

## BCT Default Investment Strategy (“DIS”) Frequently Asked Questions

### Basic Questions

#### 1. What is “DIS”?

- **One investment solution:** The DIS is a ready-made and low-cost investment solution, designed mainly for MPF scheme members who don’t have the time or don’t know how to manage their MPF investments.
- **Comprising two constituent funds**
  - The Core Accumulation Fund (“CAF”): invests around 60% of net asset value (NAV) in higher risk assets (generally equities) and the rest in lower risk assets (generally bonds).
  - The Age 65 Plus Fund (“A65F”): invests only around 20% of net asset value (NAV) in higher risk assets.
- **Three features:**
  - Fee cap:
    - Management fees (including fees for trustee, investment manager, etc.): Not more than 0.75% per annum of the net asset value of the fund (calculated on a daily basis)
    - Recurrent out-of-pocket expenses (including annual audit fees, printing expenses and postage, etc.): Not more than 0.2% per annum of the net asset value of the fund
  - Automatic age-based de-risking
  - Globally diversified investment principle

#### 2. When will the DIS come into effect?

The DIS will be implemented on 1 April 2017.

#### 3. How does the DIS affect existing MPF members?

Before the implementation of the DIS, the trustee will send a notice to all members, explaining the potential impact of the DIS on their MPF accounts. Generally, the new measures will affect different members in different ways:

- i. Members who have not given any investment instruction
  - For members who have not given any investment instruction, the MPF assets in their accounts may be affected. If they are under or become 60 years of age on the DIS commencement date, or the trustee does not have the date of birth of the member, the trustee will issue to these members a DIS Re-investment Notice (“DRN”) within 6 months following the DIS commencement date. If no reply is given within 42 days of the date of the DRN, any MPF assets already accumulated, future contributions and MPFs transferred from another scheme in the future will be invested in accordance with the DIS.
  
- ii. Members who are not sure whether they have given any investment instruction
  - They should contact their MPF provider(s) as soon as possible to enquire about their MPF investment instructions, and to verify other details of their accounts (especially correspondence address) to ensure that they can receive all correspondences from their MPF provider(s).
  
- iii. Members who have given investment instruction
  - Generally, they will not receive any DRN from their MPF provider(s), and their MPF will continue to be invested in accordance with the investment instruction already given.
  
  - In exceptional cases, although some members may have already given some investment instructions, if they did not specify how all MPF benefits and future contributions should be invested, those members will also be affected.

**Example 1 – Fund switching**

**Before DIS Commencement Date**

- A member has a contribution account and has not given an investment instruction since enrollment. The default investment instruction was set as 100% in Fund D (Fund D is an existing default fund).
  
- The member instructed to switch 100% Fund D to 100% Fund A and did not give an instruction to change future investment mandate.
  
- The contribution account has 100% benefits in Fund A and the investment instruction for future contributions is 100% Fund D.

**After DIS Commencement Date**

- The benefits in the contribution account remain 100% invested in Fund A.
- The investment instruction for future contributions of the contribution account changes from Fund D to **100% DIS**.

**Example 2 – Investment instruction for personal account**

**Before DIS Commencement Date**

- A member has a contribution account and has given an investment instruction of 100% in Fund A (Fund A is not an existing default fund)
- The member changes job and the benefits in the contribution account are transferred to a new personal account in the same Scheme under auto-preservation
- The personal account has all benefits invested in Fund A and the investment instruction for future contributions follows that of the contribution account, i.e. 100% Fund A

**After DIS Commencement Date**

- The benefits in the personal account remain 100% invested in Fund A
- The investment instruction for future contributions of the personal account changes from Fund A to **100% DIS**

**Example 3 – Change of investment instruction during transitional arrangement (i.e. from 1 April 2017 to 3 October 2017)**

**Before DIS Commencement Date**

- A member has a contribution account and has not given an investment instruction since enrollment. The default investment instruction was set as 100% in Fund D (Fund D is an existing default fund)
- All benefits invested in Fund D and future investment instruction is 100% in Fund D

**After DIS Commencement Date**

- Before the DRN is issued, **OR** after the DRN is issued, but before the reply period stated on the DRN expires, the member instructs to switch 60% Fund D to Fund A, and has not given an investment instruction for future contributions.

After completion of the switching

- The **remaining 40% of benefits in Fund D** will be switched to the **DIS** as soon as practicable after processing such transaction, (i.e. disregarding whether the member has received a DRN or whether the reply period stated in the DRN has expired)
- The investment instruction for future contributions of the account will change to **100% DIS**

For any enquiries, please call our Member Hotline 2298 9333.

