Crisil Intelligence

AMFI

Empowering the future

Mutual Funds: A Bridge to Financial Freedom and Viksit Bharat

by S&P Global

Message from AMFI Chairman

India is on an inspiring journey towards becoming a developed nation by 2047. Enabling every citizen to enjoy a retirement of dignity, independence and peace of mind must be an integral part of that vision.

Rising life expectancy, evolving family structures and growing aspirations have made retirement planning an essential life goal rather than a distant afterthought. The years beyond active work can now span decades — a phase that must be sustained by foresight, discipline and prudent investing.

This whitepaper is a reminder that retirement security must move from the periphery to the core of our financial priorities. It is a call for every working individual to start early, invest regularly and stay the course. The mutual fund industry, with its transparent and well-regulated framework, offers a 'Sahi choice' for building a robust retirement corpus through systematic, long-term investing. In doing so, these investments safeguard personal independence, while channelling savings into productive capital, which fuels India's growth.

As we progress through Amrit Kaal — the 25-year journey to our centenary of independence — our aspiration of becoming a developed nation by 2047 must rest on a foundation of financially prepared citizens. Achieving this will require coordinated action from policymakers, employers, financial institutions and individuals alike.

In this whitepaper, AMFI seeks to highlight the urgency of the challenge as well as the opportunity before us — to ensure that every Indian can look forward to a retirement marked by dignity, independence and peace of mind.

Navneet Munot,
Chairman
Association of Mutual Funds in India (AMFI)

Message from AMFI Chief Executive

India's growth towards becoming a developed nation by 2047 will be powered by the aspirations and the efforts of its people. However, as our young demographic gradually transitions into an ageing population, the widespread lack of preparedness for retirement poses a serious challenge. The absence of mandatory retirement savings provisions further compounds this issue.

Through our outreach programs and interactions with diverse segments of society, we've found that retirement is often not viewed as a vital financial goal. In many cases, individuals defer planning for it until it's too late, leaving themselves vulnerable in later years.

Yet, retirement planning is not just a personal imperative — it's a national one. When individuals invest with a long-term horizon, especially through instruments like mutual funds, their savings contribute to capital formation and economic development. These investments help fund infrastructure, businesses, and innovation, ultimately driving national growth and stability.

This whitepaper offers insights for every participant in the financial ecosystem — from investors and the regulator to industry players and the government — enabling informed, coordinated action. By encouraging early and consistent participation in long-term savings instruments such as mutual funds, we can turn personal financial security into a driver of national progress and economic resilience for decades to come.

Venkat Nageswar Chalasani,
Chief Executive
Association of Mutual Funds in India (AMFI)

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Executive summary

India's demographic shift toward an aging population and the limited reach of formal pension systems create an urgent need for diversified retirement savings solutions. While the government of India has taken multiple measures to deepen pension penetration, the industry still lags on multiple levels on the World Bank's five-pillar framework as well as individual pension indicators.

Globally, developed countries are adding another layer of individual pension planning as a part of their multi-pillar pension systems, which includes social security by the government supported by private pension through defined contribution (DC) schemes. In view of the vast aging population of India, the efforts towards pension funds penetration need to be taken from multiple angles, including through mutual funds, in a large scale.

This whitepaper proposes the creation of a voluntary retirement scheme in India, managed by mutual funds, similar to the US 401K. This could unlock long-term capital for the economy and provide structured retirement security to a wider population.

The Indian mutual fund industry has witnessed significant evolution in its regulatory framework and ecosystem over the years, with a focus on investor protection, transparency, and disclosure. The industry has also seen the emergence of new distribution channels, such as online platforms and robo-advisory services, making investing in mutual funds more accessible and convenient for investors. With the necessary infrastructure in place, it is easier to blend in new products, such as pension funds, within this ambit.

The proposed Mutual Fund- Voluntary Retirement Account (MF-VRA) scheme aims to provide a voluntary, employer-linked retirement product managed by mutual funds, similar to the US 401(k) plan. The scheme would offer features such as voluntary participation, employer-sponsored options, managed by mutual funds, tax incentives, portability, and flexibility.

The MF-VRA scheme would build on the long-term policy laid out by SEBI, enhancing the reach and promoting financial inclusion, and would ride on the growth of mutual funds in India, which has crossed Rs 75 lakh crore of assets as of July 2025. The success of the MF-VRA scheme depends on the collaborative efforts of regulatory enablers, operational design stakeholders, and other key players.

The benefits of the MF-VRA scheme would be multifaceted, enhancing pension penetration and coverage in the country, having a positive impact on economic growth, and reducing the burden of social security on the exchequer. The scheme would also channel household financial savings into the financial markets, providing long-term stability and depth, and increasing the scale and efficiency of the mutual fund industry. Additionally, the MF-VRA scheme would provide supplemental retirement planning and long-term allocation to productive assets for investors, ultimately leading to a more secure and sustainable financial future for individuals.

To make the MF-VRA scheme a success, stakeholders must work together to define the product structure, introduce tax deductions, establish portability provisions, create retirement lifecycle funds, and design user-friendly onboarding and goal-tracking tools. By doing so, India can develop a robust pension system, supplementing retirement planning and providing individuals with a secure and sustainable financial future.

The case for ramping up pension coverage

The number of Indians aged 60 years and above will nearly double by 2050 — a number way higher than the entire population in that age bracket in Europe — United Nations (UN) estimates show.

Therefore, pension coverage in the country needs to be greatly expanded.

It is equally important to look at the investment avenues the pension corpus is going into and whether these can realistically help people in their sunset years to maintain their lifestyles.

In this whitepaper, the Association of Mutual Funds in India (AMFI) explores the reasons why pension coverage needs to be considerably enhanced, the various modes to achieve that, as well as the optimum investment options, such as mutual funds, which can ensure that the individuals are able to maintain the similar life style, if not better, even after their superannuation.

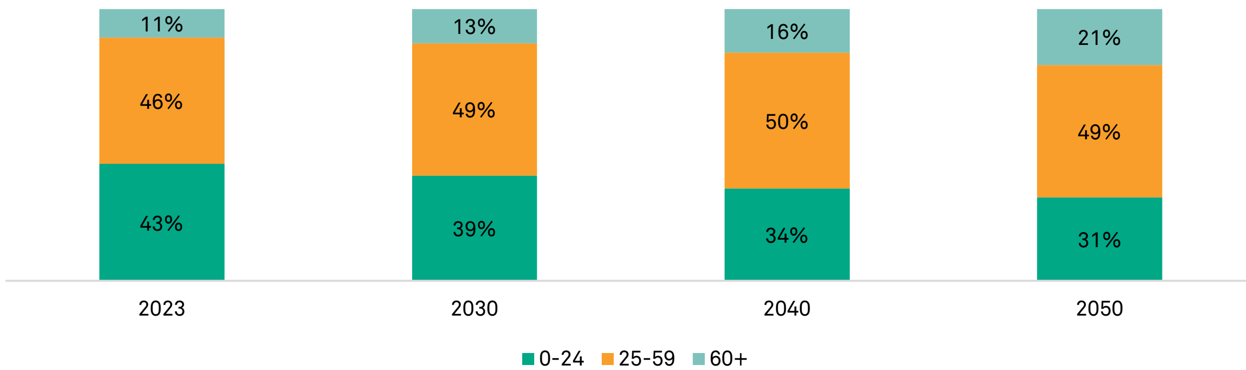
First, a closer look at India's demographic situation, which underscores the need for more effective pension coverage.

Young India is ageing rapidly

As per the UN estimates, as of 2023, over 43% of the country's population was under 25 years and just 11% above 60 years.

By 2050, the share of the elderly in India's total population is expected to nearly double to 21%, which means every fifth Indian will be a senior citizen (60+) compared with one in 10 now.

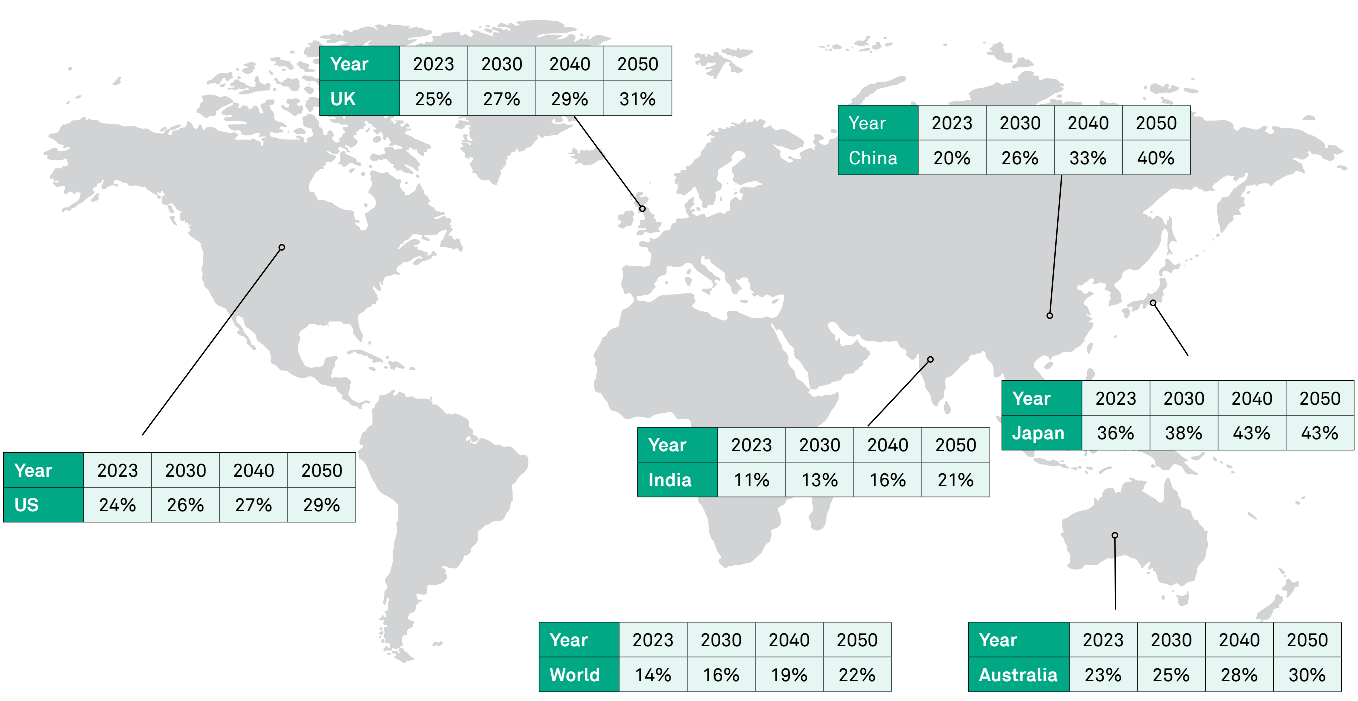
India's age-wise population distribution trend



Note: Data as on March 31, 2023 (as per latest available data)
Source: UN population estimates

In real terms, India's population of 60 years and above will top 346 million by 2050, second only to China (504 million). The growth in the number of senior citizens as a percentage of total population is much higher in case of India as compared with the world average. As can be seen, the elderly population, which made up 11% of the total population in 2023, is expected to rise to 21% in 2050, whereas in case of the world, elderly population made up 14% of the total population in 2023 an is expected to rise to 22% in 2050. Thus, by 2050, India would not only be in a similar position to today's developed world, in terms of population share of the elderly, but will also have to take care of a considerably larger elderly population.

India vs global senior citizen population (60+) projection



Year	2023	2030	2040	2050
UK	25%	27%	29%	31%

Year	2023	2030	2040	2050
China	20%	26%	33%	40%

Year	2023	2030	2040	2050
Japan	36%	38%	43%	43%

Year	2023	2030	2040	2050
India	11%	13%	16%	21%

Year	2023	2030	2040	2050
US	24%	26%	27%	29%

Year	2023	2030	2040	2050
World	14%	16%	19%	22%

Year	2023	2030	2040	2050
Australia	23%	25%	28%	30%

Source: UN population estimates

It is, therefore, imperative that India expands a pension system now, when the demography is conducive for pension planning, to supplement the population's income in their sunset years.

