

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:6254  
ANSWERED ON:06.05.2005  
SETTING UP OF PFRDA  
Acharia Shri Basudeb

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government have set up a Separate Pension Fund Regulatory and Development Authority;
- (b) if so, the details thereof;
- (c) whether attention of the Government has been drawn in regard to possible diversion of pension fund by authorities for other purpose;
- (d) whether pension is a long-term resource for the development of the economy especially in the infrastructure sector;
- (e) whether pension involves management of long-term risks and funds and was always integral part of the Life Insurance Company;
- (f) if so, whether Government have examined the matter of entrusting responsibility of pension reform to the Insurance Regulatory and Development Authority;
- (g) if so, the details thereof; and
- (h) if not, the reasons therefor?

**Answer**

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE ( SHRI S.S. PALANIMANICKAM )

(a) & (b): An interim Pension Fund Regulatory and Development Authority (PFRDA) was constituted through a Government resolution dated 10th October, 2003 and began functioning on 1st January, 2004. Government proposes to have a legislative framework providing, inter alia, for a statutory regulator with adequate powers for regulation of intermediaries and protection of the interests of subscribers of the New Pension System.

(c): Pension funds would be selected by PFRDA. The proposed legislative framework has stringent provisions for dealing with any violations including diversion of pension funds.

(d) : Long-term funds for various purposes can be mobilized inter alia, through the capital market, banks, pension funds and superannuation funds.

(e),(f) & (g): Pension and insurance are two different benefits and two different business. While pension products are for the long-term and address the need for old age income security, insurance products are essentially for safeguarding against risk and unforeseen events. The pension business comprises three phases, namely, accumulation of funds, management of funds and payout. While the payout phase requires skills of actuarial evaluation, the management of funds requires different skills of asset management and should therefore, be done through selected pension fund managers. In view of the different nature and objectives of pension and insurance, and the significant efforts required to develop the pension sector, Government is of the view that there should be a separate regulator for the pension sector.

(h) : Does not arise.