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Abysmally low commissions for distributors hurt pension coverage in India: PFRDA

By: PTI

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AI Summary

Inadequate distributor payouts are stifling wider retirement savings adoption, falling far behind mutual fund incentives. Meanwhile, regulators are pushing for strict technological guardrails and liability frameworks in automated financial advice. Find out which state governments are currently resisting adoption of the national pension scheme.



Pension Fund Regulatory and Development Authority (PFRDA) chairman S Ramann on Thursday, November 19, blamed the "abysmally low" commissions to distributors for the low pension coverage in the country.

Speaking at an event organised by Excellence Enablers here, Ramann said the pension, mutual fund and insurance industries have a

common goal of chasing money for the long term and growing it.

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"We actually have a bit of a sort of inverse problem as compared to the insurance industry, where the 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," Ramann said.

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Company	Price (Rs.)	Change %	Mkt. Cap (₹ Cr.)	Volume
TCS	2,460.00	3.53%	8,90,049.53	73,84,344
SHRIRAMFIN	995.90	2.46%	2,34,349.44	94,71,446
TECHM	1,777.50	1.79%	1,74,265.22	31,80,067

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Even after jacking up distribution commissions on pension products by 2.5 times, they are just one-fifth of what is offered by the mutual fund industry, he added.

PFRDA, among the newest regulators in the financial services space, is grappling with the "quandary" of what is good for the citizen and what is good for the distributor to make sure that there are sufficient incentives for market forces, he said.

Ramann also said a lot of subscribers in the private sector have been asking for guaranteed returns on their pension fund investments, just like the one given to government employees through the additional liability created by the government.

At another event organised by industry grouping CII later in the day, he flagged challenges around technology and advocated regulation of artificial intelligence (AI) across sectors, mandatory safeguards, explainability and liability provisions for entities deploying the technology.

This initiative can be led by the Ministry of Electronics and Information Technology, which can establish broad principles for all entities using AI to deliver goods and services.

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"If there is any entity using AI for its delivery of goods and services, then we need to make sure that there are sufficient guardrails within

that delivery of service," he said while addressing the CII Financing Summit 2026, here.

Emphasising the need for accountability, he said AI-based services should have an absolute liability clause for their providers, along with appropriate legal frameworks before wider adoption of the technology.

Ramann also called for explainability in AI applications, particularly those providing financial advice and planning, so that users can understand how recommendations are generated and assess their suitability.

"If we are using any kind of AI to get there, I would demand that we have an explainability of that process. And that's really where I think we need to move into explainable AI," he said.

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On the National Pension System (NPS), Ramann said the PFRDA is in discussions with West Bengal to bring the state under the pension scheme.

West Bengal has never been part of the NPS, and Tamil Nadu has recently cleared it through a Gazette notification and approval in the state Assembly, he said.

Himachal Pradesh and Rajasthan have remained outside the NPS for the past three to four years, while Punjab has exited the scheme but continues to make contributions to a funded account, he added.

Tags

insurance | Mutual Fund (MF) | National Pension Scheme | pension fund | Pension Fund Regulatory and Development Authority | pension scheme | Pensioners | pensions | Tamil Nadu | West Bengal

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