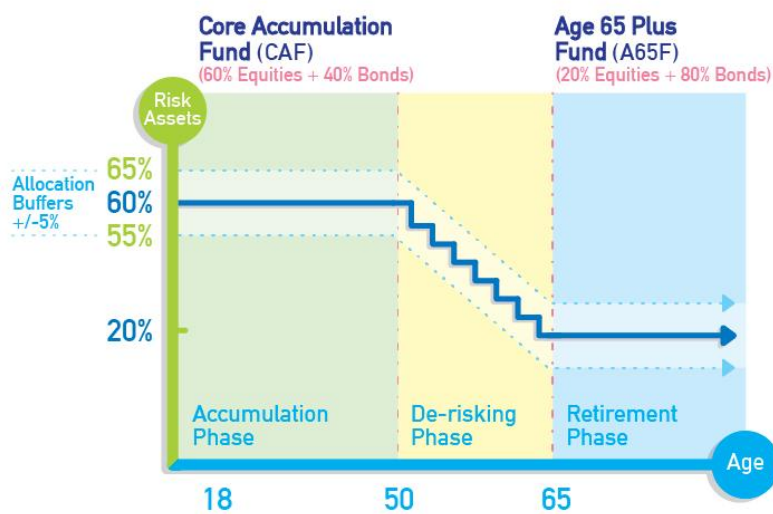
#### **4. Are CAF and A65F capital preservation funds? What are the expected returns?**

- “CAF”: holds around 60% of higher risk assets (generally equities) and the rest in lower risk assets (generally bonds).
- “A65F”: holds around 20% of higher risk assets.
- It is an investment strategy which balances risk and return over the long term. Similar to all investments, investments in the above-mentioned funds are subject to investment risks, they are not capital preservation products and their returns are not guaranteed.
- However, the DIS adopts a globally diversified investment principle, with two constituent funds investing in different asset classes in different proportions. As the member ages, risk exposure is lowered by gradually reducing the proportion of higher risk assets. In the long run, this asset allocation and de-risking strategy can help reduce risk. The risk exposure to which the DIS is covered in relevant chapters of the offering documents/promotional materials of the schemes.

#### **5. One of the DIS funds is named “Age 65 Plus Fund”. Is this fund only for people over the age of 65?**

No. Members at any age can choose to invest in A65F.

## 6. What is “age-based de-risking”?



De-risking Phase

Age	Core Accumulation Fund	Age 65 Plus Fund
<b>Below 50</b>	100.0%	0.0%
<b>50</b>	93.3%	6.7%
<b>51</b>	86.7%	13.3%
<b>52</b>	80.0%	20.0%
<b>53</b>	73.3%	26.7%
<b>54</b>	66.7%	33.3%
<b>55</b>	60.0%	40.0%
<b>56</b>	53.3%	46.7%
<b>57</b>	46.7%	53.3%
<b>58</b>	40.0%	60.0%
<b>59</b>	33.3%	66.7%
<b>60</b>	26.7%	73.3%
<b>61</b>	20.0%	80.0%
<b>62</b>	13.3%	86.7%
<b>63</b>	6.7%	93.3%
<b>64 and above</b>	0.0%	100.0%

As an MPF member approaches retirement age, the investment strategy will be progressively adjusted to reduce the proportion of higher risk assets (as illustrated in the above diagram and table).

- Aged below 50: All MPF contributions will be invested in the CAF.
- Aged 50 to 64: The accrued benefits in the CAF will be gradually shifted into the A65F, at a rate of around 6.7% of assets every year.
- Aged 64 and above: All MPF assets will be held in the A65F.

## 7. What does the DIS “fee cap” mean? Is it the same as the Fund Expense Ratio (“FER”)?

- The DIS is subject to special rules, limiting the management fees which CAF and A65F may charge, the fee caps are:
  - Management fee (including the fees for trustee and investment managers): a daily rate of 0.75% per annum of the net asset value (NAV) divided by the number of days in the year.
  - Recurring out-of-pocket expenses (including annual audit fees, printing fee and postage etc.): 0.20% per annum of the NAV.
- The items included in the fee cap and the expense cap are different from those included in the FER. For example, the expense cap only comprises recurring out-of-pocket expenses at the constituent fund level, while the FER expense cap also

includes non-recurring out-of-pocket expenses and expenses at the underlying investment fund level.

**8. What kind of people is the DIS suitable for? Can I actively choose this investment solution?**

- The DIS is mainly designed for members who don't have time or don't know how to manage their MPF investments.
- For members who find the DIS or the DIS funds suitable for their personal circumstances, they can also choose the investment solution, or the individual funds.
- However, please note that the DIS, as a default arrangement, de-risking **will apply**. Should you choose to invest in the CAF and/or A65F individually, age-based de-risking **will not apply**.

