



**EXPRESSION OF INTEREST (EOI)**

**For**

**Design and development of a Minimum Assured Returns Scheme (MARS)**

**under**

**National Pension System (NPS)**

**By**

**Pension Fund Regulatory and Development Authority**

**Invites response from Actuary/Actuarial - Investment Management Firms**

**Last date for submission of EOI: 15.03.2019 up to 1:00 P.M.**

## **Disclaimer**

The information contained in this EOI document or information provided subsequently to applicant(s) or applicants whether verbally or in documentary form by or on behalf of PFRDA/Authority, is provided to the applicant(s) on the terms and conditions set out in this EOI document and all other terms and conditions subject to which such information is provided.

This EOI document is not an agreement and is not an offer or invitation by Authority to any parties other than the applicants who are qualified to submit the bids ('applicants'). The purpose of this EOI is to provide the applicant(s) with information to assist the formulation of their proposals. This EOI does not claim to contain all the information each applicant may require.

Each applicant should conduct its own investigations and analysis and should check the accuracy, reliability and completeness of the information in this EOI and where necessary obtain independent advice. Authority makes no representation or warranty and shall incur no liability under any law, statute, rules or regulations as to the accuracy, reliability or completeness of this EOI. Authority may in its absolute discretion, but without being under any obligation to do so, update, amend or supplement the information in this EOI.

### Definitions:

- a. "Authority" means Pension Fund Regulatory and Development Authority (PFRDA)
- b. "EOI" means Expression of Interest
- c. "MARS" means minimum assured returns scheme in terms of Sec 20 of the PFRDA Act, 2013

### Schedules and Contact Information

Name of the organization	Pension Fund Regulatory and Development Authority (PFRDA)
Date of issue	15/02/2019
Last date for submission of queries seeking clarification	01/03/2019
Date of Pre-EOI meeting	08/03/2019 at 4.00 P.M.
Last date and time for submission of proposals in response to this request for EOI	15/03/2019 at 1.00 P.M.
Date and time of Opening of proposals	15/03/2019 at 2.30 P.M.*
Venue for Pre-EOI meeting/Opening of proposals	PFRDA Office 4 <sup>th</sup> Floor Conference Room Chhatrapati Shivaji Bhawan B-14/A, Qutab Institutional Area Katwaria Sarai, New Delhi-110016.
Contact person	Mr. Rajesh Mohan
Email ID	<a href="mailto:rajesh.mohan@pfrda.org.in">rajesh.mohan@pfrda.org.in</a> <a href="mailto:pravesh.k@pfrda.org.in">pravesh.k@pfrda.org.in</a>

\* Interested parties may attend.

**Pension Fund Regulatory and Development Authority (PFRDA)**  
**Chatrapati Shivaji Bhawan**  
**B-14/A, Qutab Institutional Area**  
**New Delhi – 110016**

## **1. PREAMBLE AND INTRODUCTION**

**Invitation for expression of interest from leading Actuarial firms for designing and development of a Minimum Assured Return Scheme as contemplated under Sec 20 of PFRDA Act, 2013**

### **INTRODUCTION:**

Pension Fund Regulatory and Development Authority, initially created vide the resolution of the Government of India, dated 10.10.03 (then Interim PFRDA). With effect from 01.02.14, i.e. the date of notification of the PFRDA Act, 2013, the Authority has been established under Section 3 of the said Act. As per Section 12 of the PFRDA Act, 2013, the mandate of PFRDA is to regulate the National Pension System (NPS) and any other pension schemes, not governed by any other enactment.

Though originally conceived as a contributory pension scheme for central government employees, replacing the erstwhile defined benefit scheme w.e.f 01.01.04, now NPS caters to all the citizens of India, from the year 2009. Further employees of majority state governments are also subscribed to NPS, besides employees of Central Autonomous bodies and State Autonomous Bodies as also certain Corporates in the private sector. The major difference between the government subscribers and other subscribers viz. all citizens is that all citizens are not entitled to any contribution of 10% of salary which is available to employees of government and corporates. Normally upon entry into the system, the subscriber remains invested till his age of superannuation or 60 years, where after upon exit from the system, he is entitled to withdraw up to 60% of the accumulations and the balance 40% is mandatorily required to purchase annuity from an annuity service provider, who will provide the monthly pension to the subscriber.

The project requires developing the scheme and processes for implementation based on the actuarial principles, similar products/schemes/practices in operation (or otherwise) both in India and abroad and in consultation with concerned stakeholders like pension funds, Central recordkeeping Agency and other market participants who have similar schemes or have experience in dealing with such schemes.

