

OpenVoiceNews India

Transparent. Unbiased. Yours.

India's Pension Fund Managers Seek Rule Flexibility to Boost Returns on Retirement Savings

July 19, 2025

– Categories: Finance



DOWNLOAD IPFS

Pension fund managers in India are urging regulators to ease current investment rules for corporate bonds, aiming to boost returns on retirement savings. The request comes as fund administrators face increasing pressure to meet long-term obligations while dealing with a constrained bond market and growing investor expectations.

The Pension Fund Regulatory and Development Authority (PFRDA) currently limits pension fund investment to corporate bonds rated AA or higher. However, managers argue that this threshold restricts access to high-yield opportunities that could enhance returns for over 87 million subscribers of the National Pension System (NPS).

Amit Rathi, Managing Director and CEO of ASK Investment Managers, stated, “Pension funds in India have a more conservative portfolio than needed. With proper safeguards, there is room to allocate a small percentage to lower-rated bonds that offer better yields.”

The NPS currently oversees assets worth more than ₹10 trillion (approx. \$120 billion), and its conservative stance is designed to protect long-term savings. Yet, with government bond yields remaining modest, returns from safer instruments have failed to keep pace with inflation and rising living costs, especially for future retirees.

PFRDA Chairman Deepak Mohanty acknowledged that the authority is reviewing suggestions to gradually allow greater flexibility, including:

- Lower-rated bond exposure with strong internal credit evaluation frameworks
- Rebalancing caps on equity and alternative investment limits
- Enhancing digital infrastructure for better risk monitoring

Despite current limitations, the NPS generated an average annual return of around 9.5% over the past decade, a strong performance by global standards. Still, pension managers believe a more flexible approach could improve resilience and sustainability, especially as demographic shifts increase the burden on retirement systems.

India's finance sector has witnessed rising demand for yield amid tighter monetary conditions and global economic shifts. Pension fund administrators argue that unlocking well-regulated segments of the debt market will align India with global pension practices and offer savers better long-term security.

The final decision on revising investment norms rests with the PFRDA and the Ministry of Finance, with consultations currently underway.