**9. After choosing the DIS, may I change my mind in the future?**

Yes, you may update your investment instruction any time via the following channels:

- BCT's website: [www.bcthk.com](http://www.bcthk.com);
- BCT mobile app; or
- By completing and submitting the "Change of Investment Mandate for Future Contributions / Fund Switching for Existing Balance Form"

**10. Where can we view the performance of the relevant strategy?**

- The performance of the relevant funds will be published in the relevant scheme's quarterly fund performance fact sheet and monthly fund performance table for members' information. Members can also visit our website ([www.bcthk.com](http://www.bcthk.com)) to obtain latest fund prices and information. They can also obtain fund performance information from the MPFA website ([www.mpfa.org.hk](http://www.mpfa.org.hk)).
- In order to provide common reference material for the performance and asset allocation of the CAF and the A65F, a recognized reference portfolio has been developed by the industry for the purpose of the DIS. The fund performance will be reported against a reference portfolio published by the Hong Kong Investment Funds Association, please visit [www.hkifa.org.hk](http://www.hkifa.org.hk) for further information regarding the performance of the reference portfolio.

- The fund performance is calculated on the basis of NAV-to-NAV in Hong Kong dollars. Past performance is not indicative of future performance. There is no guarantee that investment returns or members' accrued benefits will not suffer significant loss. Members should regularly review the performance of the funds and consider whether the investments still suit their personal needs and circumstances.

## **The DIS Provided by BCT**

### **11. What kind of funds does BCT's DIS include?**

#### **BCT (MPF) Pro Choice**

The DIS under "BCT (MPF) Pro Choice" invests in two constituent funds, namely the "BCT (Pro) Core Accumulation Fund" and / or the "BCT (Pro) Age 65 Plus Fund", while these two constituent funds invest in "Invesco Pooled Investment Fund – Core Accumulation Fund" and "Invesco Pooled Investment Fund – Age 65 Plus Fund" respectively.

#### **BCT (MPF) Industry Choice**

The DIS under "BCT (MPF) Industry Choice" invests in two constituent funds, namely the "BCT (Industry) Core Accumulation Fund" and / or the "BCT (Industry) Age 65 Plus Fund", while these two constituent funds invest in "Invesco Pooled Investment Fund – Core Accumulation Fund" and "Invesco Pooled Investment Fund – Age 65 Plus Fund" respectively.

### **12. Who is the fund manager?**

The fund manager of the constituent funds under BCT's DIS is Invesco Hong Kong Limited.

## **Administration Arrangement**

### **13. Will I receive any notice about the DIS? When will I receive it?**

- Before and after the launch of the DIS, we will send relevant notices to all members or relevant members to explain how their MPF accounts will be affected by the new arrangement.

- Therefore, if you have not received any MPF letters or your correspondence address has been changed, please notify BCT immediately to ensure that you can receive letters from us.

<b>Notice</b>	<b>Recipients</b>	<b>Issuing Time</b>	<b>Summary of Content</b>
DIS Pre-implementation Notice (“DPN”) and Important Note	All members	December 2016 to January 2017	To provide information about the DIS, including its features, investment objective and risks, fees, asset allocation and potential impact on members’ MPF accounts.
DIS Re-investment Notice (“DRN”)	Members who have not given any investment instruction for their existing accounts, and are under or become 60 years of age on the commencement date, or we do not have the full date of birth.	20 April 2017*	To explain how the relevant members’ MPF accounts will be affected, and the options available to them.

\*This is the date on which the issuance will take place according to our current expectation (subject to unexpected circumstances giving rise to possible deviations).

Should you have any queries, please call our Member Hotline 2298 9333.

#### **14. What should I do upon receiving the DIS Notice?**

<b>Notice</b>	<b>Actions to be Taken by Members</b>
DIS Pre-implementation Notice (“DPN”) and Important Note	<ul style="list-style-type: none"> <li>• Read the Notice carefully and consider how you will be affected by the new arrangement.</li> <li>• Take this opportunity to review your accounts to find out whether you have given any investment instruction. If you have not given any investment instruction, please make one suitable for your personal circumstances.</li> </ul>



<p>DIS Re-investment Notice (“DRN”)</p>	<p>Members may make one of the following choices for their (1) accrued benefits and (2) future contributions/accrued benefits transferred from other schemes in the future:</p> <ul style="list-style-type: none"> <li>• <b>Continue to invest in the existing funds:</b> Those members need to complete the attached form, stating that he/she chooses to opt out from the DIS arrangement, and return the form to BCT within 42 days of the DRN.*</li> <li>• <b>Invest according to the DIS:</b> No reply is needed. Within 14 days after the 42-day reply period, we will re-invest in the DIS under the members’ own scheme.</li> </ul> <p>Members may also <b>give other investment instructions</b> within the 42-day reply period. In such case, the members’ accrued benefits will be invested in the chosen fund(s).</p>
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\* You have until “Due Date” (i.e. 42 days after the date of the Notice) to give instruction in response to the Notice. If you want to stay invested in the original default fund, you must respond to the Notice through the following “authorized” channels, so that your instruction is received by us before the following cut-off times on the Due Date. Channels other than those set out below are not authorized for DIS purposes and submitting your instruction through unauthorized channels (e.g. via e-mail, intermediaries or bank branches) is generally not acceptable (although the trustee may, on a case basis, choose to accept and process such instruction based on the actual time of receipt by the trustee).

