

CABINET APPROVES EXTENSION OF 'PRADHAN MANTRIVAYAVANDANAYOJANA'

Relevant for: Developmental Issues | Topic: Rights & Welfare of Old-Age People - Schemes & their Performance, Mechanisms, Laws Institutions and Bodies

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has given its approval to the following for the welfare of and to enable old age income security for Senior Citizens:

- (a) Extension of Pradhan MantriVayaVandanaYojana (PMVVY) up to 31st March, 2023 for further period of three years beyond 31st March, 2020.
- (b) To allow initially an assured rate of return of 7.40 % per annum for the year 2020-21 per annum and thereafter to be reset every year.
- (c) Annual reset of assured rate of interest with effect from April 1st of financial year in line with revised rate of returns of Senior Citizens Saving Scheme (SCSS) upto a ceiling of 7.75% with fresh appraisal of the scheme on breach of this threshold at any point.
- (d) Approval for expenditure to be incurred on account of the difference between the market rate of return generated by LIC (net of expenses) and the guaranteed rate of return under the scheme.
- (e) Capping Management expenses at 0.5% p.a. of funds of the scheme for first year of scheme in respect of new policies issued and thereafter 0.3% p.a. for second year onwards for the next 9 years.
- (f) Delegating the authority to Finance Minister to approve annual reset rate of return at the beginning of every financial year.
- (g) All other terms and conditions of the scheme remaining the same.

The minimum investment has also been revised to Rs.1,56,658 for pension of Rs.12,000/- per annum and Rs.1,62,162/- for getting a minimum pension amount of Rs.1000/- per month under the scheme.

Financial implications:

Government's financial liability is limited to the extent of the difference between the market return generated by LIC and the guaranteed return of 7.40% per annum initially for the year 2020-21 and thereafter to be reset every year in line with SCSS. The expenses on managing the scheme, are capped at 0.5% of assets under management per annum for the first year of the scheme and 0.3% p.a. for second year onwards for the next nine years. As such the expected financial liability v/ill range from an estimated expenditure of Rs. 829crore in the financial year 2023-24 to Rs. 264crore in last FY 2032-33. The average expected financial liability for the subsidy reimbursement, calculated for annuity payment on actual basis is expected to be Rs. 614 crore

per year for currency of the scheme. The actual interest-gap (subsidy) would however depend upon the actual experience in terms of number of new policies issued, the quantum of investment made by subscribers, actual returns generated and the basis of annuity payment.

PMVVY is a social security scheme for senior citizens intended to give an assured minimum pension to them based on an assured return on the purchase price / subscription amount.

VRRK/SH

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