Another factor to consider is that the variances in demographics within the country are also considerable. As per data by the Ministry of Statistics and Programme Implementation, Kerala, for instance, with an elderly population of 16.5% in 2021, was much ahead of the country's average of 11%, while Bihar was at the other end of the spectrum, at 7.7%.

This trend is expected to continue, with Kerala's elderly population topping 20.9% by 2031 followed by Tamil Nadu (18.2%) and Himachal Pradesh (17.1%) while Bihar continuing to have a relatively younger demography, with an elderly population share of just 9.5%.

This means some states will have a higher elderly population nearly 20 years before the country average, i.e. 2050. Still, even in 2050, this proportion is expected to be the least in Bihar (9.5%), Uttar Pradesh (10.3%) and Jharkhand (10.8%).

This is where the mutual fund industry could provide recourse.

To be sure, the footprint of the mutual fund industry is expanding rapidly in the country compared with just a few years ago, wherein it was largely concentrated in a few cities and regions. The uptake can be seen in beyond 30 (B-30) cities' assets growing at a faster pace than top 30 (T-30) counterparts, from Rs 5.12 lakh crore in March 2019 to Rs 17.46 lakh crore in March 2025, i.e. a notable CAGR of 22.69%, thereby increasing its share from 21.5% to 26.6%. The analysis excludes non-resident Indian and overseas investments, which have remained constant at ~4%.

The widening base can also be seen in asset distribution across states. Between fiscals 2019 and 2025, the share of top states such as Maharashtra and Delhi declined, losing 0.43% and 1.86%, respectively. Karnataka, West Bengal and Gujarat also experienced minor reductions. Meanwhile, Uttar Pradesh, Madhya Pradesh, Bihar, Kerala, Jharkhand, and Telangana have gained market share, reflecting a gradual shift in investments to traditionally underpenetrated states.

However, the pension system in India needs to be further developed for it to achieve optimum potential.

Need to develop a pension system based on the World Bank's five-pillar framework…

The World Bank's five-pillar framework is one of the fundamental benchmarks for comparing the pension industry in a country.

In India, transitioning from the three-pillar pension system introduced by the World Bank in 1994, the framework has been refined to adapt to widely varying conditions and better address the needs of diverse populations and manage the requirement in old age.

Pillar Zero (non-contributory): The first pillar is a non-contributory social pension framework, typically financed by the government, which provides a minimal level of income in old age. This ensures people with low lifetime incomes are provided with basic protection when they reach superannuation, including those who only participated marginally in the formal economy.

In India, such protection is provided by the central government through National Social Assistance Program (NSAP) which is provided to any person who has little or no regular means of subsistence from his/her own source of income or through financial support from family members. Under NSAP, there are five social security schemes of which three are pension schemes listed below:

Indira Gandhi National Old Age Pension Scheme (IGNOAPS): Under the scheme, Below Poverty Line (BPL) persons aged 60 years or above are entitled to a monthly pension of Rs. 200/- up to 79 years of age and Rs.500/- thereafter.

Indira Gandhi National Widow Pension Scheme (IGNWPS) provides a monthly pension of ₹300 to widows aged 40-79 years, and ₹500 to those aged 80 and above (BPL widows only)

The pension amount under the Indira Gandhi National Disability Pension Scheme (IGNDPS) is Rs. 300 per month for Divyangjan between 18 and 79 years, and Rs. 500 per month for Divyangjan aged 80 years and above. (for BPL people only)

State and Central government employees who joined before 2004 also form a part of pillar zero for retirement benefits.

Pillar I (mandatory – pay-as-you-go): The second pillar, termed Pillar I, is a pay-as-you-go/ defined benefit (DB) pension framework, which is primarily tax- / expense-funded, respectively, and seeks to replace some portion of pre-superannuation income. The aim of this pillar is to replace some portion of lifetime pre-retirement income and address risks such as inappropriate planning horizons owing to uncertainty of life expectancy, and lack of access or aversion to risks of the financial markets. The plan is, however, subject to demographic risks (ageing population) and poses high stress on the fiscal system. So, there are questions about its sustainability.

In India, this pillar was done away with for government employees in 2004, with the government transitioning to defined contribution (DC) pension for all employees joining from January 2004 (excluding Defence personnel). Government employees who entered service pre-2004 would continue to receive DB benefit, but because of the shift, the cost to the exchequer would drastically reduce.

With effect from April 1, 2025, the Unified Pension Scheme (UPS) has been introduced for central government employees, which is a hybrid pension scheme - guaranteed pension with contribution model.

Pillar II (mandatory – organised section): The third pillar is also mandatory, but in the form of a DC pension system from the subscriber. Mostly, it targets the organised section of the economy with a wide set of investment options, including active or passive investment, wide choice of parameters for selecting investments and investment managers, and options for phased withdrawal of amounts.

In India, this pillar has a long history in the form of Employees' Pension Fund (EPS) and Employee Provident Fund (EPF). Scheme CG and Scheme SG of NPS also fall under this pillar. It lacks depth because of the low share of the organised sector in the country.

Pillar III (voluntary): This pillar is voluntarily opted for by subscribers. Plans such as the voluntary scheme of the National Pension System, Atal Pension Yojana, Pradhan Mantri Shram Yogi Maan-Dhan Yojana (PM-SYM), mutual fund retirement plans, pension plans from insurance companies, and Public Provident Fund come under this pillar. However, in this case, affordability and persistency, particularly for the low-income segment, are some of the concerns in India and, thus, may result in inadequate payouts in the vesting period.

Pillar IV (non-financial): The fifth pillar is family or other informal financial and non-financial support. This has been the traditional pension support in India. However, it has been failing in recent times with increasing urbanisation and nuclearisation of families. Average family size in India has reduced to 4.1 in 2024 as against 4.5 in 2011.

Five pillar framework in India

Pillar 0
Universal Social Security

IGNOAPS
- Coverage – 2.21 cr pensioners[1]
- Payments – Rs 4.46 lakh cr[2]

IGNWPS
- Coverage – 0.68 cr pensioners[1]
- Payments – Rs 1.39 lakh cr[2]

IGNDPS
- Coverage – 0.08 cr pensioners[1]
- Payments – Rs 19,762 cr[2]

State Schemes
- Coverage – 1.4 cr pensioners[2]

Pillar 1
Pay as you go

Old DB schemes for central/state government and PSUs

Pillar 2
Occupational Pension

EPFO, CMPF, ATPPF, Seamen's PF, Superannuation Funds
- EPFO Coverage – 7.54 cr[2] contributing members , AUM – Rs 24.75 lakh cr[3]

NPS for Central and State Government employees
- Coverage - 0.99 cr subscribers[2]/ AUM - Rs 11.01 lakh cr[2]

Pillar 3
Personal pension

NPS for Corporate, NPS Lite, APY, All Citizen Model
- Coverage – 7.41 cr subscribers[2] AUM – Rs. 3.44 lakh cr[2]

Mutual Funds
- 29 schemes[2], AUM - Rs 29,105 cr[2]
- Insurance plans (Pension and Annuity)
- AUM – Rs 14.74 lakh cr[3]

Pillar 4
Informal Support

Family and other individual assets
- Traditional bias, reducing in recent years
- Avg family size 4.1 in 2024 - MoSPI vs. 4.5 in 2011

Source: PFRDA, AMFI, NSAP, IRDA, Crisil Intelligence, MoSPI
[1]Data as of March 2023, [2]Data as of March 2025, [3]Data as of March 2024

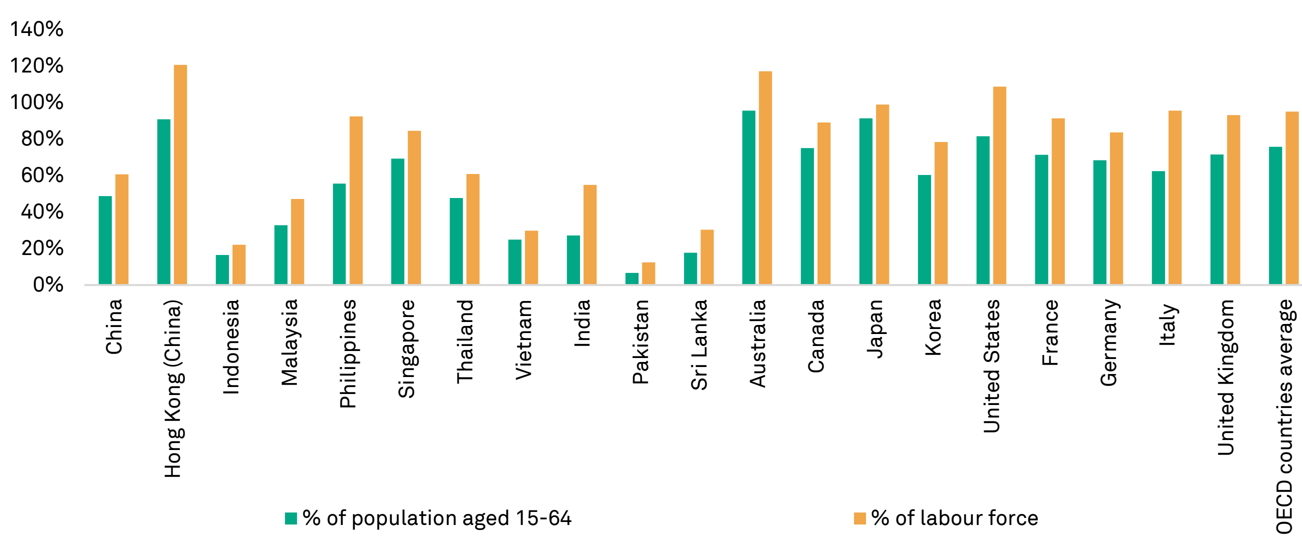
...and its impact on other pension indicators

The lack of a robust pension system in the country across the five-pillar framework has impacted major pension indicators.

Pension coverage

According to data from the Organization for Economic Co-operation and Development (OECD), India's coverage under mandatory pension schemes is relatively low. Only 27.2% of the population aged 15-64 is covered under mandatory pension schemes. When the labour force is considered, only 54.9% of the same is covered. In comparison, the OECD countries' average is significantly higher, with 75.8% of the population aged 15-64 and 95.1% of the active labour force covered under mandatory pension schemes.

Coverage of mandatory pension schemes by population and labour force



Note: 1) Australia, Canada, Japan, Korea, United States, France, Germany, Italy and United Kingdom are OECD countries, whereas others are non-OECD countries.
2) In several economies, the percentage of coverage for the labour force is above 100%. This results from it being possible for individuals to have multiple accounts and for those currently outside the labour force to have previously been a paid member of an account.
Source: Pensions at a Glance Asia/Pacific 2024: OECD

Pension coverage

Coverage is defined as the proportion of people that are covered by mandatory pension schemes. The measures used here are: i) population aged 15-64 and ii) active labour force. The coverage percentage is a measure of how effectively a pension system is being utilised by the pre-retirement population and can act as an indicator of future trends. The coverage value is expressed as the percentage
of the population or labour force that is classified as active members of a mandatory pension system during the indicated year. Active members include those that have either contributed or accrued pension rights in any of the major mandatory pension schemes during the indicated year.

Pension assets

India also lacks in terms of the size of pension assets as a % of gross domestic product (GDP), considering the lack of pension coverage and voluntary contribution towards pension plans in the country.

As per OECD data, the size of India's pension assets[2] was just 11% of the country's GDP at end-2022. In contrast, the figure was 87% for OECD countries, while for developed pension markets such as the US, Australia and Canada, the size was higher than their GDP, in the range of 130-150%. Even when compared with countries within the BRICS group, South Africa and Brazil have higher pension assets, at 78% and 24%, respectively.

