

**What is a Private Retirement Scheme (PRS)?**

PRS is a voluntary long-term investment scheme designed to help individuals accumulate savings for retirement. PRS seek to enhance choices available for all Malaysians, whether employed or self-employed, to voluntarily supplement their retirement savings under a well-structured and regulated environment. It complements the mandatory contributions made to Employee Provident Fund (“EPF”).

Each PRS offers a choice of retirement funds from which individuals may choose to invest in based on their own retirement needs, goals and risk appetite. The fund options under a PRS are intended to enhance long-term returns for members within a regulated framework. Assets of each PRS are segregated from the PRS Provider (i.e. the fund manager) and held by independent Scheme Trustee under a trust.

As a safeguard for individuals, the fund’s assets are not held in the PRS Provider’s name. Instead, a Scheme Trustee is appointed to act as custodian of the assets. The trustee holds the assets in trust for the individuals and exercises due care in protecting the individuals’ rights and interests in the fund.

Citibank Berhad functions as a distributor for the PRS Providers and through this relationship, Citibank Berhad is able to offer a multitude of various PRS offerings from different PRS Providers to our investment clients.

**Who is the Private Pension Administrator (PPA)?**

The Private Pension Administrator (PPA) is a body approved by the SC to perform to perform the function of record keeping, administration and customer service for the members and contributors in relation to contributions made in respect to the PRS.

You will be required to open a private pension account with the PPA and you will be assigned with a PPA account number. You will be notified via email from the PPA. The private pension account comes with a convenient online access which you will be able to have a consolidated view of all your contributions and balances in your retirement funds,

**What do I get when I invest in a Private Retirement Scheme (PRS)?**

When a person invests, he/she buys shares in the fund. These equal shares are known as “units”. An individual that hold the unit are thus known as “Member”. The aggregate money invested in the fund is then used to trade in a variety of securities, which may include collective investment schemes, stocks, bonds, money market instruments, commodities, derivatives, depending on the investment objective and strategy of the fund. The fund and its assets are not owned by the PRS Provider but by the Member.

**What are the potential benefits of Private Retirement Scheme (PRS)?**

PRS provides an opportunity for individuals to voluntarily supplement their retirement savings under a well-structured and regulated environment. For those who are making mandatory contributions to the Employee Provident Fund (“EPF”), PRS provides an additional avenue to supplement their savings in EPF to ensure adequacy of retirement income and empowers them the ability to decide on how much money to invest.

If you are a resident in Malaysia and have made contributions to the funds, you are allowed to claim a tax relief on the amount of contribution made to the funds, subject to a maximum amount of RM3,000 per annum (or any other such amount as may be determined by relevant authorities from time to time). The tax relief will be applied on taxable income, for individual contributions made to the PRS for the first 10 years from assessment year 2012.

However, as PRS is meant to serve as long-term savings for retirement, there are restrictions on withdrawals as well as tax penalties on withdrawal proceeds. It is important that you understand these restrictions / penalties as well as its exemptions from such tax penalties, before investing.

### ***Risk vs Returns***

Risk is defined as volatility fluctuation in returns from one period to the next.

PRS funds reduce investment risks through portfolio diversification. However, investment risks can never be completely eliminated. The level of risk varies between funds and will depend on a variety of factors such as the fund's investment objectives and strategy, as well as the risk of its underlying invested securities.

If an investor desires high returns over the long term, he/she must be willing to accept the high levels of volatility associated with these types of asset classes. There is a wide spectrum of risk levels among asset classes and funds investing in those asset classes share those risks.

Lower risk investments, like cash equivalents (for example money market funds, Treasury Bills or certificates of deposit) have averaged very modest long term historical returns. Higher risk investments, such as equities have averaged higher returns historically, but with more volatility or fluctuations in value.

### **What is an NAV?**

Net Asset Value (NAV) represents a fund's market value, and is usually quantified on a per unit basis. NAV per unit is the price at which individuals buy units from, and sell units to, the fund. It is derived by dividing the total value of all the cash and securities in a fund's portfolio, less any liabilities, by the number of units outstanding. An NAV computation is usually undertaken once at the end of each trading day based on the closing market prices of the portfolio's securities, but the frequency of computation may differ from fund to fund.

### **What are the charges / fees involved when I invest in Private Retirement Scheme (PRS)?**

Fees and charges vary between funds. Before subscribing to any PRS funds, it is important that you know the fees and charges that are involved. All the fees and charges will be stated in the fund's disclosure documents. The common types of fees and charges are:-

- **Sales charge**  
The sales charge is a transaction fee that is payable for the purchase of units of a fund. It is computed based on the net investment amount payable by the individuals. The sales charge imposed will be disclosed in the PRS subscription form as well as in the disclosure documents.
- **Management fee**  
The management fee is the fee charged by the PRS Provider for managing the fund.
- **Trustee's fee**  
This is the fee that is entitled to the trustee for acting as custodian of the fund's assets.
- **Exit fee**  
Certain funds carry exit fees. This fee is charged when a Members sells units and exits the fund.