With reference to the Minimum Assured Returns scheme, PFRDA Act, 2013 provides for the following and the design of the product shall conform to these provisions:

- Sec 20 (2) (d) (b) the subscriber, seeking minimum assured returns, shall have an option to invest his funds in such schemes providing minimum assured returns as may be notified by the Authority;

- Sec 20 (2) (g) there shall not be any implicit or explicit assurance of benefits except market based guarantee mechanism to be purchased by the subscriber;

Pension Fund Regulatory and Development Authority (PFRDA) is a statutory body, which operates within the legal framework of Pension Fund Regulatory and Development Authority Act 2013. Its statutory objectives are:

- a. Protection of interests of subscribers
- b. Promotion and development of the pension sector
- c. Regulation and supervision of National Pension System and matters incidental thereto.

## 2. BROAD SCOPE OF WORK

Design, develop and recommend a minimum assured return scheme under National Pension system that can be implemented under NPS architecture. Broadly, the aspects related to the following need to be examined and specific recommendation provided to the authority as part of the project:

- What kind of guarantee (Absolute return guarantees or Relative rate of return guarantees (sector and benchmark-based)) can be reasonably provided by the pension funds with recommendation of suitable proposals. This may include the issues like:
  - What kind of lock in for the MARS would be appropriate (5/7/10 years) keeping in view of the peculiarities of the various government sector subscribers, if a lock in period is required.
  - Exit loads or exit penalty recommendation with respect to MARS (if required), if required
  - Clawback provisions, if any to be provided
  - Guarantee reset period (Quarterly / half yearly /annual) or any other time period that is recommended and that strikes a balance between subscriber interest and the Pension Funds who need to offer such a product.
  - Recommended scenarios for investment mix (short term, long term and others with bifurcation of money market instruments, G-sec, Corporate debt and equity)
- Recommendation on the valuation of the assets and liabilities of the pension fund consequent upon implementation of MARS.
- Recommendation on the returns to be submitted including the Annual Appointed Actuary's confidential report for the MARS.
- Recommendation on solvency Capital and including risk based capital approaches and the ongoing need for capital.
- Recommendation on individual capital assessments and transfers / reflection of liabilities.
- Recommendation on The role of the Appointed Actuary post offering of the MARS by pension funds.

- Recommendation on internal controls and procedures necessary to run and implement MARS by pension funds and enable them in proper financial reporting
- Determine and recommend methods and appropriate bases for assessing the on-going solvency of the pension fund, bearing in mind the capital requirements of the company.
- Recommend a basis for measuring and monitoring asset-liability management, including stochastic approaches, for management of the scheme (MARS) and:
  - Develop and recommend appropriate strategies for implementation of the final Minimum Assured Return Scheme (MARS).
  - The quantum of fee /charge recommended for the MARS designed.
  - Any other issue of relevance.

It is expected that on completion of this project, the applicant shall be able to transfer all the documentation concerned including the designed scheme including the data used, calculations done and actuarial evaluation or work done to arrive at the final recommended scheme. Also, the pension funds should be able to provide the minimum assured returns scheme subject to approvals from their board and concerned regulators.

### **3. ELIGIBILITY CRITERIA**

- i. The applicant may be a government organization / Public Sector Unit / Partnership Firm/ Limited liability partnership/ Private Limited Company / Public Limited Company registered and incorporated in India and should be in existence for at least 5 years on the date of issue of this document and possessing relevant experience as sought hereunder.
- ii. At least one member of the firm shall be fellow member of the Institute of Actuaries of India (under Actuaries Act, 2006) or from any equivalent Institute outside India and shall possess an actuarial qualification that is valid and recognized by the Institute of Actuaries of India or from any equivalent Institute outside India but recognized in India.
- iii. At least one member of the applicant's team must have a post actuarial Qualification professional work experience of at least 5 years with total work experience of 10 years.
- iv. The applicant should have experience in designing, structuring and developing financial products including insurance and investment products, immediately preceding 5 financial years.
- v. The applicant or any member of the applicant's employees/partners/directors should not have been held guilty of professional or any other misconduct under the Actuaries Act, 2006 or any rules there under or in any other such proceedings of the Institute of Actuaries of India or by any equivalent Institute outside India or by any court of law.
- vi. The applicant or any member of the applicant's employees/partners/directors should not have been blacklisted/debarred/disqualified by any regulator/ statutory body or Government entity or any international/national agency for corrupt or fraudulent practices, nor should its contract or agreement with any party for providing services been terminated on account of any breaches by it during the past 5 years.