The development of pension assets in the large pension markets of OECD is primarily because of long history of a pension plan industry along with mandatory or quasi mandatory private pensions systems. In fact, the US and Canada have also benefited from allowing tax benefits on the contribution.

Similar to 401 K in US, India may also think of compulsory savings towards pension for the entire population in the organised sector.

Pension assets India vs. select economies and OECD at end-2022

	Pension plans	
	As a % of GDP	$ million
OECD countries		
Australia	131.4	2,089,041
Canada	152.8	3,126,435
Chile	57.7	174,792
Israel	61.3	307,330
Japan	30.2	1,266,230
Netherlands	150.7	1,541,194
Sweden	97.9	561,147
United Kingdom	85.2	2,561,509
United States	137.5	35,016,907
OECD	**86.7**	**51,548,877**
Selected other major economies		
Brazil	23.9	454,805
China	2.4	412,854
India	10.7	338,159
South Africa	78.2	295,940

Data for India cover the National Pension Scheme and Atal Pension Yojana at end-2022 and Employees' Provident Fund, Employees' Pension Fund and Employees' Deposit Linked Insurance Fund at end-March 2022.
Source: OECD Pensions at a Glance 2023

[1] *OECD*
[2] *Includes assets under the National Pension Scheme and Atal Pension Yojana at end-2022, and Employees' Provident Fund and Employees' Pension Fund and Employees' Deposit Linked Insurance Fund at end-March 2022*

Pension replacement rates

A pension plan should aim to garner enough corpus for an individual to maintain his/her desired standard of living in the sunset years. The replacement rate calculates the efficacy of the pension system in generating income from retirement savings. It comprises income from all the sources, including social security and retirement savings plan.

As per data disclosed by OECD, India has one of the lowest gross pension replacement rates, at 38.9%, compared with the OECD average of over 50% and EU27 average of 55%. Meanwhile, within BRICs, Brazil and China with a developed mandatory public pension system have replacement rates of 88% and 68%, respectively.

Lack of penetration and development of the voluntary pension system does not add any money to the replacement rate in India. In comparison, a developed voluntary pension system in countries such as the US adds 34% to the overall pension replacement.

Gross pension replacement rates from mandatory public and private, and voluntary private pension schemes for select economies

Country / region	Mandatory public	Mandatory private (DB and DC)	Total mandatory	Voluntary	Total with voluntary
Canada	36.8	-	36.8	20.2	57.0
Germany	43.9	-	43.9	10.9	54.7
UK	21.7	20.1	41.9		
US	39.1	-	39.1	34.1	73.2
OECD	42.3	-	50.7	-	55.2
EU27	49.5	-	54.8	-	57.8
Brazil	88.4	-	88.4		
China	68.3	-	68.3		
South Africa	8.0	-	8.0	29.0	29.0
India	23.4	15.5	38.9		

Source: OECD pension models at median earnings at 1 time of average earnings levels

Asset allocation

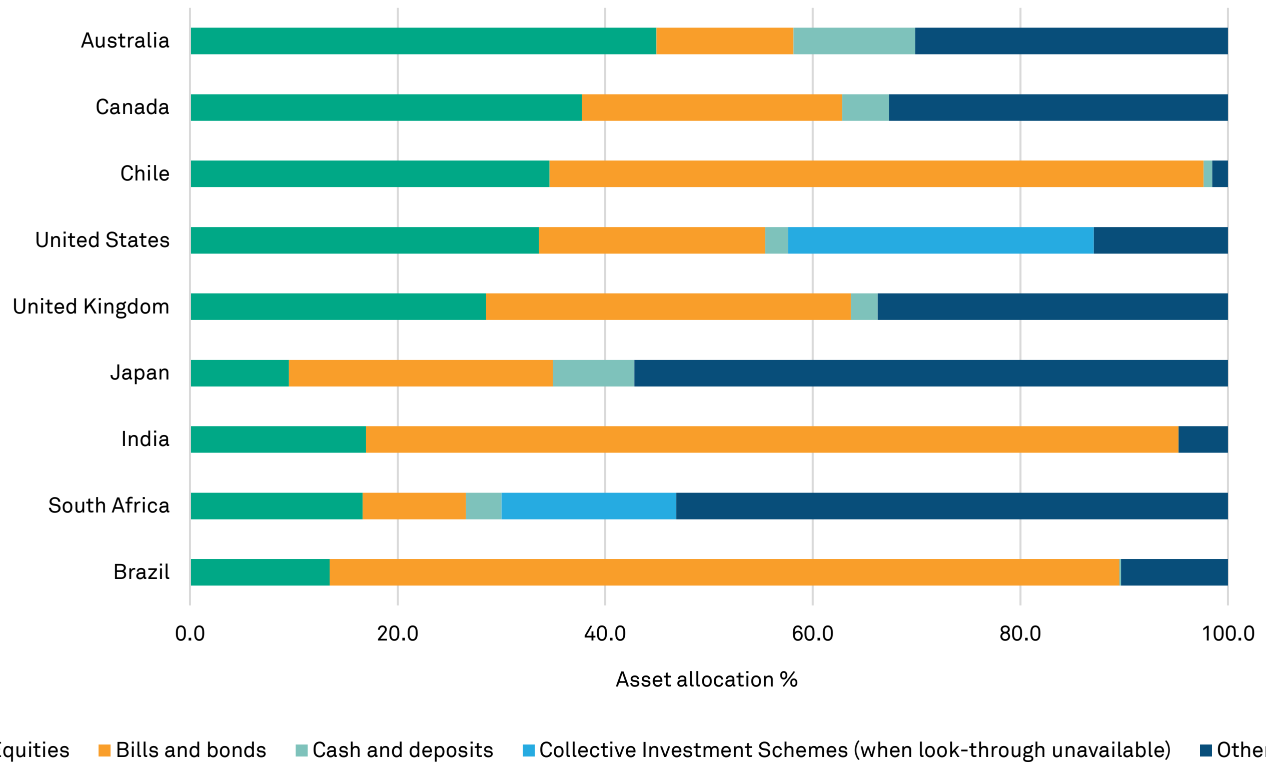
Allocation of the investments is a critical component of portfolio returns. In retirement planning, where the investment horizon is typically 20-30 years, the allocation of investments should ideally be towards long term investment products, such as equities, to derive better returns from the portfolio.

An analysis of major pension markets in the OECD shows that these countries have a larger share of their monies invested in long term assets such as equities – in the range of 30-45%.

India, on the other hand, has just 17%[3] of its investments in equities, with bulk of the money invested in debt. This is despite the country's demographic advantage.

[3]Data for India, refer to National Pension Scheme and Atal Pension Yojana only

Allocation of assets in pension plans in selected asset classes and investment vehicles (at the end of 2022 or latest year available)



Source: OECD Pensions at a Glance 2023

But investments can be better channeled given the low median age bracket in the case of India. Currently, as of March 2023, 669 million of the country's population is within 25-59 years, with the share projected at 49% by 2050. This calls for greater allocation to long-term asset class (such as equity) for wealth creation to meet the needs in sunset years.

Global pension system

Need for adding an additional individual pension planning layer taking cues from US retirement system:

India's demographic shift toward an aging population and the limited reach of formal pension systems create an urgent need for diversified retirement savings solutions. The coverage of existing retirement products remains narrow.

Drawing inspiration from the U.S. 401(k) plan—a voluntary, employer-linked retirement product managed by mutual funds—this whitepaper proposes the creation of a similar voluntary retirement scheme in India, managed by mutual funds. This could unlock long-term capital for the economy and provide structured retirement security to a wider population.

Globally, developed countries such as Canada, Denmark, the Netherlands, and the US, are adding another layer of individual pension planning as a part of their multi-pillar pension systems, which includes social security by the government supported by private pension through DC schemes (employers and / or individuals).

The primary reason for adding individual pension-contribution system in all of these economies is to supplement the retirement income of individuals while also improving the sustainability of the pay-as-you-go' system under Pillar 1. For instance, pension systems in Denmark, the Netherlands and the US, provided incentives for employer- and individual-sponsored pension plans to supplement the individuals' retirement requirements.

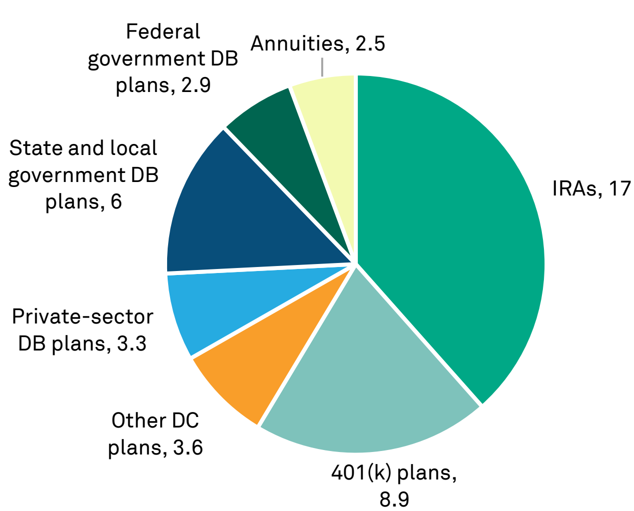
The US retirement system is built on a three-pillar model:

Pillar	Description
I. Social Security	Mandatory government-sponsored pension funded by payroll taxes, where investments are managed by government and contributions are fixed by law. It's a defined benefit plan
II. Employer-Sponsored Plans	Voluntary retirement savings via employer-linked accounts (e.g., 401(k)).
III. Individual Retirement Accounts (IRA)	Self-initiated voluntary savings with tax benefits.

By design, social security is the primary means of support for retirees with low lifetime earnings and a substantial source of income for all retired workers. The Congressional Budget Office 2021 estimates that for those in the lowest quintile (20%) of households ranked by lifetime household earnings, first-year social security benefits will replace 78% of inflation-indexed lifetime earnings, on average, for workers born in the 1960s, who claim benefits at age 65. Even for workers in the top 20% of households, social security benefits are projected to replace a considerable portion (31%) of earnings.

Employer-sponsored retirement plans and IRAs, which complement social security benefits and are important resources for households regardless of income or wealth, increase in importance for households for which social security replaces a smaller share of earnings.

US retirement market assets, 2024 ($ trillion)

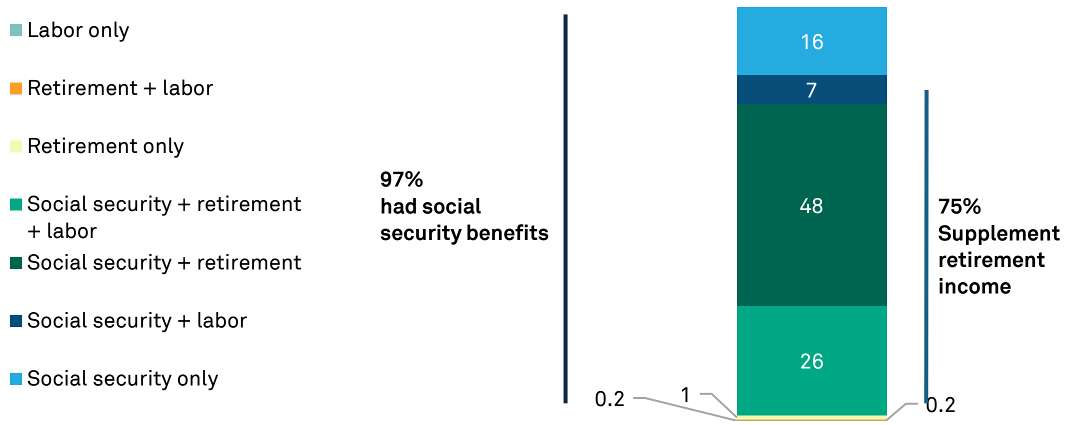


Source: ICI Factbook 2025

Employer-sponsored retirement plans, IRAs (including rollovers), and annuities play an important role in the US retirement system, with assets earmarked for retirement representing more than one-third of US households' total financial assets at year-end 2024.
US households had $44.1 trillion earmarked for retirement at year-end 2024 —up 11 percent from year-end 2023.