There are also additional fees and charges charged by the PPA such as the PPA account opening fee, PPA annual fee, PPA pre-retirement withdrawal fee, PPA transfers fee and the PPA administration fee. These are stated in the fund's disclosure documents.

### **How do I find out the daily unit price?**

Unit prices are published daily in major newspapers or on the website of the PRS Provider. You can also call your Relationship Manager or Personal Banker.

### **How do I decide which Private Retirement Scheme (PRS) to invest in?**

Your choice and decision should be made based on your goals, risk tolerance, investment time horizon, knowledge and experience. Different PRS invest in different asset classes, markets and sectors, depending on the investment objective and strategy of that particular fund. Consequently, they also have

different levels of risks and returns.

You may select any one or a combination of funds based on asset classes, asset allocation, conventional or shariah-based funds as well as local or offshore funds. Alternatively, if you do not wish to select a fund, your contribution by default, will be invested into a fund based on your age group based on default option (age-based funds). If you are contributing within a month prior to your age 40 or 50 years old, your contribution will be allocated to the moderate fund or conservative fund respectively. This option however, should be within your risk profile.

You should note that if you invest using the default option, as you grow older and progress to the next age group, your investments will be switched by default to the investment of the next age group. At the point of switching, the price may be lower than the price you paid when you contributed into the fund and as such you may be faced with the likelihood of having realized losses. You will be notified in writing by the PRS provider prior to the switch taking place unless you instruct us otherwise.

**Are the returns guaranteed?**

Like all investments, there are risks involved. PRS is no exception and returns cannot be guaranteed. Prices can rise or fall and individuals have to exercise judgment and make their own decisions.

**Will I be getting distribution payouts?**

The PRS funds are not expected to make any distributions. All income earned by the Member will automatically be reinvested into the fund.

**Will I be able to make pre-retirement withdrawals?**

All contributions made by you will be split upon each contribution being made and maintained into 2 separate sub-accounts by the PRS Provider as follows:

- Sub-account A which refers to sub-account maintained for each Member which holds 70% of all contributions made to any of the PRS funds. To maintain Member's retirement savings, withdrawal from this account is not permitted except for the circumstances when the Member reaches retirement age (age 55 years, as may be amended from time to time), following the death of a Member or permanent departure of a Member from Malaysia.
- Sub-account B which refers to sub-account maintained for each Member which holds 30% of all contributions made to any of the PRS funds. Withdrawals are allowed to be made out from this account once per calendar year. However, any withdrawal made prior to the pre-retirement age will be subjected to a tax penalty of 8% by the Inland Revenue Board of Malaysia on the withdrawal amount and PPA pre-retirement withdrawal fee of RM25 per transaction. For avoidance of doubt, the tax penalty would not apply for pre-withdrawals due to death or permanent departure of the Member from Malaysia.

All withdrawal requests must be authorized by PPA before processing the withdrawal request. Members may be required to provide evidence of the facts necessary to establish Member's right to withdraw monies from the PRS funds. The withdrawal proceeds will be provided within 10 days from the date the withdrawal request is authorized by the PPA.

**What are the risks involved when investing in PRS funds?**

The type of risks that impact you as a Member and that can affect a PRS fund varies from fund to fund.

Before subscribing to any PRS fund, do speak to your Relationship Manager or Personal Banker and refer to the respective disclosure documents and product highlights sheets in order to understand the associated investment risks.

As with all investments, a Member should keep in mind a general rule of thumb; for higher potential returns, the Member should be prepared to assume higher investment risks.

**Can I invest in Private Retirement funds through my joint account in Citibank?**

No, the PRS funds cannot be registered in the name of two or more persons.

**How can I check my fund holdings?**

Your contribution to the PRS will be reflected in the Unit Trust Section that you see on your monthly statement, Citibank Online, Mobile Banking and the ATM. On top of that, when you make an additional PRS investment, you will receive a transaction advice in addition to your new and existing holdings being reflected in the Citibank monthly statement, the annual statements by the PRS Providers and PPA annual consolidated statement. At the same time, your private pension account comes with an online access that will allow you to have a consolidated view of all your contributions and balances of your retirement funds.

**What happens if I had invested but changed my mind about investing?**

You have 6 business days (from the date the application is received by the PRS Provider) to reconsider the appropriateness of your first investment. In other words, this simply means that you have 6 business days to think through how suitable your first investment is for you from the day you submit your application form to Citibank Berhad. Within this period, you may withdraw your investment at NAV per unit on the day the units were first purchased and have the sales charge (if any) repaid. Please note that this cooling-off right is only given to a first time Member registered with PPA who is investing with any PRS Provider. The right is not extended to staff of PRS Providers or persons registered to deal in PRS.