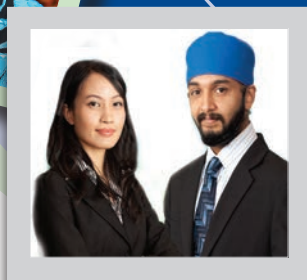
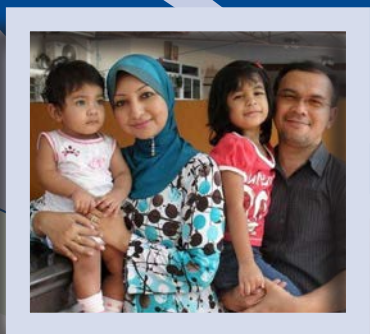


PRIVATE RETIREMENT SCHEMES (PRS)



Suruhanjaya Sekuriti
Securities Commission
Malaysia

Development of the PRS Industry

With increasing life expectancy and rising living standards, many Malaysians find that their savings are inadequate to meet their retirement needs. PRS form an integral feature of the private pension industry with the objective of improving living standards for Malaysians at retirement through additional savings of funds.

As long-term investment vehicles, PRS are designed to help enhance adequacy and expand coverage of retirement benefits to all segments of the population. It complements Malaysia's mandatory retirement savings schemes.

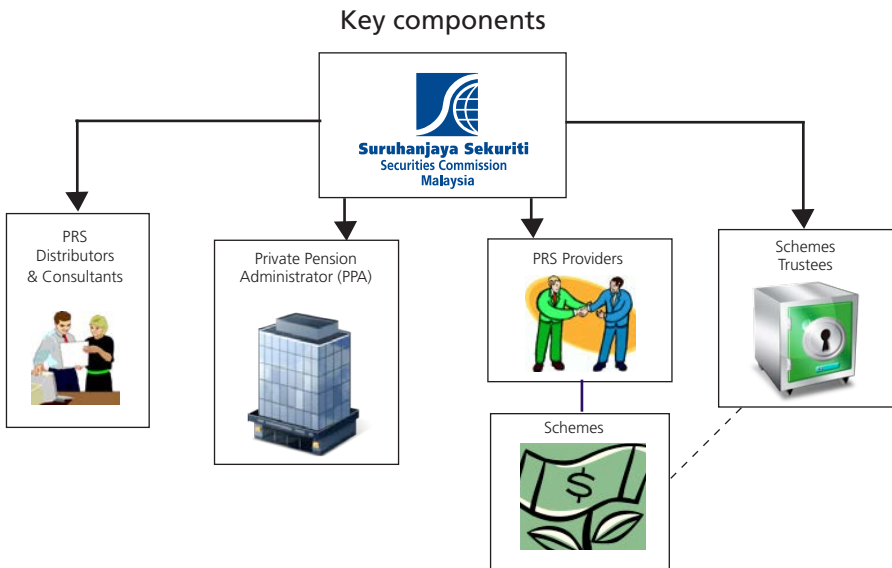
Contributions to the PRS are voluntary. Individuals (retail investors, self-employed and employees) or employers can participate as PRS contributors. Offering private pension benefits could be a tool for employers to attract and retain skilled talent.

The PRS information set out in this publication includes a description of the framework, the key features of PRS and the regulatory safeguards. A number of frequently asked questions and answers are also set out in this publication.



PRS Framework

The retirement landscape in Malaysia has been given a boost with the development of a PRS framework, which is a major deliverable of the Securities Commission Malaysia (SC) under the *Capital Market Masterplan 2*.



PRS are offered by approved PRS Providers. Each PRS will include a range of retirement funds from which individuals may choose to invest in, based on their own retirement needs, goals and risk appetite.

The PPA functions as a record keeping and resource centre for data on all transactions performed by contributors. It will facilitate transactions and promote efficient administration. The PPA will also act as a resource centre for data and research relating to the PRS industry in Malaysia.

The assets of each PRS will be segregated from the PRS Provider and held by an independent Scheme Trustee under a trust.

The SC regulates and supervises all intermediaries in the PRS industry, namely the PRS Providers, the PPA, the Scheme Trustees and distributors of PRS to ensure the proper functioning of the PRS industry and protects members, via prudential and investor protection requirements.