The study found that the vast majority of American retirees had income from employer-sponsored retirement plans, annuities, and IRAs. At age 72, either directly or through a spouse, 97 percent received Social Security benefits and 75 percent received retirement income. Nearly half (48 percent) had Social Security benefits and retirement income (but no labor income), and more than one-quarter had all three.

Retirement income of Americans, aged 72



Source: ICI Factbook 2025

Evolution of 401(k) plan in the US:

The US retirement system has undergone significant transformation over the years. A key milestone was the Employee Retirement Income Security Act of 1974 (ERISA), which introduced individual retirement accounts (IRAs) and established safeguards for workplace defined benefit and defined contribution (DC) plans. The introduction of 401(k) regulations in 1981 allowed workers to make tax-deferred contributions to DC plans, marking a significant shift in retirement savings.

However, between 1982 and 2001, policymakers implemented changes that reduced contribution limits to DC plans. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) partially reversed this trend by increasing retirement plan contribution limits and introducing "catch-up contributions" for older workers. The Pension Protection Act (PPA) of 2006 built upon EGTRRA's improvements, making them permanent and introducing additional changes to simplify and enhance retirement savings at work.

These reforms had a profound impact: by 2014; ~55 million workers were actively participating in 401(k) plans, with total assets reaching $4.8 trillion by March 2016. Fast forward to December 2024, the number of active participants in 401(k) plans grew to 70 million, with a staggering $8.9 trillion in assets, according to the ICI Factbook 2025. This significant growth underscores the effectiveness of policy changes in promoting retirement savings and security for American workers.

Features	US 401K	IRA	IRA (Roth)
Type	A employer-sponsored retirement plan that allows employees to contribute pre-tax dollars, which may be matched by the employer	An individual retirement account that allows individuals to contribute pre-tax dollars, which may be deductible from taxable income.	An individual retirement account that allows individuals to contribute after-tax dollars, which can grow tax-free and be withdrawn tax-free in retirement.
Contributions	Pre-tax, through employer	Pre-tax, individual	After-tax, individual
Income Limits	No income limits, but high-income individuals may face reduced or no deductibility	Income limits apply to deductibility	Income limits apply to eligibility
Employer Matching	Often offered by employers	Not applicable	Not applicable
Investment Options	Funds typically invested in mutual funds, index funds, or target-date funds	Self-directed; most commonly in mutual funds, ETFs, or other financial products.	Self-directed; most commonly in mutual funds, ETFs, or other financial products.
Vesting	May have vesting schedule for employer contributions	No vesting schedule	No vesting schedule
Taxation	EET - Contributions are pre-tax, reducing taxable income	Pre-tax, individual	After-tax, individual

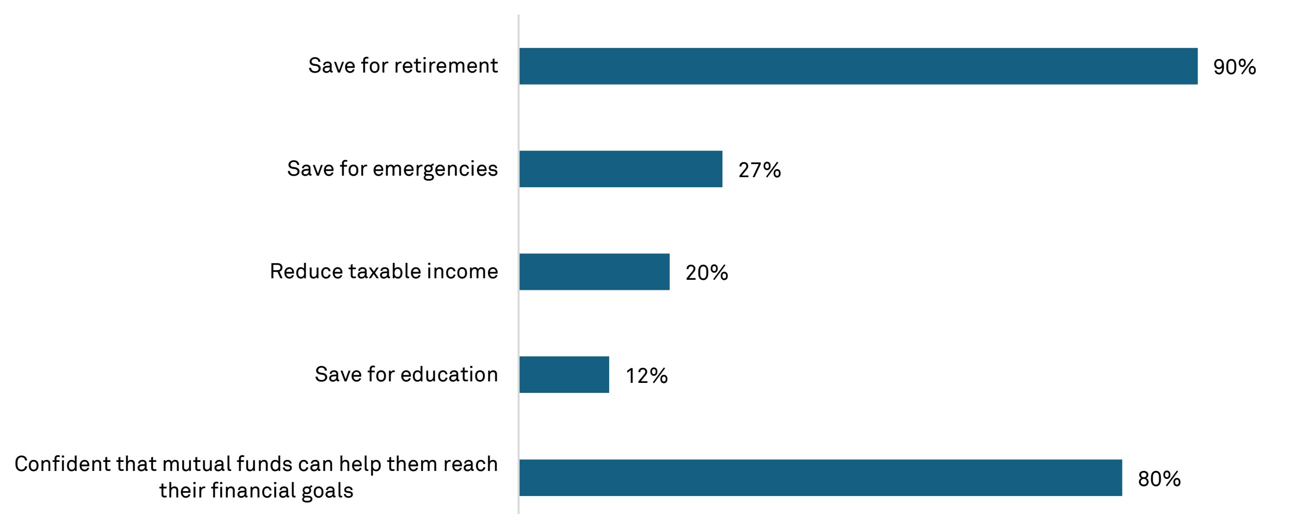
Features	US 401K	IRA	IRA (Roth)
Withdrawal Rule	Penalty for withdrawal before age 59 1/2, unless separated from service or disabled	Penalty for withdrawal before age 59 1/2, unless disabled or first-time home purchase	Penalty for withdrawal of earnings before age 59 1/2 or within 5 years of opening account
Contribution Limits	Max employee contribution: $23,500 in 2025, plus $7,500 catch-up contribution for those 50+. Max employee and employer contribution: $70,000	$7,000 in 2025, plus $1,000 catch-up contribution for those 50+	$7,000 in 2025, plus $1,000 catch-up contribution for those 50+
Portability	May be able to roll over to new employer's plan or IRA	Can be rolled over to new IRA or employer plan	Can be rolled over to new Roth IRA

Role of mutual funds in the US retirement system

Mutual funds, an integral part of the US retirement system, act as a funnel for investors' pension money to flow into the capital market. Mutual fund companies (e.g., Vanguard, Fidelity, BlackRock) manage the bulk of 401(k), IRA, and Roth IRA assets through a range of diversified investment products. Target-date funds, low-cost index funds, and ESG funds have gained popularity.

In fact, 90% of the households in the US invested in mutual funds for their retirement. Further, 80% were confident that mutual funds can help them reach their financial goals in 2023.

Why do Americans invest in mutual funds?



Source: ICI Factbook 2024

- In terms of numbers, 65% of $7.4 trillion of 401k assets was invested through mutual funds including domestic equity funds, international equity funds, domestic bond funds and target date funds[1]
- If we look at asset allocation, 26% of participants in their 20s and 36% of participants in their 60s invested in equity fund.

[1] Funds include mutual funds, collective investment trusts, separate accounts and other pooled investment products.
[2] A target date fund typically rebalances its portfolio to become less focused on growth and more focused on income as it approaches and passes the target date of the fund, which is usually included in the fund's name.

- Further, 65.6% of investments of participants in their 20s was in target date funds[3] vs 32% for investors in their 60s
- In terms of IRA, 43% of the $13.6 trillion of assets was invested in mutual funds
- In terms of asset allocation, for traditional IRAs, nearly 60% of the money of investors in their 30s was invested in equity funds, while 53% of investors in their 60s invested in equity funds
- For Roth IRA investors, 66% of funds of investors in their 30s was invested in equity funds and 69% of funds of investors in their 60s was invested in equity funds

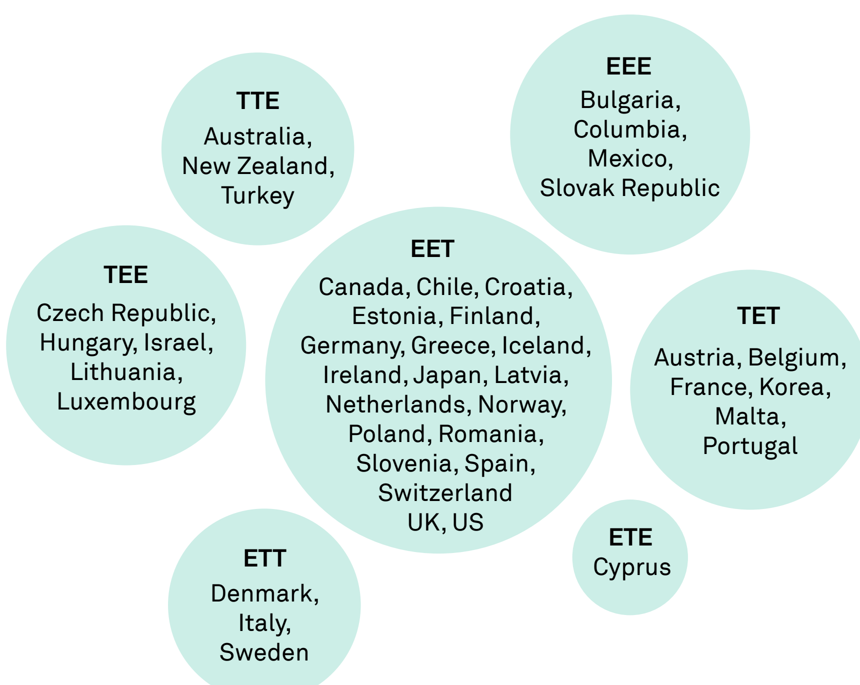
Further, investments in mutual funds through retirement money have boosted industry assets over the years. Of total industry assets of $25.3 trillion in 2023, retirement money accounted for 47%, or $11.9 trillion. The DC plans (including 401k) and IRAs held 57% of equity, hybrid and bond mutual fund assets of the industry in 2023.

U.S. experience shows how **voluntary retirement savings channeled through mutual funds** can build large pools of patient capital and supplement mandatory government schemes. **Default auto-enrollment, tax incentives, and lifecycle fund options** are critical success factors. India's mutual fund industry can replicate this model with appropriate regulatory and fiscal support.

Tax Benefits / incentives that can be built to make this more popular

- Globally, financial incentives have played a major role in spurring retirement savings, with tax sops being the dominant type. The key findings of OECD study, titled 'Financial incentives and retirement savings', show that:
- All countries provide financial incentives to promote savings for retirement; the most common approach is the exempt-exempt tax (EET) method, which exempts contributions and returns on investment from taxation and taxes withdrawals.

Tax treatment of retirement savings in OECD and select non-OECD countries



Note: Main pension plan in each country. "E" stands for exempt and "T" for taxed. Countries offering tax credits on contributions are considered as taxing contributions, as the tax credit may not cover the full amount of tax paid on those contributions.
Source: OECD study – Financial incentives and retirement savings

- Financial incentives reduce the overall incidence of tax on investors, less tax payment during working-year contributions and afterwards during annuity payouts. This overall tax advantage varies with the individual's income level
- Financial incentives, tax and non-tax, can be effective tools to promote savings for retirement. In particular, allowing individuals to deduct pension contributions from taxable income encourages participation in and contributions to retirement savings plans for middle-to-high income earners, because individuals respond to the upfront tax relief on contributions that reduce their current tax liability. Low-income earners are more sensitive to non-tax incentives (matching contributions and fixed nominal subsidies) than to tax incentives.

