

**FREQUENTLY-ASKED QUESTIONS ON  
REVISED GUIDELINES ON PRIVATE RETIREMENT SCHEMES**

**(Date of Issuance: 21 February 2020)**

**(Date of Revision: 24 August 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.

In operationalising these revised requirements, PRS Providers are required to notify members aged 40 till aged 45 in year 2020 and members aged 50 till aged 54 in year 2020 ["Affected members"] on the new age groupings. The notification (either in hardcopy or electronic form) must include the following information:

- Provide options to Affected members i.e. to remain in the current core fund based on the previous default option or to be moved according to the new age grouping pursuant to paragraph 11.10 of the revised Guidelines on PRS ("new default option");
- Should the Affected members choose to be under the new age grouping of the new default option, they would be switched to the core fund based on the new age grouping;
- Provide a reasonable period for Affected members to respond to the notification;
- Affected members who do not respond to the notification will remain in the current core fund until they reach the next age grouping accordingly. For example, a member that is aged 44 years old will remain in the Moderate Fund category until 55 years old before they are moved to the Conservative Fund category. As such, any contribution made by such a member would be allocated in the Moderate Fund category until the member reaches 55 years old; and
- Provide assurance to Affected members that responding to the notification will not affect the default status of the member i.e. the member will remain as a default member.

PRS Providers may provide the notification at a reasonable time prior to or after the effective date of implementation of the revised requirements by the respective PRS Providers.

*[Inserted on 24 August 2020]*

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"> <li>• Focuses on growing the portfolio steadily;</li> <li>• Invest mainly in growth-seeking assets;</li> <li>• Take risk as deemed appropriate to generate returns;</li> <li>• Seeking returns that outpace inflation (after covering all fees and expenses of the fund); and</li> <li>• Tolerates high degree of volatility in investments.</li> </ul>
Moderate	<p>Focus is on growing the portfolio whilst seeking income.</p> <p>Aim:</p> <ul style="list-style-type: none"> <li>• Continue to grow the portfolio in real terms;</li> <li>• A balanced investment approach between risk and returns;</li> <li>• Take risk only when deemed appropriate without taking high levels of market risk; and</li> <li>• Tolerates moderate volatility in investments.</li> </ul>

<b>Core fund</b>	<b>Principles</b>
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"> <li>• Focuses on conserving capital;</li> <li>• Invest mainly in income-generating assets;</li> <li>• Take risk that would not jeopardise the value of investments generated; and</li> <li>• Accept minimum volatility.</li> </ul>

**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.

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