The SC is in the final stages of implementing the PRS framework – the PPA has been established and approvals have been granted to Schemes subject to the PRS Providers fulfilling certain conditions. The eight PRS Providers approved (as of 5 April 2012) are:

- AmlInvestment Management Sdn Bhd;
- American International Assurance Bhd;
- CIMB-Principal Asset Management Bhd;
- Hwang Investment Management Bhd;
- ING Funds Bhd;
- Manulife Unit Trust Bhd;
- Public Mutual Bhd; and
- RHB Investment Management Sdn Bhd.

Prior to the sale of PRS to the public by end-2012, this is an important period for potential members to understand how PRS fits into the rest of their retirement planning and to arm themselves with information about the different PRS Providers and Schemes before contributing to PRS.



Key Features of PRS

Designed to provide choice and flexibility

Encourages members to take control of their retirement savings

- PRS are defined contributions schemes where the accrued benefits to members are determined by the amount contributed plus investment returns thereon. The aim of savings in PRS is to make the members' savings grow over the long-term.
- Members would have the option to contribute to more than one fund under a PRS or to contribute to more than one PRS, offered by different PRS Providers.
- Being voluntary in nature, there would be no fixed amounts or fixed intervals for making contributions to PRS.
- A default option would also be made available for members who select their PRS Provider but do not specify a fund option. The default option would cater for different age groups. PRS Providers would need to ensure that the relevant members are switched to the default funds in accordance with the relevant age group as shown below

	Growth Fund	Moderate Fund	Conservative Fund
Age group	Below 40 years of age	40 - 50 years of age	Above 50 years of age
Parameters	Maximum 70% equities Investment outside Malaysia is permitted	Maximum 60% equities Investment outside Malaysia is permitted	80% in debentures/fixed income instruments of which 20% must be in money market instruments and a maximum of 20% in equity Investment outside Malaysia is not permitted



Individuals

1

Members choose PRS Providers and funds according to their risk appetite and investment profile

or

2

Default option for members who select their PRS Provider but do not specify a fund option



Employers

1

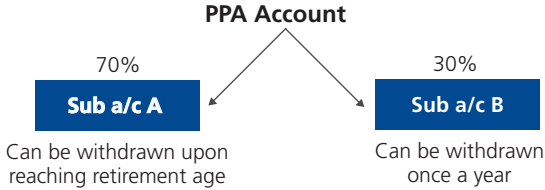
Employer may channel contributions to a particular PRS Provider, with employees choosing the type of funds offered by that Provider

or

2

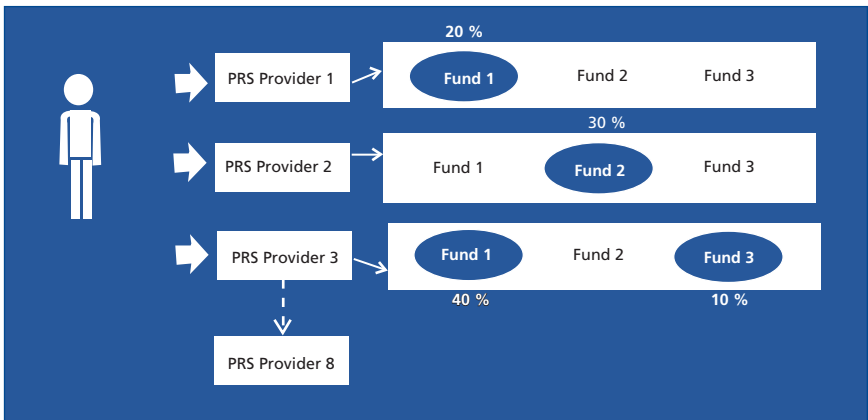
Employer may channel contributions to a particular PRS Provider, and where employees do not make a fund selection, contributions can be channeled to default option of that PRS provider

- Members would also have the option to switch funds within a PRS at any time, or change to another PRS Provider once a year subject to terms imposed by the PRS Provider. The first transfer can only be requested by a member one year after making the first contribution to any fund under the Scheme.
- All contributions made to PRS will be split and maintained in sub-accounts A and B as follows:



The value of sub-account A and B can increase or decrease according to the unit price. The unit price is the worth of each unit held by a member from day to day. Units are priced daily.