Studies on the impact of tax incentives for retirement savings on national savings

Study	Country	Period covered	Main results
Tax incentives lead to an increase in national savings			
Does 401(k) eligibility increase savings? Evidence from the propensity score subclassification	US	1991	On average, about one half of 401(k) balances represent new private savings, and about one quarter of 401(k) balances represent new national savings.
Tax incentives lead to an increase in national savings			
Voluntary Contributions to Personal Pension Plans: Evidence from the British Household Panel Survey	UK	1994-2003	Voluntary contributions to personal pension plans are made essentially for retirement purposes, whereas conventional saving is undertaken for precautionary motives. There is no evidence of a negative relationship between the two types of savings, therefore they are unlikely to offset each other completely.
Tax incentives lead to a reallocation of savings			
Active vs. passive decisions and crowd out in retirement savings accounts: Evidence from Denmark	Denmark	1995-2009	About 15% of individuals are 'active savers', who respond to tax subsidies, primarily by shifting assets across accounts. 85% of individuals are 'passive savers', who are unresponsive to subsidies but are heavily influenced by automatic contributions made on their behalf
Evaluating the impact on saving of tax favoured retirement plans	Italy	1989-2006	The pension fund legislation in Italy had a strong effect on the allocation of savings, and triggered substantial substitution of non-tax favoured non-retirement wealth for tax-favoured pension funds. In contrast, it had little, if any, effect on household savings flows
The effect of tax incentives on national savings depend on the income level			
The effects of 401(k) plans on household wealth: Differences across earnings groups	US	1987-1991	The effects of 401(k)s on household wealth vary significantly by earnings level. 401(k)s held by groups with low earnings, which hold a small portion of 401(k) balances, are more likely to represent additions to net wealth than 401(k)s held by high-earnings groups, which hold the bulk of 401(k) assets. Overall, between 0% and 30% of 401(k) balances represent net additions to private savings during the sample period.

Source: OECD study – Financial incentives and retirement savings

- The total fiscal cost of financial incentives varies greatly across countries, but remains in low single digits percentage share of GDP. Its evolution over time depends on the extent to which retirees draw their pensions based on a full career, constant contribution rules and the countries' demographics. At an aggregate level, while the public and private benefits spending on pensions is around 9.2% for OECD economies, the cost to the exchequer in terms of the fiscal incentives / tax benefits provided is just 0.5% of the overall GDP.

Private pension benefits expenditures

Country / Region	Scheme type	Public and private benefit spending (% of GDP)	Tax breaks
		2019	2019
Australia	m	7.9	1.9
Canada*	v	10.5	2.2
France*	v	13.7	0.1
Germany	v	11.1	1.1
Ireland	v	4.4	0.4
Italy	v	17.0	0.1
Netherlands	q	10.3	1.8
Switzerland	m	11.7	1.2
United Kingdom*	m	10.5	0.9
United States*	v	12.7	0.9
OECD		**9.2**	**0.5**

*Note: * = latest data is for 2020 rather than 2019, for pension type, m = Mandatory, q = Quasi mandatory and v = Voluntary.*
Source: OECD pensions at a glance 2023

- The way individuals perceive different designs of financial incentives may distort plan choices and savings levels even though those designs may be economically equivalent under certain assumptions. Inadequate financial knowledge and behavioural biases may lead individuals to fail in choosing the tax treatment that provides the largest overall tax advantage

Why Indian MFs are best poised to handle this pension money

As can be seen globally, voluntary pension schemes play an important role in developing the retirement system, especially in countries where the social security and mandatory retirement systems are comparatively underdeveloped. Development of mutual fund pension schemes (MPS) can aid in this endeavour and supplement the retirement income for a large stratum of the population in the country.

Builds on the long-term policy laid out by SEBI

The case for MPS also builds on the long-term policy laid out by market regulator Securities Exchange Board of India (SEBI) in 2014, which covers the following aspects:

- Enhancing the reach and promoting financial inclusion
- Tax treatment
- Obligation of various stakeholders to deal with the public policy objectives of achieving sustainable growth of the mutual fund industry
- Mobilisation of household savings for economic growth

The policy outlined a long-term product such as Mutual Fund Linked Retirement Plan (MFLRP) with additional tax incentive of Rs 50,000 under 80C of Income Tax Act to be introduced.

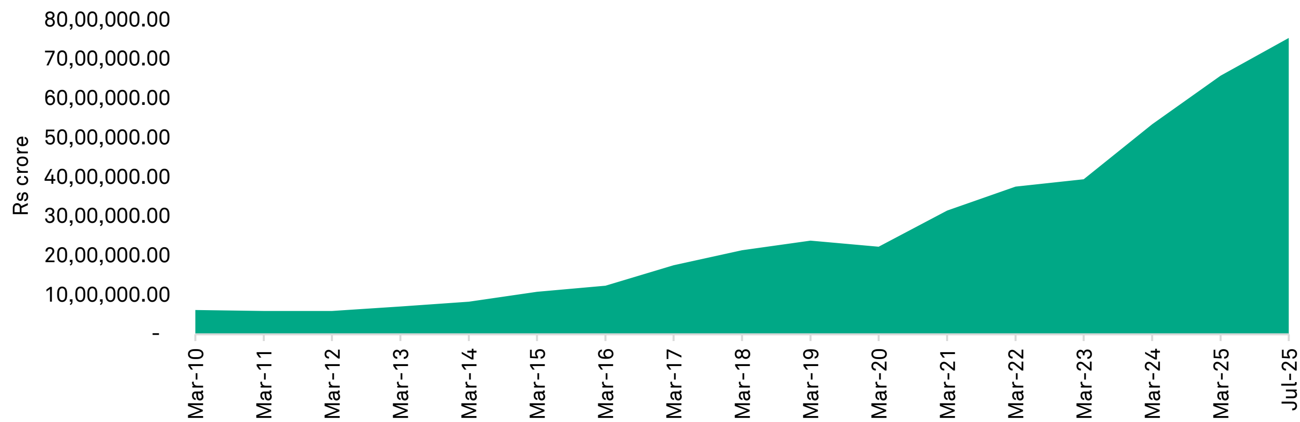
Riding on the growth of mutual funds in India

The domestic mutual fund industry has crossed Rs 75 lakh crore as on July 2025, accounting for more than 24 crore folios and over 5.6 crore unique investor accounts. It has also been able to imbibe systematic investing practice among investors with more than Rs 28,000 crore flowing into the industry monthly through the systematic investment plan (SIP) route, which has remained strong despite volatility in financial markets.

The share of mutual funds in the financial assets of households has increased from 8.46% as of March 2022 to 10.59% as of March 2024, indicating households' preference for mutual funds as an investment avenue.

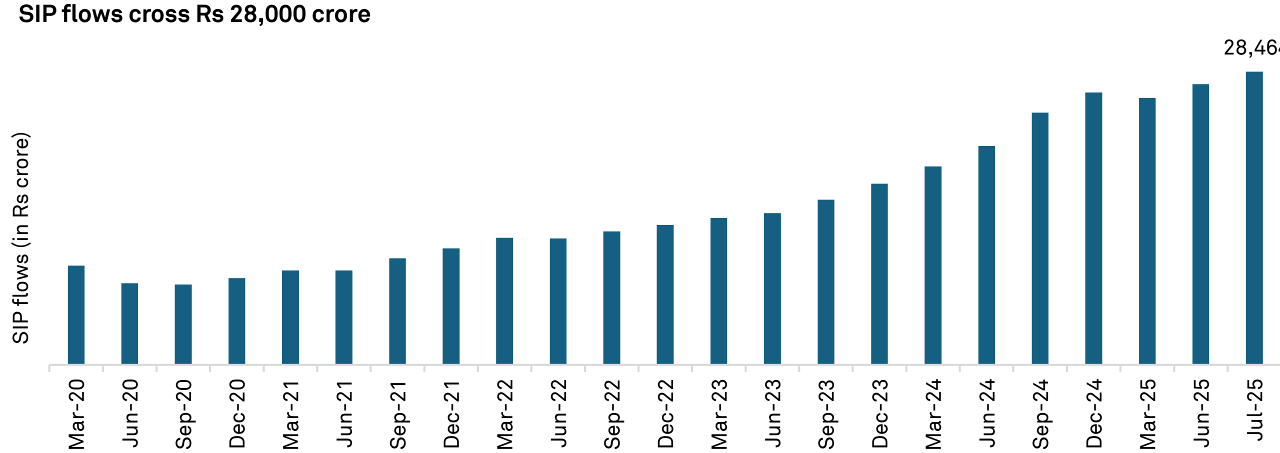
Crisil
Intelligence

Industry AUM soars to a record high crosses Rs 75 lakh crore mark

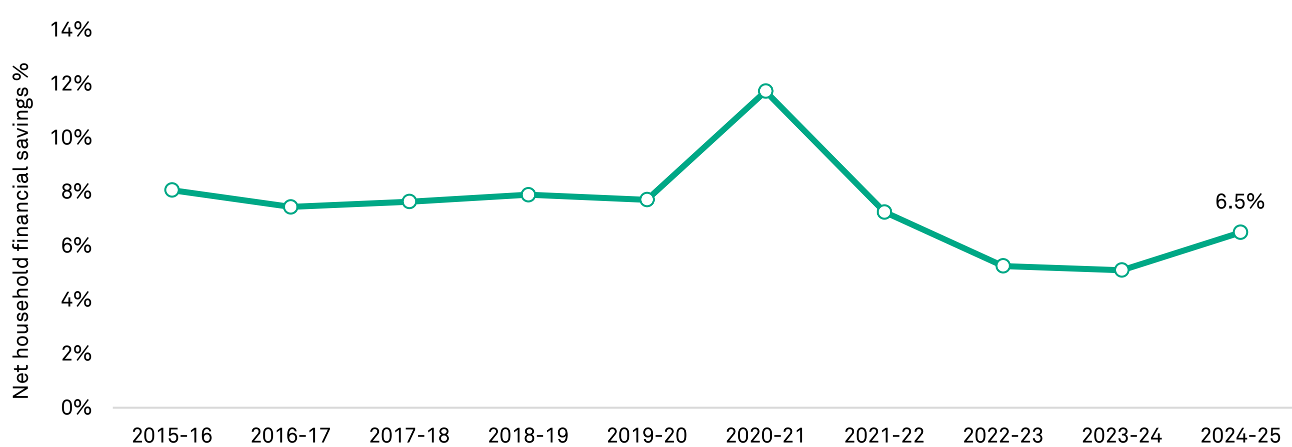


Source: AMFI, Crisil Intelligence

SIP flows cross Rs 28,000 crore



SIP investments continue despite a dip in financial savings



Source: AMFI, National Statistical Office (NSO), CEIC, Crisil Intelligence

Harnessing the deepening geographic penetration of the industry

With the sharp growth of the mutual funds industry, we are also witnessing a corresponding increase in the industry's geographic penetration. Compared with the earlier trend of being concentrated in a few cities and regions, the industry is now spreading out to other parts of the country. This is evident in the B-30 cities' assets which grew at a faster pace than their T-30 counterparts from Rs 5.12 lakh crore in March 2019 to Rs 17.46 lakh crore in March 2025, at a CAGR of 22.69%, increasing their share from 21.5% to 26.6%. (The analysis excludes NRI and overseas investments, which remained constant at ~4%.)

Similar trends could be seen in state assets distribution as well. Between fiscals 2019 and 2025, top states such as Maharashtra, Delhi & West Bengal saw a decline in market share, losing 0.4%, 1.9% and 0.5%, respectively. Karnataka and Gujarat also saw a marginal decline. Meanwhile, states such as Uttar Pradesh, Madhya Pradesh, Bihar, Kerala, Jharkhand, and Telangana gained market share, reflecting a gradual shift in investments to traditionally underpenetrated states.

