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# PFRDA weighs higher distributor commissions, changes to pension fund mix

*PFRDA Chairman S Ramann says the regulator is examining higher distributor commissions, changes to pension fund asset allocation and market-based guarantees to boost adoption and returns*

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S Ramann, Chairman, PFRDA

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3 min read Last Updated : Nov 19 2026 | 7:47 PM IST

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The Pension Fund Regulatory and Development Authority (PFRDA) Chairman, S Ramann, said on Thursday that the regulator was examining ways to increase distributor commissions and make pension products more attractive as payouts to distributors remain significantly lower than those in the mutual fund industry.

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He was addressing the Gatekeepers of Governance 2026 event in Mumbai.

Despite increasing the pool of commissions available to distributors by 2.5 times, payouts in the pension sector were still around a fifth of the levels offered by mutual funds, Ramann said. The low commissions have been one reason pension products have not gained wider acceptance, he added.

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The regulator was also assessing the cost of distributor commissions for subscribers over the long term, given that pension investments could remain in place for 30 to 50 years. The impact of commissions needed to be assessed over the entire investment period, including their compounding effect, while balancing distributor incentives against the overall cost to subscribers.

“We actually have a bit of an inverse problem as compared to the insurance industry where money on the table for the distributors is so abysmally low that it is one of the reasons why probably the pension product never really went out in a big way. So, even after having increased the total sort of distributable commissions that lie on the table two and a half times, we’re still one-fifth the commission’s level which is available in the mutual fund industry,” he said.

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Alongside distribution, PFRDA was reviewing the investment allocation of pension funds to improve long-term returns, including the scope for higher exposure to growth assets and alternative investment funds (AIFs).

The regulator has set up two expert committees to examine asset allocation: one headed by former State Bank of India Chairman Dinesh Khara and the other by investment expert Narayan Ramachandran, who has experience in the mutual fund industry. The committees have provided inputs on whether pension savings are invested in suitable asset classes to generate better returns for retirement payouts.

Ramann pointed to Australia's superannuation system, where 72 per cent of the pension corpus remains invested in growth assets and the remaining 28 per cent in fixed-income instruments. Nearly half of the allocation to growth assets remains in unlisted investments.

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India's pension system remains risk-averse, with relatively little capital flowing into greenfield projects and startups. To widen investment opportunities, the National Pension System (NPS) has started its own fund of funds to invest in AIFs, allowing pension savings to participate in a diversified pool of investments.

PFRDA is also examining the possibility of introducing a market-based guarantee mechanism for pension payouts to private-sector subscribers. A committee headed by Sahu is studying the proposal, though such guarantees would involve an additional cost for subscribers.

Ramann said the regulator would examine the proposal and consider introducing changes gradually.

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