemption and re-investment of units in applicable schemes. For example,
    - If subscriber opts to change from PFM-A to PFM-B, then all the exiting units from the schemes of PFM-A will be redeemed and reinvested in the relevant schemes of PFM-B.
    - If Subscribers opts to change investment option from Active Choice to Auto Choice, then applicable units from the E, C, G, A (as applicable) will be redeemed and re- invested in E, C, G, as per the age of Subscriber under same PFM.
  o In CRA system, redemption and investment of units happens only on working day (excluding Saturday, Sunday and holidays) which is called a Settlement Day.

  o If request is submitted (authorised) after cut-off time of settlement (after 10.00 am) on settlement day in CRA, then request is considered for processing on next working day. The redemption of units happens on next working day (Day T) and then re-investment happens within T+2 working days. For example, if request is submitted/authorised on January 2, 2023 (at 11.30 am), the request will get considered for processing on next working day, redemption of units will happen on January 3, 2023 (The NAV will be applicable for January 3, 2023 for redemption) and re-investment will happen on January 5, 2023 (The NAV will be applicable for January 5, 2023 for redemption). The scheme preference is changed on next working day i.e. on January 5, 2023.
  o Cut-off time of Settlement may change depending upon other settlement factors.

- Please note as per the stipulated procedure, the eligible Subscribers of 'eNPS' can migrate or shift his/her PRAN to any POP channel but vice-versa is not allowed. The Subscribers of POPs can exercise choice of moving to other POPs but can't shift back to eNPS.

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