

Frequently Asked Questions on the Time Deposit Fund

General

Q1 What is the Time Deposit Fund?

A1 The Time Deposit Fund is an investment option that allows members to place their retirement benefits in time deposits offered by banks. It provides a low-risk and fixed return on investment.

Q2 Why is the Time Deposit Fund introduced? Does it signal a favorable timing for investing in time deposits?

A2 The Time Deposit Fund is introduced as an additional fund choice in response to requests raised by members from time to time. To capitalize on the recent high deposit rates offered by banks, this new fund will be launched by the end of 2023. It is important to note that it does not mean to provide specific advice to invest in time deposits at this time. Members should assess their personal situation, investment objectives, investment horizon, and risk tolerance to determine if the Time Deposit Fund is suitable for them.

Q3 Who is suitable for this newly introduced Time Deposit Fund?

A3 Time Deposit Fund may be suitable for investors who prioritize capital preservation and prefer a fixed return on their investment. They may be also suitable for individuals with specific short-term savings goals. Nevertheless, Members should assess their personal situation, investment objectives, investment horizon, and risk tolerance to determine if the Time Deposit Fund is suitable for them.

Q4 How is the Time Deposit Fund different from the Money Market Fund?

A4 The key differences between the Time Deposit Fund and the Money Market Fund are as follows:

1. Nature and Purpose: The Money Market Fund invests in short-term debt securities such as Treasury Bills, commercial paper, certificates of deposit, and other low-risk, highly liquid instruments. The new Time Deposit Fund places time deposits at selected licensed banks in Hong Kong for a set period, receiving a fixed interest.

2. Returns: The Money Market Fund seeks to generate income for members through the interest earned on their underlying investments. The returns on Money Market Fund can fluctuate based on prevailing interest rates and credit quality of the underlying securities. In contrast, the Time Deposit Fund placed time deposits at selected licensed banks in Hong Kong which offer a fixed interest rate for the specified term. The interest rate on a time deposit is usually determined at the time of deposit and remains constant throughout the term.

3. Liquidity: The Money Market Fund are designed to provide a high level of liquidity. Members can sell units of the Money Market Fund on a monthly basis. The Time Deposit Fund, on the other hand, has no liquidity during the agreed-upon time deposit tenor (the term). Members cannot sell units of the Time Deposit Fund before the end of the term.

4. Risk and Safety: Both the Time Deposit Fund and Money Market Fund are generally considered low-risk investments, but they are not risk-free.

Q5 When will the Time Deposit Fund be launched?

A5 The Time Deposit Fund has launched in December 2023.

- Q6 Like other lifestyle funds, can I find the fund price of my Time Deposit Fund online?**
A6 Yes, you can track the fund price of the Time Deposit Fund online through the Invesco website or HAHR Intranet (<https://hapfs.home>). Members can also access the Invesco website to acquire the latest account balance, which is calculated according to the number of units held and the fund price.

Risk

- Q7 What are the risks associated with the Time Deposit Fund?**
A7 Investing in a Time Deposit Fund carries certain risks. While it could offer a stable return even during market downturn, the returns may be lower when compared to other investment options particularly during market upward movements. Other risks include lack of flexibility or missing out potential gains from other investment options due to locked funds, inflation risk if the interest rate is lower than the inflation rate, limited diversification as compared to lifestyle funds if investing only in Time Deposit Fund, and interest rate risk as interest rate goes up and down during different market cycles. In addition, when contemplating a switch to a new fund, it is imperative to acknowledge the possibility of financial losses that may result from selling existing assets, particularly during periods of market downturn. Please be aware that any losses incurred will be realized immediately. It is important to assess these risks and consider them before making investment decisions.
- Q8 What happens if the selected bank for Time Deposit Fund goes bankrupt?**
A8 Similar to other types of investment, when the invested company (or the selected bank for Time Deposit) goes bankrupt, there may be a risk of losing the investment.
- Q9 Is the Time Deposit Fund protected under the Deposit Protection Scheme?**
A9 In principle, the Time Deposit Fund is protected under the Deposit Protection Scheme, which currently covers up to a maximum of HKD500,000 per depositor per bank. Nevertheless, since all the deposits are held in the name of HAPFS on behalf of members, the maximum protection coverage will be **shared among all the members** who have invested in the Time Deposit Fund.
- Q10 Will funds in the Time Deposit Fund be deposited in virtual banks?**
A10 No, funds from the Time Deposit Fund will not be deposited in virtual banks. Currently, the Time Deposit Fund can be deposited in the following 8 designated banks:
1. ANZ Bank Hong Kong
 2. Bank of China (Hong Kong)
 3. Bank of East Asia
 4. China Construction Bank (Asia)
 5. Citibank Hong Kong
 6. HSBC
 7. ICBC (Asia)
 8. Standard Chartered

Eligibility

Q11 Are all members eligible to subscribe to the Time Deposit Fund?

A11 All existing members, except bankrupt and extended members, are eligible to subscribe to the Time Deposit Fund.

Q12 Why are extended members not eligible to subscribe to the Time Deposit Fund?

A12 Extended members have the option to manage their funds independently during the membership extension period. They can partially redeem units of their holdings under HAPFS and place time deposits with banks in the market based on their own preferences and requirements. This allows them with greater control and flexibility in managing their investments as compared to the Time Deposit Fund under HAPFS.