Authorized Channels for DIS Purpose	Cut-off time on the Due Date
By post / In person (for instruction given by way of the attached Option 2 Form)	6:00pm on the Due Date. Please make sure that sufficient time is allowed for postage (if applicable), so that the completed option 2 form can be received by Bank Consortium Trust Company Limited before the above cut-off time.
Fax (for instruction given by way of the attached Option 2 Form)	23:59:59pm on the Due Date
BCT website / BCT mobile apps (for instruction given via such website / apps)	23:59:59pm on the Due Date

Should you have any queries, please call our Member Hotline 2298 9333.

**15. How would I receive the DIS Re-investment Notice (DRN)?**

Relevant members will receive the DRN by mail. As such, you should update personal details with us if there is any change, to ensure you can receive important DIS information.

**16. What if I want to reply to the DIS Re-investment Notice (DRN) but I have lost it? What happens if I reply the DRN after the 42-day reply period?**

- If you have lost your DRN, you may contact our Member Hotline 2298 9333 to re-print and re-send the original DRN, or to reply with your opt-out request through the authorized channels.
- If your reply to the DRN is received after the 42-day reply period, it will be rejected. Your (1) accrued benefits and (2) future contributions/accrued benefits transferred from other schemes will be reinvested according to the DIS within 14 days after the 42-day reply period.

**17. How is the automatic de-risking arrangement under the DIS carried out?**

- Switching of the existing accrued benefits among the CAF and the A65F will be automatically carried out each year on the member's birthday (please refer to question 6 for details). There are some exceptions as follows:
  - If the member's birthday does not fall on a dealing day, then the investments will be made on the next dealing day.
  - If the member's birthday falls on the 29 February and in the year which is not a leap year, then the investment will be made on the 1 March or the next dealing day.
- The member will receive a de-risking notice prior to reaching the age of 50 and a de-risking statement after each annual de-risking is completed.

**18. The date of birth on my ID only shows the year of birth, how will the age-based de-risking be arranged?**

If there is no other evidence to prove your date of birth, the last calendar day (being 31 December) of the year of birth shown on your ID will be used for the annual de-risking.

**19. I did not provide the date of birth when I registered for my MPF account, how will you arrange the age-based de-risking?**

If we are unable to obtain your date of birth, your accrued benefits will be fully invested in the A65F with no de-risking applied.

**20. Do you need my consent before carrying out the age-based de-risking?**

No, because the legislation has already specified the time when the trustees have to perform fund switching, and the relevant information is also already published in the offering documents of respective schemes.

**21. Will you remind members in writing about on the effective date of age-based de-risking before they reach the age of 50? Will you remind members every year before it is carried out?**

Before the member reaches age 50, we shall remind you in writing on the effective date of age-based de-risking. For the annual de-risking date thereafter, there will not be any written reminder. The time of annual de-risking is already published in the offering documents of respective schemes.

**22. May I choose the date on which the age-based de-risking is performed?**

No, the DIS is a ready-made investment solution designed mainly for members who do not have time, or do not know how to manage their MPF investments. Under the DIS, all members' investments must be switched according to the time and pre-set allocation percentages as specified in the offering documents of respective schemes concerning the de-risking mechanism.

**23. What should be done if one or more specified instructions are to be processed on my annual date of de-risking?**

When one or more of the specified instructions (including but not limited to subscription or redemption) are being processed on your annual date of de-risking, the annual de-risking will only take place on the next dealing day upon the completion of these instructions where necessary.

**Questions concerning Industry Scheme / Casual Employees**

**24. I work in the catering industry/construction industry, my employer told me that I have never submitted any Member Participation Form for my "Casual Employee" Account before but MPF contributions have been made. How will those contributions be processed?**

- In this case, we would never have received any investment instruction from you, and we do not have your date of birth. Therefore, your MPF benefits will be invested according to the DIS. In addition, since your date of birth is not available, all your accrued benefits will be invested in the A65F, and de-risking will not apply.
- MPF is an important investment for your retirement. Please submit the "Application Form - Casual Employee" as soon as possible to complete the enrollment process and ensure that you can receive important information about MPF. For any queries, please call our Member Hotline 2298 9333.