Retirement Age : An ILC Global Alliance Circular – March 2011

India

The vast majority of individuals in India currently have no pension provision. The main exceptions are government employees, although the government is introducing a new voluntary scheme for all Indian citizens.

The eligibility age for pensions for central government employees is 60, recently increased from 58, although it remains 58 for various state governments. There are no gender differences. There are, however, different rules for the superannuation pension, family pension, invalidity pension, and disability pension – the various different pensions available to state employees. Public sector pension schemes generally have retirement ages of 60 years. However, employees can obtain voluntary retirement after 15 years of service (recently reduced from 20 years).

After a decade of discussion and controversy, the Indian government launched in 2009 the National Pension Scheme, which all Indian citizens aged 18 to 55 can join voluntarily. It is a system where individuals fund, during their working life, their financial security for old age. Those who join will receive a Permanent Retirement Account (PRA), which can be accessed online and through so-called points of presence (PoPs). Account holders may benefit from equities investment return – the first scheme of its kind supported by the Indian government.

Crucially, subscribers can retain their PRAs when they change jobs or residence, and even change fund managers and the allocation of investments among different asset classes (although exposure to equity has been capped at 50%). The minimum contribution to a PRA is Rs 500, to be paid at least four times a year. The maximum that can be contributed per year is Rs 6000.

There are complex rules around retirement age and the National Pension Scheme. If a subscriber exits before the age of 60, he or she may keep one-fifth of accumulated savings, and use the remaining funds to purchase an annuity. Subscribers who exit between the ages of 60 and 70 must use at least 40% of the fund to buy an annuity, but take the remaining fund as a lump sum, which can be payable in instalments. Survivors of subscribers receive the entire fund as a lump sum.

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