- vii. The applicant should have successfully implemented a project of similar kind in the financial sector, preferably with the proposed solution in a company / entity in India or internationally. International Exposure will be given due consideration.
- viii. The applicant must have proven financial and organizational strength to undertake and execute the project.

#### **4. RIGHTS TO THE CONTENT OF THE PROPOSAL**

For all the bids received before the last date and time of bid submission, the proposals and accompanying documentation of the Pre-Qualification proposal will become the property of PFRDA and will not be returned after opening of the pre-qualification proposals. PFRDA is not restricted in its rights to use or disclose any or all of the information contained in the proposal and can do so without compensation to the applicants. PFRDA shall not be bound by any language in the proposal indicating the confidentiality of the proposal or any other restriction on its use or disclosure.

#### **5. ACKNOWLEDGEMENT OF UNDERSTANDING OF TERMS**

By submitting a proposal, each applicant shall be deemed to acknowledge that it has carefully read all sections of this EOI, including all forms, schedules and annexure hereto, and has fully informed itself as to all existing conditions and limitations.

#### **6. LANGUAGE OF PROPOSALS**

The proposal and all correspondence and documents shall be written in English.

#### **7. DOCUMENTS TO BE SUBMITTED BY ELIGIBLE APPLICANT**

Interested applicants confirming to the requirements may furnish the following information:

- a) Part I – Expression of the interest of the entity to participate in the proposed project -Covering Letter as per Annexure I
- b) Part II – Details of the Organization/Actuary – as per Annexure II and shall contain the following details separately:
  - This part must include a general background of the applicant Organization/Actuary along with other details of the Organization/Institute/Actuary. Enclose the supporting documents wherever necessary.
  - The applicant must also provide the financial details of the Organization/Institute/Actuary for the last 3 financial years. Enclose the mandatory supporting documents listed in format.
  - Complete details of relevant experience for design and development of a financial products including experience in designing the assured return schemes.
  - Details of similar projects handled and their experience in the field, if any. Enclose the supporting documents.
  - The applicant must enclose certified copy by Statutory Auditor or Company Secretary of the applicant's Organization/Actuary with the

number of full time professionals in the applicant's Organization/Actuary.

- c) Part III – Details of the authorised signatory representing the Company and whose attestation shall bind the firm and to be certified by CEO/Director or a person of similar capacity.

## **8. OPENING OF PROPOSAL:**

Proposals will be opened in front of applicant's representatives (if present). Authority reserves the right at any time to postpone or cancel a scheduled bid opening. The bids will be opened at the address mentioned below at point no 10.

## **9. USE & RELEASE OF APPLICANT SUBMISSIONS:**

Authority is not liable for any cost incurred by the Applicant in the preparation and production of any Proposal, the preparation or execution of any benchmark demonstrations, simulation or for any work performed prior to the execution of a formal contract. All materials submitted will become the property of Authority and may be returned at its sole discretion. The content of each Applicant's Proposal will be held in strict confidence during the evaluation process, and details of any Proposals will not be discussed outside the evaluation process.

## **10. VALIDITY PERIOD OF PROPOSALS:**

The proposals submitted will be valid for a period of six months from the date of submission. PFRDA reserves the right to shorten or extend the validity period with the consent of the parties involved.

As part of short listing exercise, the interested applicants may be required to make a focused presentation on company, expertise and experience in the relevant field, products, etc. and with a preliminary proposal on their understanding of the project for not exceeding 45 minutes to a Committee of PFRDA.

Please note that, Request for Proposal (RFP) shall be issued only to the short listed firms who have participated in the EOI for the requirements of PFRDA. As part of the evaluation process of RFP, the short listed applicants may be required to demonstrate Proof of Concept (POC) based on relevant sample data.