- In order to provide efficiency and convenience for members, a single PPA is established to keep track of their PRS contributions as well as to maintain records of all PRS related transactions made by members. It will not manage funds internally or accept contributions but will facilitate instructions from members.
- Individual investors will have just one account for better management of retirement savings as information from various sources can be consolidated within one account.
- The diagram below shows an example of an individual channelling contributions to several funds under a PRS offered by different PRS Providers.



- Tax incentives are provided to both employers and individuals for the first 10 years from assessment year 2012; in addition to the tax deduction permitted for EPF contributions:
 - Individuals - tax relief of up to RM3,000; and
 - Employers - tax deduction on contributions to PRS made on behalf of their employees above the statutory rate of up to 19% of employees' remuneration for a period of 10 years.

A tax exemption is also provided on income received by the funds under the Schemes.

Regulatory safeguards to protect interests of members

- The regulatory framework set out under the *Capital Markets & Services Act 2007* (CMSA), which includes the PRS Regulations, PRS Guidelines and PRS Eligibility Requirements for PRS Providers, provide for high standards of regulation and conduct.
- Under the PRS Guidelines, PRS Providers must provide cost effective voluntary retirement schemes and ensure that Schemes are operated in a proper and efficient manner. The funds are segregated via a trust structure so that members' assets are protected under the controls of an independent trustee company.
- PRS Providers, Trustees and the Administrator must by law act in the best interests of members.
- Prudential investment limits for funds within the Scheme are provided for under the PRS Guidelines. The investment policies of the funds under the Scheme must be consistent with the objective of building savings for retirement and ensure that there is a prudent spread of risk.
- The disclosure framework ensures transparent and frequent information to members by requiring clear, concise and effective disclosures to be made to investors so that investors are fully informed of the investment strategy, the risks associated with the Scheme and all relevant fees and charges involved.
- Action will be taken if there are any false or misleading statements to investors.
- Reminder:
 - Unit prices and distribution payable, if any, may go down as well as up.
 - As with all investments, the returns from contributions made to PRS are not guaranteed and will depend on the performance of the PRS funds.

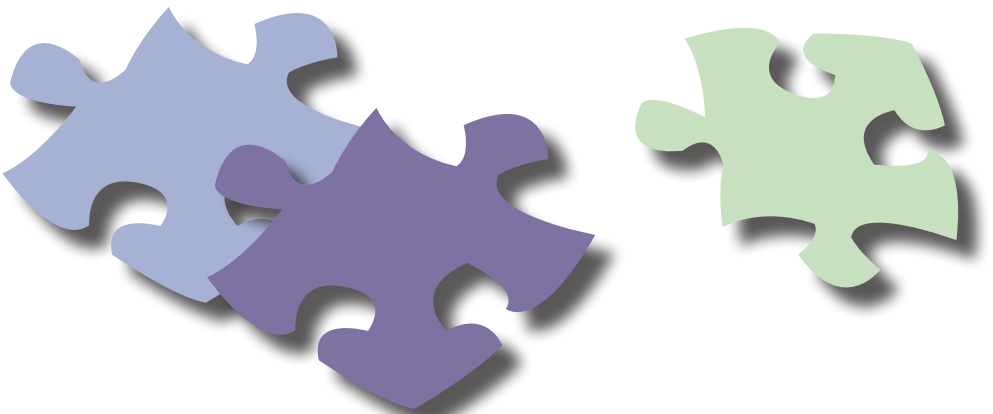
Q&A: Joining PRS

1. How do I (an individual) join PRS?

- To make contributions to PRS, just contact the PRS Provider of your choice and indicate your fund selection. At the same time or prior to contributing, you may open a PPA account by completing an account opening form that can be obtained from any PRS Provider or from the website of the PPA (www.ppa.my).
- Proof of identification is required at account opening:
 - Identification card / Police / Armed Force ID (for Malaysians) or Passport (for foreigners).
- Once the PPA account is opened, you will receive your life-time account number and password.

2. How does an employer make a voluntary contribution on behalf of its employees?

- Where an employer seeks to contribute to PRS on behalf of its employees, the employer may enter into an arrangement with one or more PRS Providers of their choice. The amount of contribution is determined by the employer while employees choose the type of fund(s) under the Scheme offered by the relevant PRS Provider.
- Where employees do not make a fund selection, the employer contributions would be channelled to the default option of the chosen PRS Provider.