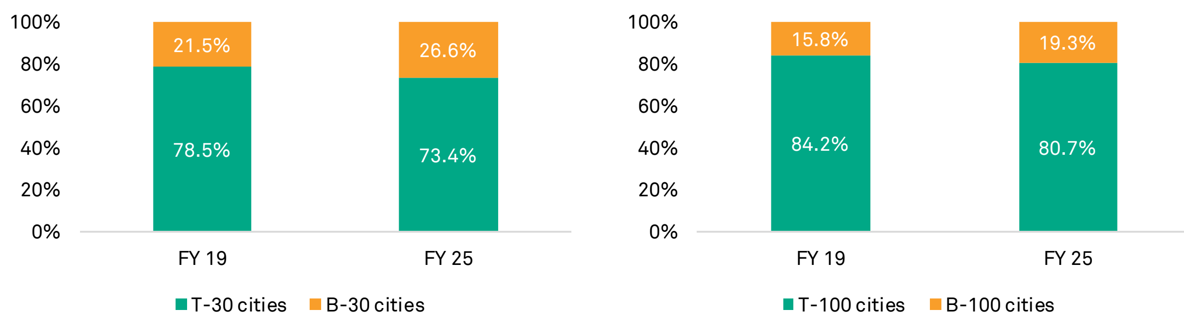
State wise mutual fund penetration trends

States	FY 19	FY 25
Maharashtra	34.7%	35.1%
New Delhi	10.7%	8.6%
Others*	6.9%	8.2%
Karnataka	7.8%	7.0%
Gujarat	6.7%	7.0%
West Bengal	5.5%	5.1%
Uttar Pradesh	4.2%	4.8%
Tamil Nadu	4.9%	4.7%
Haryana	3.4%	3.5%
Telangana	2.3%	2.4%
Rajasthan	2.0%	2.0%
Madhya Pradesh	1.4%	1.6%
Kerala	1.0%	1.3%
Punjab	1.2%	1.3%
Jharkhand	0.9%	1.1%
Bihar	0.8%	1.1%
Orissa	0.9%	1.0%
Andhra Pradesh	0.7%	0.9%

States	FY 19	FY 25
Chhattisgarh	0.5%	0.7%
Goa	0.7%	0.6%
Assam	0.4%	0.6%
Uttarakhand	0.4%	0.5%
Chandigarh	0.3%	0.3%
Himachal Pradesh	0.2%	0.3%
Jammu and Kashmir	0.1%	0.2%
Meghalaya	0.1%	0.1%
Pondicherry	0.1%	0.1%
Tripura	0.0%	0.0%
Sikkim	0.1%	0.0%
Arunachal Pradesh	0.0%	0.0%
Manipur	0.0%	0.0%
Daman and Diu	0.0%	0.0%
Nagaland	0.0%	0.0%
Dadra and Nagar Haveli	0.1%	0.0%
Mizoram	0.0%	0.0%
Andaman and Nicobar Islands	0.0%	0.0%
Lakshadweep	0.0%	0.0%

**Others represents AUM for which state mapping is not available*

T-30 versus B-30 and T-100 versus B-100 cities AUM trends



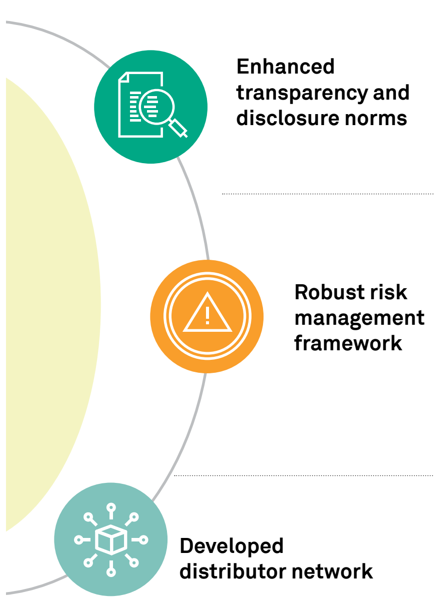
Source: AMFI, Crisil Intelligence

Using industry's evolved governance structure for pension planning

The Indian mutual funds industry has witnessed significant evolution in its regulatory framework and ecosystem over the years. In 1993, the Mutual Funds Regulations were notified by SEBI, which provided a comprehensive framework for the functioning of mutual funds in India. The regulations covered aspects such as fund structure, investment norms, valuation and disclosure requirements. Subsequent amendments to the regulations in 1996 and 2000 further strengthened the regulatory framework. Development of measures such as custodian, investor redressal facility, rationalisation of scheme categorisation and sandbox for mutual funds to launch innovative products and services has enhanced risk mitigation, disclosures and innovation matrices of the industry.

The industry has also witnessed the emergence of new distribution channels, such as online platforms and robo-advisory services, which have made investing in mutual funds more accessible and convenient for investors.

Evolved governance and industry structure



Enhanced transparency and disclosure norms

- Standardisation of disclosure formats – Scheme Information Document (SID) and Factsheet
- Disclosure of 100% portfolio holdings at a monthly frequency, more frequent disclosure in case of debt schemes – enhancing transparency
- Risk-o-meter disclosed for all schemes – to help investors make informed choices based on their risk appetite

Robust risk management framework

- Comprehensive risk management framework for mutual funds which covers both investment and non-investment risks in detail
- Defined governance structure to be followed in a mutual fund
- Clearly defined roles and responsibilities of all stakeholders in the governance structure
- Detailed guidelines for risk identification, monitoring, measurement and reporting
- Regular stress testing and scenario analysis – standardised method to report the same

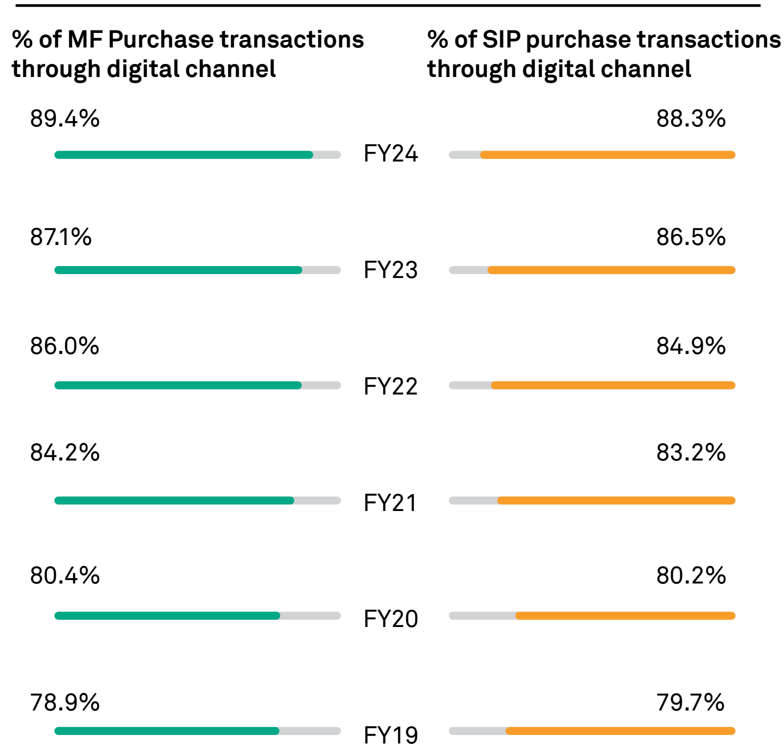
Developed distributor network

- Widespread mutual funds distributor network
- Risk mitigation measures defined in risk management framework to prevent misselling by distributors

Source: AMFI, Crisil Intelligence

Leverage technology adoption in the mutual fund space

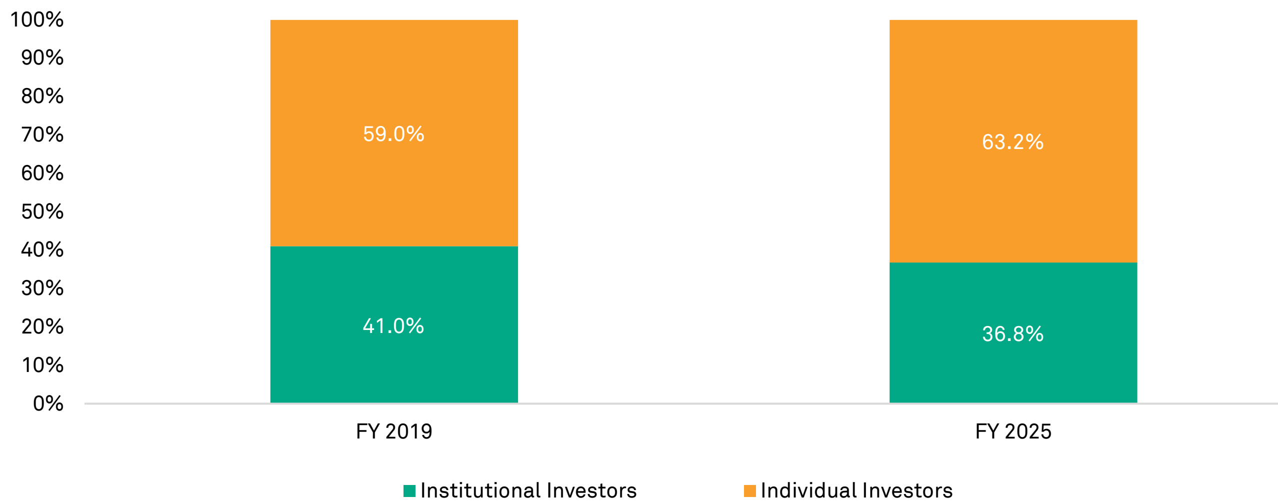
Technology adoption in terms of digital payments has aided the rapid inflow into mutual funds. Given the growing smartphone usage and deepening Internet penetration in the hinterland, the % of mutual fund purchase transactions through digital channel grew from 78.9% in FY 19 to 89.4% in FY 24 whereas % of SIP purchase transactions through digital channel increase from 79.7% in FY 19 to 88.3% in FY 24. In contrast, the physical route of payments has been gradually declining.



Note: Based on latest available data (FY 24)
Source: AMFI, Crisil Intelligence

By investor segment, individual investors lead in terms of AUM contribution Individual investors, including high-net-worth individuals, retail investors and non-resident Indians (NRIs), hold 63.2% of the total industry AUM as of March 2025, up from 59.0% in March 2019

Increasing share of individual investors in total MF AUM



Source: AMFI

Clearly, the role of technology can only grow, and the digital mode is the leading way forward for the industry, intermediaries, and investors. Latching on to this developed technology model for the retirement industry will be a win-win for all, helping deepen industry penetration while providing it with an effective medium to improve efficiency and reduce costs – the benefits of which can be passed on to investors.

Investor awareness key to secure your sunset years

Financial literacy or education has been an underrated aspect of retirement savings or a vision towards the future and often overlooked because of the complexity of the products, tax issues and individual's myopia towards long-term savings.

As per the survey results from the National Centre for Financial Inclusion (NCFE) report of 2019 titled 'Financial Literacy & Inclusion', when Indians were asked about the reason for being aloof from pension products, one fourth of the respondents felt no need to invest in pension products, also a fourth of them felt their children would support them or they were too young to think about retirement.

This again reiterates the lack of investor awareness and why awareness programmes/campaigns are required in both developing/developed countries.

Globally, investor awareness programmes have played a significant role in ensuring deeper pension penetration. While the methods vary, the ultimate aim is to generate enough awareness among investors about retirement planning.

