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NPS savings may get a boost as PFRDA explores better distributor commissions without increasing costs for investors

PFRDA is exploring better incentives for NPS distributors to expand access to retirement savings. Distributors currently earn a fraction of mutual fund commissions, but the regulator wants to improve payouts without increasing costs or eroding subscribers' long-term returns.

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Points of Presence are intermediaries that help subscribers register for NPS, make contributions and access account-related services. (AI-generated image used for representational purpose.)

The National Pension System (NPS) could see changes to its distribution incentive structure as the Pension Fund Regulatory and Development Authority (PFRDA) explores ways to make pension products more attractive for distributors without increasing the long-term cost for subscribers. The move addresses one of the key challenges facing the voluntary pension scheme: expanding its reach beyond government employees and encouraging more individuals to save for retirement.

PFRDA chairman S. Ramann said the regulator was examining ways to improve distributor incentives, as commissions available to pension distributors remain significantly lower than those in the mutual fund industry, according to a Times of India report on November 19.

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Despite increasing the total distributable commission pool 2.5 times, NPS distributors receive only around a fifth of the commissions available to their mutual fund counterparts, Ramann said at the Gatekeepers of Governance 2026 event in Mumbai.

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The regulator, however, is conscious that higher distribution costs could affect subscribers over the long term. Since NPS is designed for

retirement savings, which can remain invested for 30-50 years, even seemingly small charges can have a meaningful impact through compounding.

Why NPS distribution needs a push

The challenge is not entirely new. In its September–October 2025 Pension Bulletin, PFRDA published an interview with Ramann in which he acknowledged that the mutual fund industry had built its distribution network with margins five times higher than those available under NPS.

He also linked the introduction of the Multiple Scheme Framework (MSF) for non-government subscribers to the need to provide higher distribution commissions and allow pension funds to reach different investor segments.

The MSF, introduced in September 2025, allows pension funds to offer multiple investment schemes with different asset allocations, giving subscribers greater choice based on their risk appetite and investment objectives.

The regulator has also been widening the distribution network. In September 2025, it allowed Points of Presence (PoPs) to engage additional categories of pension agents, including financial intermediaries, government departments, companies and farmer-producer organisations, to improve last-mile access to pension products.

What do NPS distributors earn currently?

Points of Presence are intermediaries that help subscribers register for NPS, make contributions and access account-related services. Under PFRDA's January 2025 master circular, the permitted charges include:

- **Initial registration:** Up to ₹400.
- **Initial contribution:** Up to 0.50% of the contribution, subject to a maximum of ₹25,000.
- **Non-financial transactions:** Up to ₹30.
- **Persistency charges:** ₹50-100 annually, depending on the subscriber's annual contribution.

- **Subsequent contributions through e-NPS:** Up to 0.20% of the contribution, subject to a maximum of ₹10,000, for eligible accounts.

These charges are subject to the applicable service and deduction rules. PoPs are required to disclose their charges to subscribers.

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PFRDA has also introduced targeted incentives to encourage distribution. In December 2025, it announced a ₹100 incentive for PoPs for each eligible NPS enrolment facilitated through farmer-producer organisations, over and above the existing PoP charge structure.

Why higher commissions matter for subscribers

The regulator faces a balancing act. Higher commissions could encourage banks, financial advisers and other intermediaries to actively promote NPS, potentially improving access for people who do not have an employer-sponsored retirement plan.

However, distribution incentives must be weighed against the costs borne by subscribers. In a long-term retirement product, charges deducted from contributions or accumulated savings can reduce the amount available for compounding.

Ramann said the regulator was examining this trade-off, including the cumulative effect of commissions over investment periods that could extend to 30 or 50 years, according to the Times of India report.