

NPS delivers average returns of 9.33%, beats PFs

NEW DELHI: The three NPS managers handling the pension funds of Central and state government employees have delivered average returns of 9.33% in the past one year, outperforming the state-run government provident fund (GPF), employees provident fund (EPF) and the public provident fund (PPF). The three-year annualised returns are also quite decent at 8.47%, though not as spectacular as in the past one year.

More than 16 lakh central and state government employees have almost Rs 8,500 crore invested in the NPS. This money is managed by three pension fund managers - SBI Pension Funds, LIC Pension Fund and UTI Retirement Solutions. Each of the three funds manages roughly one-third of the NPS corpus.

Though three years is a very short time to judge long-term instruments such as pension funds, the impressive performance is likely to silence the criticism that NPS is not allocating enough to growth assets. Central and state government NPS funds can invest a maximum of 15% in equities. Even in NPS for the general public, where investors can choose their own asset allocation, a maximum of 50% can be put in equities.

	Central Govt		State Govt	
	1-year	3-year	1-year	3-year
LIC Pension Fund	9.12%	8.20%	9.94%	9.17%
SBI Pension Funds	8.96%	7.83%	9.79%	9.13%
UTI Retirement	8.69%	7.36%	9.50%	9.18%
Average	8.92%	7.80%	9.74%	9.17%

Returns as on 20 July 2012



The Pension Funds Regulatory and Development Authority has defended this conservative allocation saying that pension funds should not have a large exposure to risky assets.

The past few years have proved it right. Equity markets have floundered in the past one year, with the Nifty falling 6.5%. In the past three years, it has delivered an annual average growth of 4.95%. But government securities and other debt

instruments have rallied in recent months following rate cuts by the RBI. After a lacklustre two years between 2009 and 2011, gilts shot up in 2012 as benchmark yields tumbled. The gilt funds managed by the six fund managers of the NPS for the general public have risen by almost 9.95% in the past one year. This has helped shore up the overall returns from the NPS funds.