*PFRDA reserves the right to accept/reject any or all expressions of interest received in response to this advertisement without assigning any reasons, whatsoever.*

For any queries on the matter, the following may be contacted:

Name of the officer	Email ID
Mr. Pravesh Kumar	<a href="mailto:pravesh.k@pfrda.org.in">pravesh.k@pfrda.org.in</a>
Mr. Rajesh Mohan	<a href="mailto:rajesh.mohan@pfrda.org.in">rajesh.mohan@pfrda.org.in</a>

The response along with the required documents shall be delivered to the following address on or before March 15, 2019 by 1300 Hrs (Indian Standard Time) in sealed



envelope superscribing "**PFRDA - DESIGN AND DEVELOPMENT OF MINIMUM ASSURED RETURN SCHEME**" and to the following official:

**Mr. Pravesh Kumar**  
**General Manager**  
**Pension Fund Regulatory and Development Authority (PFRDA)**  
**Chatrapati Shivaji Bhawan, 2<sup>nd</sup> Floor**  
**B-14/A, Qutab Institutional Area**  
**Katwaria Sarai**  
**New Delhi – 110016.**

Applicants' queries in respect of this EOI shall only be posted on our website [www.pfrda.org.in](http://www.pfrda.org.in) and no separate notification shall be issued in the press. Applicants are therefore requested to regularly visit our website to keep them updated in this connection.

**Annexure I**

Ref: \_\_\_\_\_

Date/Place: \_\_\_\_\_

**Sub: Expression of Interest (EOI) for Actuarial firm for design and development of a minimum assured return scheme under National Pension System.**

Sir,

We refer to the advertisement dated \_\_\_\_\_ inviting Expressions of Interest (EOIs) for Pension Fund under the New Pension System (NPS).

We have read and understood the contents of the EOI and the advertisement and wish to participate in the Pension Fund appointment process. We are pleased to submit our EOI for sponsoring a Pension Fund.

We confirm that we satisfy the eligibility criteria set out in the relevant sections of the EOI and further confirm and certify the following:

- That we have not been convicted by a Court of law nor have any adverse orders been passed by a regulatory authority against us which cast a doubt on our ability to act as an actuary for the purpose of this expression of interest.
- That we / any member of the actuarial team have been blacklisted/ debarred/disqualified by any regulator/ statutory body or Government entity or any international/national agency for corrupt or fraudulent practices.
- That we / any actuary of the firm /director of the firm have been held guilty of professional or any other misconduct under the Actuaries Act, 2006 or any rules there under or in any other such proceedings of the Institute of Actuaries of India or by any equivalent Institute outside India or by any court of law.

We also certify that no investigations by any regulatory or Government authorities are pending against us or against our CEO or any of our Directors/Managers/employees.\*

OR

Information on pending investigations and their nature by regulatory authorities against us or against our CEO or any of our Directors/Managers/employees is enclosed.\*

The Expression of Interest (EOI) as per format duly signed by us, satisfying the eligibility criteria, is enclosed.

We shall be glad to receive further communication on this subject.

Dated this \_\_\_\_\_ Day of \_\_\_\_\_ 2019

(Signature) (In the capacity of)

(Name)

Duly authorized to sign the Tender Response for and on behalf of:

(Name and Address of Company) Seal/Stamp of applicant

CERTIFICATE AS TO AUTHORISED SIGNATORIES

I,....., the Company Secretary of ....., certify that ..... who signed the above Bid is authorized to do so and bind the company by authority of its board/ governing body.

Date: Signature:  
(Company Seal)  
(Name)

Yours faithfully,

For and on behalf of (insert company name)

Authorised Signatory

\* Strike off or delete whichever is not applicable.

**Annexure - II**

<b>No.</b>	<b>Description</b>	<b>Data Sought</b>
1	Name of the Applicant Firm.	Full name
2	Address with telephone No	Provide the complete addresses and Attach the copy of latest landline telephone bill
3	Date and Registration No of the actuarial firm / actuary of the firm of Actuarial Society of India or any equivalent Institute outside India.	Attach copy of Registration
4	Details of the Actuary intended to be assigned the task by the applicant firm/company a) Name b) Registration with Institute of Actuaries of India c) Experience	Attach a copy of Registration of the actuary and his experience in the field of design and development or management of financial products. (Details may be provided in separate sheet)
5	Information on the post actuarial qualification professional work experience of at least 5 years with total work experience of 10 years.	Self-declaration needs to be submitted.
6	Whether the applicant /any member of the actuarial team have been blacklisted/ debarred/disqualified by any regulator/ statutory body or Government entity or any international/national agency for corrupt or fraudulent practices.	Self-declaration needs to be submitted.
7	Whether the applicant/any actuary/director of the firm have been held guilty of professional or any other misconduct under the Actuaries Act, 2006 or any rules there under or in any other such proceedings of the Institute of Actuaries of India or by any equivalent Institute outside India or by any court of law.	Self-declaration needs to be submitted.