Response to Stakeholders - Exposure Draft on Amendments to PFRDA (Exits and Withdrawals under the National Pension System) Regulations, 2015

The Pension Fund Regulatory and Development Authority (PFRDA), on 16 September 2025, issued the Exposure Draft on the proposed amendments to the PFRDA (Exits and Withdrawals under the National Pension System) Regulations, 2015, inviting comments and suggestions from stakeholders. The suggestions were duly examined, and the Pension Fund Regulatory and Development Authority (Exits and Withdrawals under the National Pension System) (Amendment) Regulations, 2025 were subsequently published in the Gazette of India on 16 December 2025. The broad areas of feedback and relevant suggestions received from the concerned stakeholders on the Exposure Draft, along with the PFRDA's responses on the same, are summarised in the table below.

Sl.	Subject matter	Stakeholder Comments/Suggestions	Comments of PFRDA (in terms of PFRDA (Exits and Withdrawals under the NPS) (Amendment) Regulations, 2025)
1	Applicability and definitions	Clarity w.r.t applicability of revised exit/withdrawal provisions to government subscribers and alignment of definitions to ensure coverage of both government and non-government coverage in Exit Regulations may be provided.	**Regulation (1A)** stipulates that the regulation in general applies to exits and withdrawals from the pension schemes under the NPS. The regulation thus applies both to the government and non-government sectors under NPS.
2	Flexibility in Exit (Non-govt)	i) More flexible options to exit from NPS may be provided. ii) Age-based and lock-in period restrictions may be removed. iii) Early exit for non-government subscribers may be enabled.	i) As per **Regulation 4,** under All Citizen Model, the minimum lock in period of five years, to be eligible for pre-mature exit, has been removed. Further, a vesting period of 15 years or 60 years of age (whichever is earlier) has been stipulated, to be eligible for normal exit. ii) With regards to corporate sector, the vesting period to be eligible for

			normal exit, remains linked to age of superannuation/retirement, as the same is governed by employer-employee relationship.
3	Providing options to withdraw corpus as other than annuity	a) Requirement to purchase annuity for remaining 20% of corpus may be made as optional instead of compulsory annuitization. b) Complete corpus utilization via long-duration SUR/SWP for large balances in lieu of annuity, if the subscriber prefers, may be enabled.	i) As per **Regulation 4**, under non-government sector, the lump-sum portion at exit has been enhanced to 80%, which can be availed under the Systematic Lump sum Withdrawal (SLW) or Systematic Unit Redemption (SUR) facility. ii) Further, the following corpus-linked flexibility has been enabled for both government and non-government sector subscribers: a) Corpus ≤ ₹8 lakh: 100% lumpsum or SLW or SUR (or) Up to 80% lumpsum & At least 20% annuity b) Corpus > ₹8 lakh ≤ ₹12 lakh: Up to ₹6 lakh as lumpsum and balance as SUR for min. 6 years or annuity. (or) Up to 80% lumpsum & At least 20% annuity c) Corpus > ₹12 lakh: Up to 80% lumpsum & At least 20% annuity.

			iii) The purchase of annuity is in line with the PFRDA Act, aimed at ensuring retirement security.
4	Parity across sectors	i) Higher lump-sum access and lower annuity compulsion for government sector exits to mirror non-government flexibility, may be enabled. ii) 100% lump-sum pay out to nominees/legal heirs across sectors with SUR/annuity as options may be allowed in death cases to ensure liquidity and parity.	i) Under the Government sector, NPS serves as the primary retirement product for subscribers and to the nominee(s)/legal heir(s) in case of death of the subscriber. ii) The lump-sum portion for Government sector subscribers in the amended regulation remains at 60% upon superannuation and at 20% upon death, as reflected in **Regulation 3**. Further, corpus-linked flexibility has been enabled for both government and non-government sector subscribers for corpus up to ₹12 lakhs as mentioned in Sl. No.3(ii). iii) The above measures are in place to balance flexibility with long-term retirement security ensuring a significant portion of the corpus is allocated to annuity to provide sustained post-retirement income.
5	Increase and index lump sum thresholds	Increase lump-sum limits (e.g., ₹12 lakh to ₹50 lakh; NPS-Lite ₹2 lakh to ₹10–20 lakh) and index annually to inflation to preserve real value.	i) Under the amended regulations for NPS, the lump sum limit at pre-mature exit has been increased from ₹2.5 lakh to ₹5 lakh **(Regulations 3(1)(b) and 4(1)(b))** and at normal exit from ₹5 lakh to ₹8 lakh, with a structured pay out option for corpus

