PRIVATE RETIREMENT SCHEME (PRS) – FREQUENTLY ASKED QUESTIONS (FAQs)

1. What is Private Retirement Scheme (PRS)?

A Private Retirement Scheme ("PRS") is a defined contribution private scheme that complements the Employees Provident Fund ("EPF") and other retirement plans on a voluntary basis. It aims to grow its members' savings over the long term where the accrued benefits are determined by the amount contributed plus investment returns.

2. How PRS works for individuals?

Any Malaysian or foreigner above 18 years old can open a PRS account.

- Members can choose to contribute to more than one fund offered by the same PRS provider or contribute to more than one fund offered by different PRS providers.
- If a member selects a PRS provider but doesn't specify which fund to contribute to, the PRS provider will ensure the member's contribution is channeled to the default fund that is in accordance to the member's relevant age group.

3. How PRS works for Employers?

- An employer may channel contributions to one particular PRS provider while its employees can choose the type of fund they prefer to contribute to by the said PRS provider.

- If an employee selects a PRS provider but the employee does not make a fund selection, the employee's portion of contribution will be channeled to the default option of the PRS provider as follows:

PRS Fund	Fund Category	Age Group (Under Default Option)
RHB Retirement Series – Conservative Fund	Core (Conservative)	Age 50 and above
RHB Retirement Series – Moderate Fund	Core (Moderate)	Age 40 to below 50
RHB Retirement Series – Growth Fund	Core (Growth)	Age below 40

4. What are the benefits of PRS?

- **Individual Tax Relief** – up to RM3,000 per assessment year (in addition to deduction for EPF contributions) for the first 10 years.

- **Tax Exemption** – income received from PRS funds are tax exempted from Malaysia Income Tax.

- **Flexibility** – members can contribute to more than one PRS funds of their choice that are most suitable to meet their specific financial needs, at any time attheir convenience.

- **Low Minimum Contribution Amount** – members can start contributing into PRS Scheme from as low as RM100.

- **Retention Plan** – employers can make additional contributions into PRS on top of the contributions to EPF as part of a retention or remuneration benefit package for selected employees.

- **Employers Tax Deduction** – employers are allowed to claim tax deduction from the business income based on the PRS contributions made on behalf of their employees, up to 19% of the employee's remuneration (together with any approved scheme such as EPF) for the first 10 years.

5. What are the PRS Accounts?

All contributions made to PRS will be split and maintained at Sub-accounts A and B as follows:

Sub-account A (70% contribution)	Amount in Sub-account A can be withdrawn upon retirement age.
Sub-account B (30% contribution)	Amount in Sub-account B can only be withdrawn once a year.

6. 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, prior to contributing, you may open a Private Pension Administrator ("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 (for Malaysian) and Passport (for foreigners).

- Once the PPA account is opened, you will receive your life-time account number and password.

7. 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's contributions would be channeled to the default option of the chosen PRS Provider.

- Employer's 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.

8. 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 – a single, young employee; a double income young family, in 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.

9. Where can I obtain information when making 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 decision.

- Contributors are advised to read and understand the Disclosure Document and not solely rely on advertisement.

10. How do members keep track of their PRS investment?

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.

11. Can contribution 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 Scheme.

12. What happens when a member dies?

When a member dies, his/her 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.

13. What is the role of the Private Pension Administrator ("PPA")?

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.

- The PPA refers to a private retirement scheme administrator as defined under Section 139A of the CMSA. The duties and responsibilities of the PPA under the law (Section 139H of CMSA) include taking into account public interest considerations in acting in the best interests of members and having regard to the need to protect members.

- The PPA would promote efficiency and convenience to members through :
  - Facilitating and maintaining all PRS-related transactions made by members;
  - Facilitating portability between PRS providers; and
  - Undertaking promotion and general education/awareness on PRS.

14. How do I contact the PPA?

Email	askPPA@ppa.my
Phone number	03 - 6204 8990
Postal Address	Private Pension Administrator Malaysia 3 Persiaran Bukit Kiara Bukit Kiara 50490 Kuala Lumpur
Fax	03 – 6204 8995
Website	www.ppa.my

15. What are the tax incentives provided for the PRS?

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;

- 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 Scheme.