Pension awareness campaigns worldwide

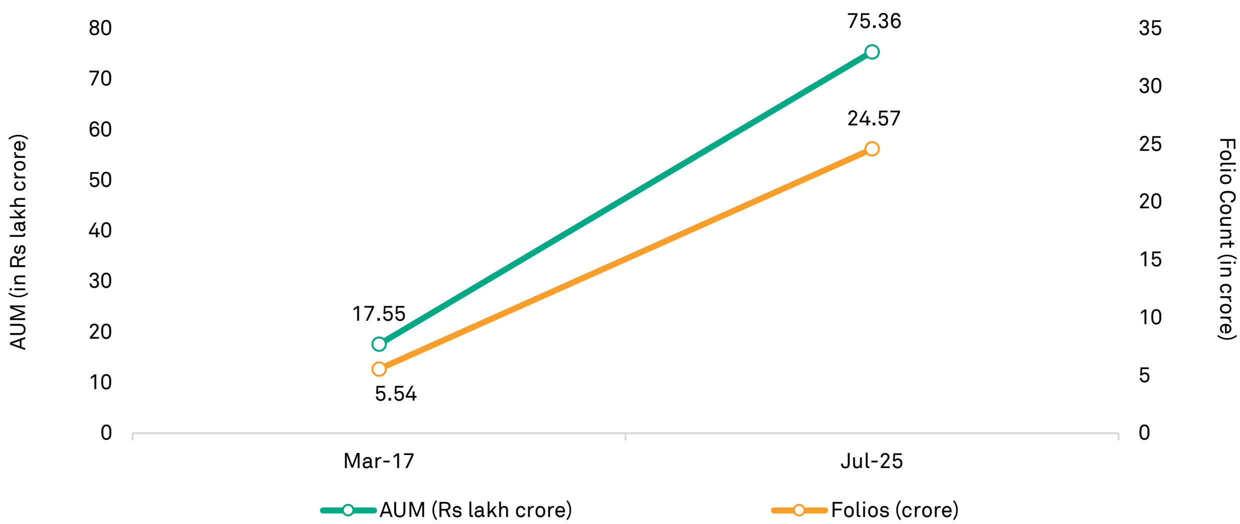
Type of awareness programmes and country	Mechanism
Government run campaigns – Australia	• Built in the pension legislation with dedicated allocated money to education initiatives • Education campaign includes four main activities which aim to raise awareness: o A call centre to reply to questions regarding fund choice o Dedicated website to support the initiative [www.superchoice.gov.au] o Written publications targeted at employees and employers informing them of their obligations and rights o Advertising initiative informing employers and employees of their obligations and rights provided for by law
Employers financial advice - Japan	• Defined Contribution Pension Law (DCPL) requires sponsoring employers to provide investment education to participants • Investment education includes information on DC plans, other corporate plans and public pensions; characteristics of financial products such as bank deposits, investment trusts, bonds, stocks and insurance; basics of investment such as types and characteristics of risk and return. • Employer can entrust the investment education duty to an operation management institution; the supervising of the institution remains under the purview of the employer
National pension awareness programme - Ireland	• Pension Board conducts the National Pension Awareness Campaign to help increase pension coverage in the country. o In addition to retirement planning, the aim is to address the adequacy of pension investments • Targeted awareness programmes towards population aged 25-39 years, including women, graduates and first-time job seekers, farming/rural community, while the secondary target includes migrants, young people/graduates • Strategy includes intense advertising campaigns on TV, radio and internet to get the target groups into the retirement fold and focus on the adequacy aspect of retirement planning • Pension Board has also taken initiatives to make financial planning education a part of the educational infrastructure covering schools and colleges

Source: OECD report on financial savings and saving for retirement, AMFI, Crisil Intelligence

Build upon #Mutual Fund Sahi Hai for pension awareness

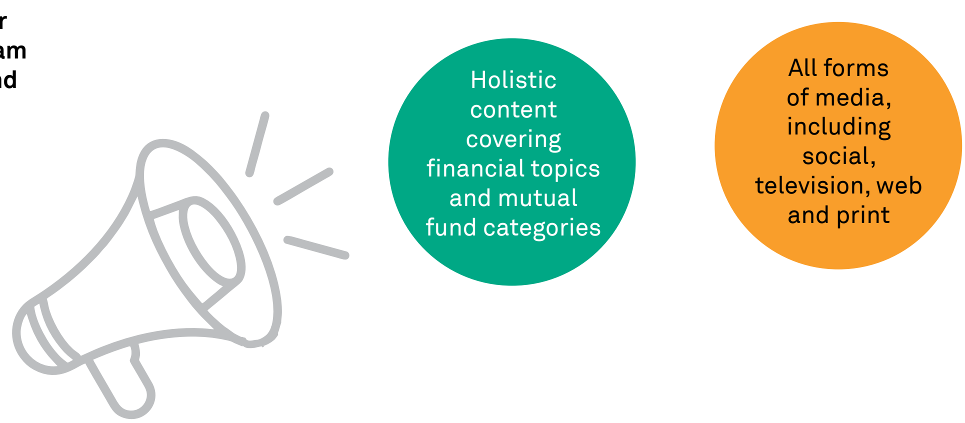
Investor awareness has played a major role in the development of the mutual funds industry in recent years. Since the start of the AMFI investor campaign, 'Mutual Fund Sahi Hai', in March 2017, the industry has added over 19 crore folios until July 2025 i.e. the folio count as of July 2025 is 4.43 times of the folios at the start of the period. Further, it has added nearly Rs 58 lakh crore of assets during the period.

Growth of mutual fund industry since the start of the #Mutual Fund Sahi Hai campaign



The investor awareness program (IAP) campaigns carried out by AMFI and the industry are holistic, both in terms of content and coverage, including social media, television, web and print media.

A holistic investor awareness program by the mutual fund industry in India



Source: AMFI

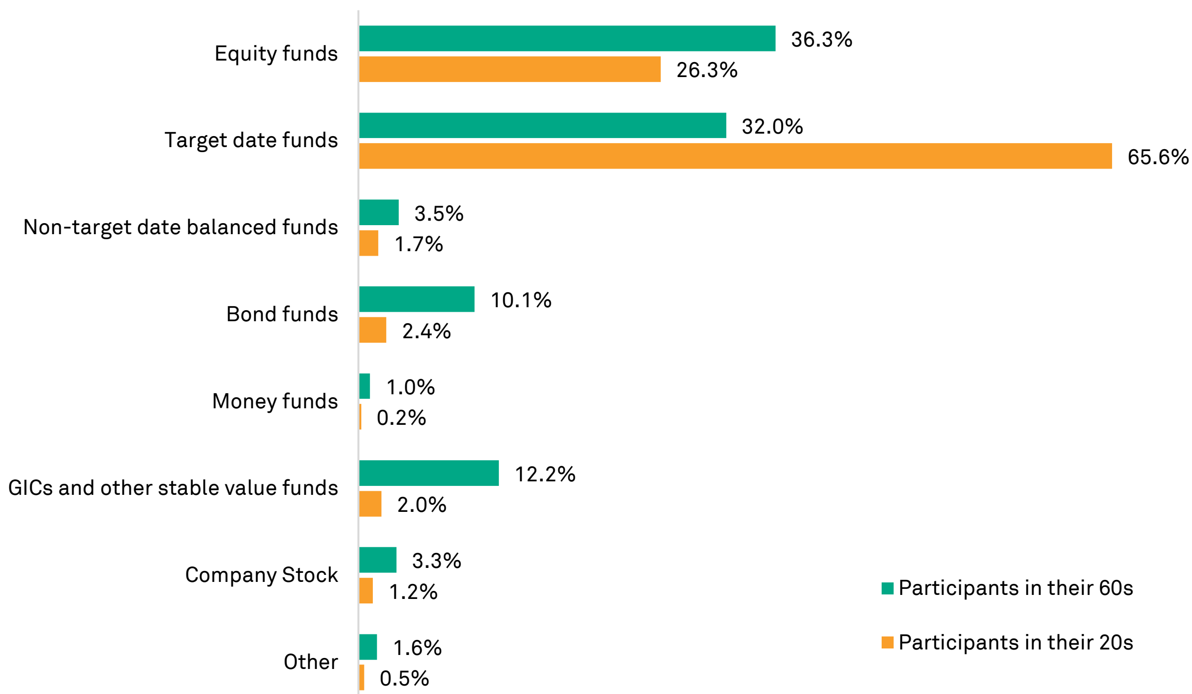
The wins from the IAP program carried out by the domestic mutual fund industry can act as a strong base to build a pension-awareness programme, especially if it is being routed through mutual funds Pension planning can use the pedestal of IAP to spread awareness about retirement planning and the need for planning for the sunset years, helping shift the focus to long-term financial planning while also allocating more to the capital markets in the long term.

Enhancing the investment options for retirement planning in India

Globally, including in the US, the pension fund industry offers investors multiple investment options for retirement planning.

For instance, options through 401K plans are spread across target-date funds, equity funds, non-target date balanced funds, bond funds, money funds, guaranteed investment contracts (GICs) and other stable funds, company stock and others depending on the investors' age profiles.

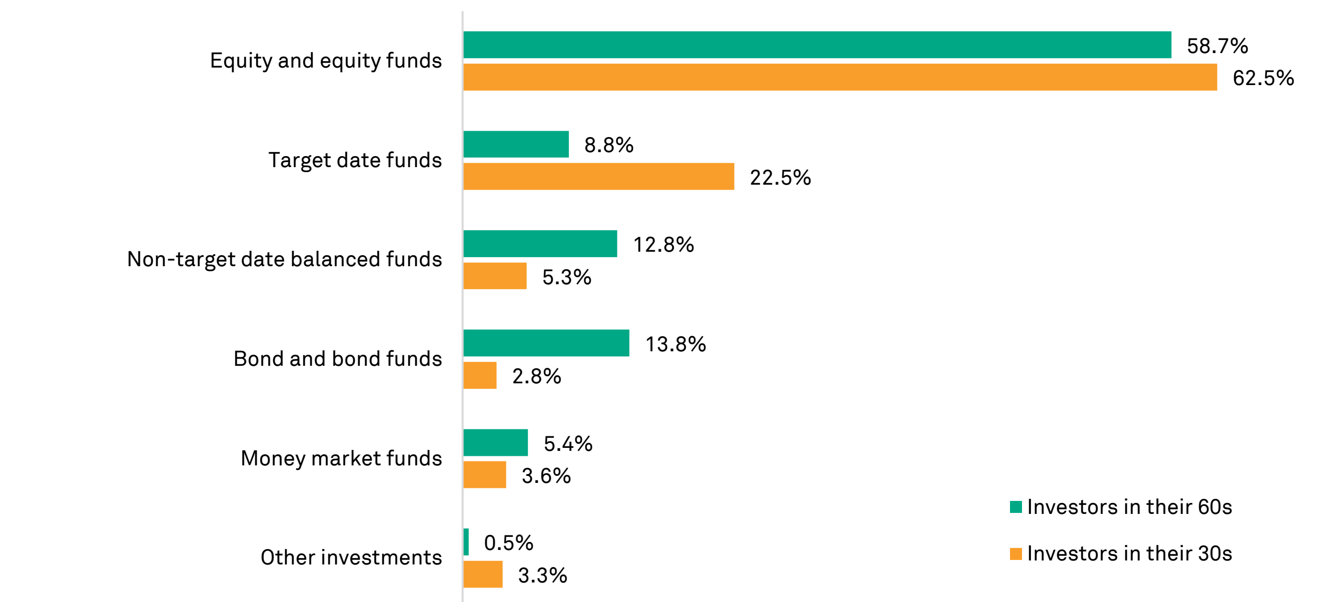
Average asset allocation of 401K investors in the US (year ended 2024)



1 A target-date fund typically rebalances its portfolio to become less focused on growth and more focused on income, as it approaches and passes the target date of the fund, which is usually included in the fund's name.
2 The Investment Company Institute classifies balanced funds as hybrid in its data.
Source: ICI factbook 2025, AMFI, Crisil Intelligence

Investors owning individual retired accounts (IRAs) also have a variety of objectives-based investment options, such as equities and equity funds, target-date funds, non-target date balanced funds, bonds and bond funds, money-market funds and other investments.

Average asset allocation of IRA investors (year ended 2024)



[1] Other investments include certificates of deposit and unidentifiable assets
[2] Bond funds include bond mutual funds, bond closed-end funds, and bond ETFs
[3] The Investment Company Institute classifies balanced funds as hybrid in its data
[4] A target-date fund typically rebalances its portfolio to become less focused on growth and more focused on income, as it approaches and passes the target date of the fund, which is usually included in the fund's name
[5] Equity funds include equity mutual funds, equity closed-end funds, and equity ETFs
Source: ICI factbook 2025, AMFI, Crisil Intelligence

In India, mutual funds offer a wide range of options to investors based on risk-return profiles and investment objectives. As seen earlier in the document, there is huge variation in the statewise demography of the country, thereby creating a case for differentiated solution for varied cohorts. The mutual fund industry which has multiple products is thus equipped to offer solutions aligned to the specific requirement of the individual investor.