			between ₹8 lakh till ₹12 lakh, as mentioned in Sl. No.3(ii) **(Regulations 3(1)(a) and 4(1)(a)),** to enhance flexibility and greater choice to subscribers. ii) PFRDA has been examining/reviewing the lump sum limits from time to time basis various factors, keeping in view the flexibility for subscribers while ensuring old age income security and maintaining long-term pension accumulation.
6	Safeguarding the provision permitting exit after completing15-year vesting period (All Citizen Model)	The exit after completion of 15 years may be made stricter by introducing requirements such as minimum contribution-years, higher annuity share for early exits, minimum corpus thresholds.	i) The vesting period of 15 years under All Citizen Model stipulated under **Regulation 4** is intended as an option rather than an exit trigger, with higher annuity share for premature exits. ii) While suggestions on additional safeguards viz. minimum contribution years, minimum corpus for 15-year exits were noted, these have not been considered to keep the product/exit provisions simple. iii) The measures in general aim to provide subscribers greater flexibility, choice, and autonomy in investment decisions and managing their accumulated pension wealth, recognizing that non-government NPS participation is voluntary.

			iv) Clear and well-structured exit provisions with various choices are expected to encourage entry and sustain participation by balancing subscriber needs and pension objectives across different stages of their life cycle.
7	NPS Vatsalya	At age 18, i) Partial/full lump-sum for education/wedding/medical or deferral of annuity may be allowed; ii) 80% annuitisation at age 18 may be revisited; iii) Limited partial withdrawals during accumulation with safeguards may be considered.	Presently, NPS-Vatsalya shall continue to be governed by the existing Guidelines issued by PFRDA in the past. Under the amended regulations, enabling provisions have been incorporated under Regulation 4A to provide for 'specific purpose schemes', including NPS-Vatsalya, which shall be governed by scheme-specific Guidelines. The suggestions received in respect of NPS-Vatsalya have been taken note of, and revised Guidelines for the scheme shall be stipulated separately.
8	Financial Assistance against accumulated pension wealth	In case of enabling loans against NPS, the provisions may be built to cap exposure (e.g., 25%), mandate time-bound repayments with interest, limit to one outstanding loan, and set minimum accumulation period to protect retirement adequacy.	In terms of **Regulation 6(1)(b),** a subscriber may avail financial assistance from a regulated financial institution, and such institution may mark a lien or charge on the individual pension account up to 25% of the subscriber's own contributions, i.e., within the limits applicable for partial withdrawal. The operational aspects shall be governed by guidelines to be issued separately by the Authority.

9	Tax benefits	Tax treatment for any enhanced lump-sum beyond current 60% may be clarified.	Tax provisions upon exit / withdrawals under the NPS shall be as per extant Income Tax Act.
10	Partial withdrawals	i) Unemployment/financial hardship may be added as grounds of partial withdrawal. ii) Post-retirement drawdown (auto SUR/SWP) may be simplified, iii) Calculating the eligibility for partial withdrawal on corpus (not only own contributions) with increased on frequency/limits may be considered.	i) PFRDA Act 2013 provides for withdrawals, not exceeding twenty-five per cent of the contribution made by the subscriber, from the individual pension account. ii) The revision in respect of purposes of partial withdrawal as in **Regulation 8(1)(A)** seek to rationalize and streamline the framework by retaining only those purposes that are objective and directly linked to essential needs of the subscriber. iii) Further, in terms of **Regulation 8(1)(C),** partial withdrawals are now permitted with interval of four years & up to four times before age 60/superannuation, and with an interval of three years after age 60/superannuation.
11	Impact on NPS-Lite Swavalamban	Impact of revised exit framework on Swavalamban subscribers may be clarified.	**Regulation 5** governs exit provisions for NPS-Lite Swavalamban subscribers. The revision is intended to provide greater flexibility by increasing the lump sum withdrawal limit to ₹2 lakh at normal and premature exit, with the remaining provisions continuing unchanged.

12	Illustration framework	Clear comparative illustrations of different exit options may be published.	Schedule I has been incorporated in the revised Regulations to provide clarity on the benefits available under various exit scenarios linked to the size of the corpus. Illustrative examples shall be provided separately through FAQs.
13	Definition of Family	Family/family members for death, disability and invalidation exits may be explicitly defined	**Regulation 32** of the PFRDA (Exits and Withdrawals under the NPS) Regulations, 2015 (as amended) already stipulates a contextual definition of ‘family’ for the purpose of nomination. In addition, the amendment removes the dependency requirement in respect of parents, wherever such reference existed in the said Regulation, thus widening the eligibility for nomination.