

FREQUENTLY ASKED QUESTIONS ON PRIVATE RETIREMENT SCHEME (PRS)

1. What is a private retirement scheme?

- A private retirement scheme (PRS) is a voluntary long-term investment scheme designed to help individuals accumulate savings for retirement. It complements the mandatory contributions made to EPF.
- Each PRS will include a range of retirement funds that individuals may choose to invest in based on their own retirement needs, goals and risk appetite. The fund options under a PRS must be consistent with the objective of building savings for retirement and ensure that there is a prudent spread of risk.

2. What is the scope of private pension reforms undertaken by the Securities Commission Malaysia?

- The introduction of the private retirement scheme framework resulted from recommendations made by the Securities Commission Malaysia (SC) to the Government to accelerate development of the private pension industry in Malaysia.
- Private retirement schemes 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.
- The PRS industry forms the third pillar in a multi-pillar pension framework and will complement Malaysia's mandatory retirement savings schemes.

3. What is the regulatory framework governing PRS?

- The Capital Markets and Services Act 2007 (CMSA), the Capital Markets and Services (Private Retirement Scheme Industry) Regulations 2012 (the PRS Regulations) and the Guidelines on Private Retirement Schemes (PRS Guidelines) form the regulatory framework for the PRS industry in Malaysia.
- The 2011 amendments to the CMSA setting out the regulatory and supervisory framework for the private retirement scheme (PRS) industry came into force on 3 October 2011. Under the new Part IIIA of the CMSA, the SC regulates the following key participants in the PRS industry:
 - (a) Private Retirement Scheme Administrator;
 - (b) Private Retirement Scheme Providers (PRS Provider);
 - (c) Private Retirement Schemes (PRS Scheme);
 - (d) Trustee to Private Retirement Schemes (Scheme Trustee); and
 - (e) Trustee to Employer-Sponsored Retirement Schemes (Employer Trustee).
- The PRS Regulations establish the duties and responsibilities of a PRS Provider and Scheme Trustee, as well as requirements on approval of the PRS Scheme, the registration and lodgement of the trust deed and the disclosure document as well as other provisions on the register of members and meeting of members.

- The PRS Guidelines are aimed at providing a regulatory environment that would safeguard the interests of contributors to PRS.

4. What are the key components of the PRS framework?

- The PRS framework comprises approved PRS Providers, each offering a range of fund options under a PRS, where the assets are segregated and held by independent Scheme Trustees under a trust.
- The law also caters for the establishment of a Private Pension Administrator which would be responsible for the operationalisation of an efficient administrative system for the PRS industry.
- Underpinning the framework is a strong regulatory and supervisory structure based on the SC's regulatory objectives of ensuring robust regulation and supervision of the PRS industry, promoting trust and confidence in the PRS Schemes and protecting interest of members.

5. What are the features of the framework to ensure a strong regulatory and supervisory structure?

- All relevant intermediaries in the PRS industry, namely the PRS Provider, Private Pension Administrator, Scheme Trustee and PRS distributors require approval of the SC to operate and will be subject to on-going regulatory requirements and supervision.
- The PRS will operate as a trust structure with the Scheme Trustee ensuring the assets of the funds are segregated from the PRS Provider. The funds under the PRS will be professionally managed by the PRS Providers with the purpose of meeting the retirement objective of members. Further, provisions on vesting of contributions and rights to accrued benefits set out in the CMSA will ensure that accrued benefits will be delivered to members to meet retirement needs. (Accrued benefits in the CMSA mean the amount of a member's beneficial interest in a private retirement scheme).
- A strong regulatory and supervisory framework will ensure that interests of members are safeguarded and protected, integrity of the PRS industry is upheld, risks are appropriately monitored and stability of the system is maintained.
- In addition to the SC's supervision, investigation and enforcement powers, the SC also has the power to issue directions over the intermediaries in the PRS industry. The SC's powers to issue directions include the ability to direct the intermediary to comply with the law, guidelines, conditions or restrictions, or take remedial action.

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

- 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.

7. What are the tax incentives for contributions to PRS?

As announced in Budget 2012:

- Tax relief up to RM3,000 per annum will be given for an individual's contribution to the PRS; and
- Employers will also be given tax deduction on contributions to PRS made on behalf of their employees of up to 19% of the employees' remuneration.

8. What happens next?

- Approved PRS Providers are given six months from their approval date by the SC to comply with conditions of their approval which includes obtaining the SC's approval for their schemes and funds under their PRS Scheme.
- The Private Pension Administrator will be established.
- The SC will licence distributors for dealing in PRS.