Mutual fund types based on investor preference

Investment structure
- Open-ended
- Closed-end
- Interval schemes

Investment objective
- Growth
- Dividend yield
- Income
- Liquidity
- Capital protection

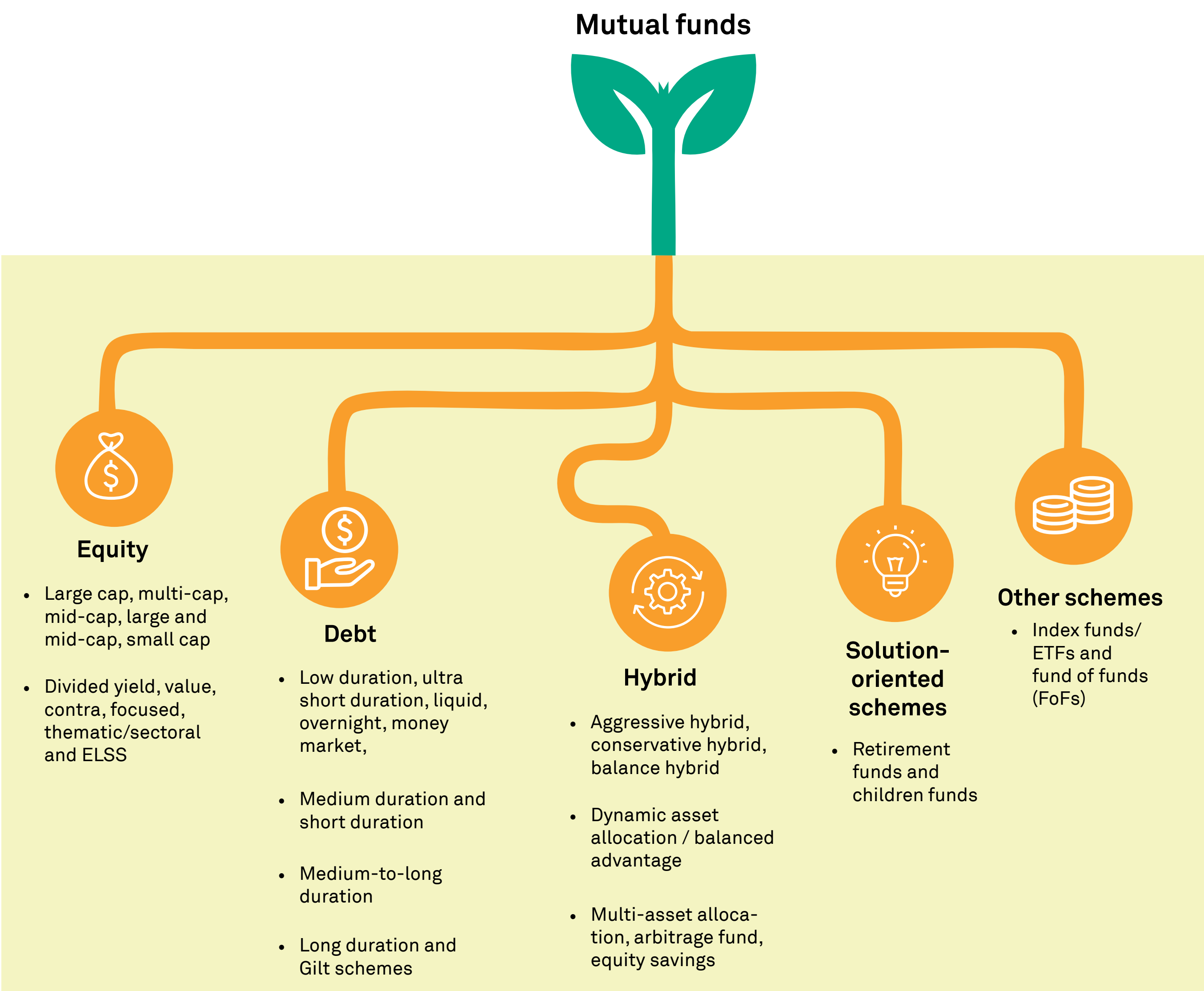
Asset class
- Equity
- Debt
- Commodities

Theme
- Large cap
- Mid cap
- Small cap
- Multi / flexi cap
- Sector / thematic
- Passive
- Global
- Bond
- Money market

Risk
- High risk
- Moderate risk
- Low risk

Source: AMFI, Crisil Intelligence

Types of mutual funds in India based on SEBI classification



Source: AMFI

Mutual Fund – Voluntary Retirement Account (MF-VRA) Product

Taking cues from global pension systems, Mutual Fund – Voluntary Retirement Account can be designed with following features:

Voluntary Participation

Open to all individuals, with or without employer involvement.

Any individual, regardless of their employment status, can open an MF-VRA account.

This feature allows freelancers, self-employed individuals, and those in the gig economy to also participate and save for their retirement. Individuals can contribute to their MF-VRA account at their own discretion, without requiring an employer's involvement.

Employer-Sponsored Option

Incentivize employers to co-contribute via tax benefits.

Employers can offer MF-VRA as a retirement benefit to their employees, similar to a 401(k) plan in the US.

Employers can contribute a certain percentage of the employee's salary to the MF-VRA account, which can be matched by the employee's own contributions. To incentivize employers, the government can offer tax benefits, such as deductions on the employer's contributions or exemptions on the employer's payroll taxes. This feature encourages employers to support their employees' retirement savings and helps increase the overall retirement corpus.

Managed by Mutual Funds

With dedicated retirement schemes focused on lifecycle investing.

MF-VRA accounts will be managed by mutual fund companies, which will offer dedicated retirement schemes with a focus on lifecycle investing. Lifecycle investing involves allocating assets across different asset classes (e.g., equity, debt, hybrid) based on the individual's age, risk tolerance, and retirement goals. The mutual fund company will manage the investments, rebalancing the portfolio periodically to ensure that the asset allocation remains aligned with the individual's retirement goals. This feature provides professional management and helps individuals make informed investment decisions.

Tax Incentives

Similar to Sec 80C and NPS, with possible additional deductions.

Contributions to MF-VRA accounts can be eligible for tax deductions under Section 80C of the Income Tax Act, similar to other retirement savings instruments like the National Pension System (NPS). Additional tax deductions or exemptions can be considered to incentivize individuals to contribute to their MF-VRA accounts. Tax incentives can help reduce the individual's taxable income, increasing their take-home pay and encouraging them to save more for retirement.

Portability & Flexibility

Transferable across jobs, customizable risk-return profiles.

MF-VRA accounts are portable, meaning that individuals can transfer their accounts to a new employer or take them with them if they change jobs. Individuals can customize their risk-return profiles based on their personal preferences, investment horizon, and retirement goals. The mutual fund company can offer a range of investment options, allowing individuals to choose from conservative, moderate, or aggressive investment strategies. This feature provides flexibility and control, enabling individuals to adapt their retirement savings strategy as their circumstances change.

Withdrawal Rules

Restricted access before retirement age (e.g., 60) with hardship exceptions.

To encourage long-term savings, withdrawals from MF-VRA accounts can be restricted until the individual reaches a certain age, such as 60. Hardship exceptions can be allowed for unforeseen circumstances, such as medical emergencies, disability, or death. A portion of the corpus can be allowed to be withdrawn as a lump sum or as a systematic withdrawal plan (SWP) after retirement, providing a steady income stream. This feature helps ensure that the retirement corpus is used for its intended purpose – supporting the individual's retirement goals – and prevents premature withdrawals.

What should each stakeholder do to make this a success.

The success of the Mutual Fund- Voluntary Retirement Account (MF-VRA) scheme hinges on the collaborative efforts of various stakeholders. To ensure the effective implementation and operation of this scheme, it is essential to outline the roles and responsibilities of each stakeholder. In this context, the following sections detail the specific actions required from regulatory enablers, operational design stakeholders, and other key players to make the MF-VRA scheme a success.

Regulatory Enablers : To create a conducive environment for the MF-VRA scheme, the following regulatory enablers must take the following steps:

SEBI: Define the product structure, reporting standards, and disclosures for the MF-VRA scheme. This will provide clarity and consistency in the implementation of the scheme, ensuring that all stakeholders are aligned and aware of their responsibilities.

CBDT: Introduce a specific tax deduction section for the MF-VRA scheme, providing tax benefits to contributors and incentivizing participation. This will help increase the attractiveness of the scheme and encourage individuals to save for their retirement.

Ministry of Labour & Finance: Coordinate with the Employees' Provident Fund Organisation (EPFO) and the National Pension System (NPS) to establish portability provisions for the MF-VRA scheme. This will enable seamless transfer of funds and ensure that individuals can continue to contribute to their retirement savings even if they change jobs or relocate.

Operational Design: To ensure the smooth operation of the MF-VRA scheme, the following stakeholders must take the following steps:

Fund Houses (AMCs): Create "Retirement Lifecycle Funds" with aggressive to conservative glide paths, catering to the diverse needs of contributors. These funds should be designed to automatically adjust the asset allocation based on the contributor's age, risk tolerance, and retirement goals. Additionally, fund houses should enable systematic investment and withdrawal options, allowing contributors to invest regularly and withdraw funds as needed during retirement.

Employers: Offer a co-contribution model voluntarily, where employers can contribute to their employees' MF-VRA accounts, promoting a culture of retirement savings and enhancing the overall attractiveness of the scheme. Employers should also partner with mutual fund platforms or retirement aggregators to facilitate easy and efficient management of employee contributions.

Distributors/Fintechs: Design user-friendly onboarding and goal-tracking tools, enabling contributors to easily set up and monitor their MF-VRA accounts. Distributors and fintechs should focus on promoting financial literacy for retirement planning, providing educational resources and workshops to help individuals understand the importance of retirement savings and make informed investment decisions.

By working together and fulfilling their respective roles, these stakeholders can ensure the success of the MF-VRA scheme, promoting a culture of retirement savings and providing individuals with a secure and sustainable financial future.

Win-win for the pension industry and investors

Benefits to all stakeholders

Stakeholders	Benefits
Government	• Enhance pension penetration and coverage in the country, aiding the government's initiative to improve social-security system in the country • Positive impact on economic growth • Reduce the burden of social security on the exchequer
Markets*	• Channelise household financial savings, thus increasing capital supply to the financial markets • When routed through professional money managers, such as mutual funds, corporate governance and information disclosure get a boost, thus improving the efficiency and depth of information in the market • Long-term stability to markets and hedge against short-term speculative capital • Depth and breadth by stimulating financial innovation to meet the diverse needs of pension-fund planning
Asset Management Companies	• Channelising long-term retirement money can help build the mutual fund industry's scale, similar to those in developed pension markets, such as the US. • Long-term stability in terms of flows for deployment and fund management, thus improving efficiency and cost structure. • Product innovation to meet the diverse needs of pension fund investors
Intermediaries	• Enhanced value proposition for investors • Long-term stability in terms of incentives
Investors	• Build retirement money into household financial journey • Supplement retirement planning • Harness long-term allocation to productive assets • Provide an able investment opportunity

*Source: *The Impact Of Pension Systems On Financial Development: An Empirical Study, AMFI, Crisil Intelligence*

NOTE

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About AMFI

Association of Mutual Funds in India (AMFI) is a non-profit industry body of the asset management companies (AMCs) of all Mutual Funds in India that are registered with Securities and Exchange Board of India (SEBI). AMFI is dedicated to developing the Indian Mutual Fund Industry on professional, healthy, and ethical lines and to enhance and maintain standards in all areas with a view to protecting and promoting the interests of mutual funds and their unit holders. AMFI was incorporated on August 22, 1995 under section 25 of the Companies Act, 1956 (corresponding Section 8 of the new Companies Act, 2013), as a non-profit organization.

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