

**FREQUENTLY-ASKED QUESTIONS ON
REVISED GUIDELINES ON PRIVATE RETIREMENT SCHEMES
(Date of Issuance: 21 February 2020)**

1. When will the revised *Guidelines on Private Retirement Schemes* (Guidelines on PRS) take effect?

The revised Guidelines on PRS will take effect on the issuance date. However, to facilitate compliance with paragraphs 11.10A, 11.13 and 11.13A, PRS Providers will be given up to 1-year transitional period from the effective date of the revised Guidelines on PRS, i.e. until 1 March 2021 to fully comply with the revised requirements.

For a deed or disclosure document that needs to be amended to comply with the revised Guidelines on PRS, PRS Providers should consult the SC on the timeframe for the registration of a supplementary or replacement deed or supplementary or replacement disclosure document. It is considered best practice for a PRS Provider to update the disclosure document within a reasonable time frame from the occurrence of the change, as may be determined by the PRS Provider.

2. In view of the removal of the asset allocation limits for the core funds, are there any guidance for PRS Providers in meeting the investment strategy of such funds?

PRS Providers may be guided by the following principles in formulating the asset allocation of the core funds:

Core fund	Principles
Growth	<p>Focus is on growing the portfolio.</p> <p>Aim:</p> <ul style="list-style-type: none">• Focuses on growing the portfolio steadily;• Invest mainly in growth-seeking assets;• Take risk as deemed appropriate to generate returns;• Seeking returns that outpace inflation (after covering all fees and expenses of the fund); and

Core fund	Principles
	<ul style="list-style-type: none"> • Tolerates high degree of volatility in investments.
Moderate	<p>Focus is on growing the portfolio whilst seeking income.</p> <p>Aim:</p> <ul style="list-style-type: none"> • Continue to grow the portfolio in real terms; • A balanced investment approach between risk and returns; • Take risk only when deemed appropriate without taking high levels of market risk; and • Tolerates moderate volatility in investments.
Conservative	<p>Focus is on generating income consistent with getting the portfolio ready for utilisation.</p> <p>Aim:</p> <ul style="list-style-type: none"> • Focuses on conserving capital; • Invest mainly in income-generating assets; • Take risk that would not jeopardise the value of investments generated; and • Accept minimum volatility.

3. For the purpose of paragraph 11.13A, what is meant by redemption of equal proportion over a 5-year period for core funds in the default option?

Redemption of equal proportion is set out in the following scenario:

Assume 200,000 of units are in the Growth fund in the default option. Example below illustrates the movement of these units progressively from Growth fund to Moderate fund after a member reaches 45 years of age with the member's own redemption of units occurring in certain years. At the end of the 5-year period, the member will fully be in the Moderate fund.

Year	Number of units in Growth fund	Number of units redeemed by Member before the next anniversary	Number of units redeemed by PRS Provider on the anniversary date to be invested in Moderate fund	Balance number of units left in Growth fund
1st year (Switch-in Date)	200,000	None	-40,000 (200,000/5)*	160,000
2nd year (1 st Anniversary)	160,000	None	-40,000 (160,000/4)*	120,000
3rd year (2 nd Anniversary)	120,000	-30,000	-30,000 (90,000/3)*	60,000
4th year (3 rd Anniversary)	60,000	-20,000	-20,000 (40,000/2)*	20,000
5th year (4 th Anniversary)	20,000	None	-20,000 (20,000/1)*	0

* Redemption of equal proportion based on the balance number of units left in Growth fund and after member's own redemption, if any.