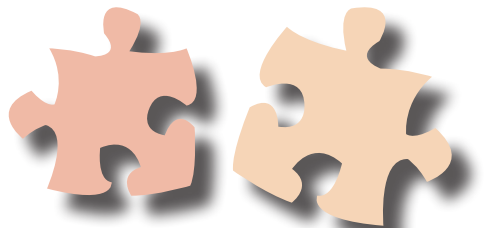


- Employer contributions may be subject to a vesting schedule which means the entitlement may only be vested to an employee's account based on their terms of service.

3. What should I consider when choosing a PRS?

When making your PRS contribution, you need to take into account various factors such as your age, personal and household income, risk tolerance, retirement objective as well as the suitability of the different funds under the various Schemes to meet your retirement needs as well as the fees and charges of the funds.

- There are many different types of investors:
 - Some may be looking for steady returns
 - Some are happy to grow their retirement savings very slowly
 - Some are keen to chase higher returns
- The approach may be different if you are – single, young employee; double income young family, mid-career or already near retirement. For example:
 - (i) if your retirement is remote you may consider investing in some higher-risk instruments that can potentially generate higher returns;
 - (ii) if your retirement is near, you may consider opting for some relatively stable and conservative investments; or
 - (iii) if your retirement is some years away, you may consider investing in a balanced investment portfolio consisting of bonds and equities.
- Our needs change through different stages of our lives. You should review your PRS portfolio regularly to ensure that it matches your retirement objectives.
- It is important to bear in mind the cost of living and inflation in setting your retirement goal as well as to think long-term; do not be overly concerned about short-term market fluctuations.



4. Where can I obtain information when making a decision to contribute to PRS?

- Potential members must receive the following documents before contributing to any fund under the Scheme:
 - Product highlight sheet, which provides a summary of the key information of the fund(s) under the Scheme written in easily understood language; and
 - Disclosure document, either in electronic form or printed copy depending on the choice made by the potential member, which will provide more comprehensive information on the PRS. The objective is to enable the investor to make an informed investment decision.
- Contributors are advised to read and understand the disclosure documents and not solely rely on advertisements.

5. When can I start contributing to PRS?

- The SC is in the final stages of implementing the PRS framework. In line with the SC's investor protection mandate, a period of general education and awareness on PRS has been allocated before approved PRS may be offered to the public. This is to allow potential members to get advice on the need to save for retirement and more information on the features of PRS.
- A list of approved PRS Providers and their Schemes will be published on the website of the PPA.

6. How do members keep track of their PRS investments?

- Members will be able to check online via the PPA website or contact the relevant PRS Provider.
- Members will receive statements on a periodic basis from PRS Providers and a consolidated statement on their investments from the PPA. This will include contributions held by every PRS Provider.

7. Can contributions be withdrawn from PRS?

- Withdrawals from PRS or from any funds under PRS may be made in part or in full and under the following circumstances:
 - After the day the member reaches retirement age, which is currently 55;
 - Following the death of a member;
 - Permanent departure of a member from Malaysia; or
 - For pre-retirement withdrawals.
- With respect to pre-retirement withdrawals, members may only withdraw the amount in sub-account B from each PRS Provider once a year. The first pre-retirement withdrawal can only be requested by a member one year after making the first contribution to any fund under the Scheme (whether the contribution is by an employer or member). While pre-retirement withdrawal may be made for any reason, a tax penalty of 8% on the withdrawal amount will be deducted by the PRS Providers before the balance is credited to the member's account.
- Although lump sum withdrawals are permitted, members are encouraged to retain their savings for continuous investment under the respective Schemes.

8. What happens when a member dies?

- When a member dies, their savings will be paid to the executor, administrator or named beneficiary (as the case may be). The Scheme Trustees will be required to release all or part of the balance where required pursuant to a grant of probate or letters of administration.

- For individual contributors, this is your life's saving. Take control now and make it work for your life after retirement.
 - Be aware – know your PRS
 - Be clear – set your retirement goals
 - Be savvy – ascertain your risk profile
- For employers, PRS is a platform for you to improve your recruitment appeal/value proposition.

For further information, please contact:

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