Q13 Can staff rejoined HA beyond retirement subscribe to the Time Deposit Fund?

A13 No, staff rejoined HA beyond retirement who are currently members of HA Mandatory Provident Fund Scheme or extended members under HAPFS are not eligible to subscribe to Time Deposit Fund. Please also refer to Q11 for eligibility.

Subscription Process

Q14 How can members subscribe to the Time Deposit Fund?

A14 Members can subscribe to the Time Deposit Fund by giving an asset switch instruction to sell the fund units held in their account and allocate the proceeds to the Time Deposit Fund within the designated subscription window. This can be done exclusively through the Invesco website.

Q15 Can subscriptions to the Time Deposit Fund be made through Invesco's hotline or Interactive Voice Response System (IVRS)?

A15 No, subscriptions cannot be made via Invesco's hotline or IVRS. Members can only subscribe through the Invesco website.

Q16 How often will the subscription window for the Time Deposit Fund be opened?

A16 A subscription window for the Time Deposit Fund will be opened in March, June, September, and December of each year.

Q17 What are the available tenors for the Time Deposit Fund?

A17 Members will be provided with the option to select a tenor of either 3 months, 6 months, or 12 months during each subscription period.

Q18 When is the initial subscription period for the Time Deposit Fund?

A18 The initial subscription period for the Time Deposit Fund begins on 15 December 2023 at 9:00 a.m. and ends on 19 December 2023 at 5:00 p.m.

Q19 When is the cut-off time for subscription (except for the initial subscription in December 2023) to the Time Deposit Fund?

A19 The cut-off time for subscription (except for the initial subscription in December 2023) to the Time Deposit Fund is 5pm on the 23rd of the respective month when the subscription window opens (please refer to Q16).

Q20 Can I allocate monthly contributions to invest in the Time Deposit Fund?

A20 No, the Time Deposit Fund is not applicable to Employee Voluntary Contribution (EVC) or HA's monthly contribution. In addition, asset switching to the Time Deposit Fund and investment instruction for the monthly contributions are separate. The prevailing investment instructions on HA's monthly contribution and EVC in future months will not be changed.

Q21 Can I switch out the existing EVC assets and invest in the Time Deposit Fund?

A21 No, you cannot switch out the existing EVC asset and invest in the Time Deposit Fund.

Q22 Can I change or withdraw my subscription instructions during the initial subscription period?

A22 During the initial subscription period, no changes or withdrawals can be made to subscription instructions. All instructions are non-cancellable.

Q23 Can I change or cancel the subscription instruction for the Time Deposit Fund during the subscription window?

A23 Except for the initial subscription, you can change or cancel the subscription instructions during the subscription window via Invesco website only.

Q24 What is the minimum allocation amount for the Time Deposit Fund?

A24 Allocation amount for the Time Deposit Fund must be a multiple of 10% of the switch-out assets.

Q25 Is there a maximum limit on the allocation amount for the Time Deposit Fund?

A25 There is no maximum limit imposed on the allocation amount for the Time Deposit Fund. You can switch all your existing assets to the Time Deposit Fund. Please refer to Q7 when contemplating a switch to a new fund.

Q26 Can I hold multiple Time Deposit Funds?

A26 Yes, you can hold multiple Time Deposit Funds. Please refer to A17.

Q27 Can I transfer funds from my personal savings account and invest into the Time Deposit Fund?

A27 No, you cannot transfer funds from your personal savings account and invest into the Time Deposit Fund.

Q28 I am going to retire in 4 months, can I subscribe to a Time Deposit Fund with 6-month tenor?

A28 If you are retiring in 4 months, you can only subscribe to a Time Deposit Fund with a tenor of 3 months. You cannot subscribe to a tenor that extends beyond your retirement date.

Q29 Referring to Q28, how about if I am going to retire in 6 months? Can I subscribe to a Time Deposit Fund with a tenor of 6 months?

A29 In general, you cannot subscribe to a tenor that will be matured on your retirement month or beyond your retirement date. In your case, if you are retiring in 6 months, you will not be able to subscribe to a Time Deposit Fund with a tenor of 6 months.

Q30 Can I set up automatic renewals for my Time Deposit Fund?

A30 No, automatic renewals are not available for the Time Deposit Fund. To continue investing in time deposits, you must provide new asset switch instructions through the Invesco website by 5:00pm on the 23rd of the month when your existing Time Deposit Fund is set to expire. Please note that it is necessary to provide new renewal instructions each time your Time Deposit Funds are due to expire. (Please refer to Q17 and Q31)

Q31 Can I subscribe another series of Time Deposit Fund upon maturity of the existing one?

A31 Yes, after maturity of the existing time deposit, members can give asset switch instructions through the Invesco website to switch their assets to either the six lifestyle funds in any month, or another series of the Time Deposit Fund when the quarterly subscription window is open.

Asset Switch

Q32 How can members switch their existing assets into the Time Deposit Fund?

A32 Members can switch into the Time Deposit Fund by switching out the existing assets from the existing funds and transferring to the Time Deposit Fund within the designated subscription window. This can be done exclusively through the Invesco website.

Q33 When should I provide instruction to switch out of the maturing Time Deposit Fund?

A33 To switch out of the maturing Time Deposit Fund, you should provide asset switch instructions through the Invesco website before the cut-off time, which is 5:00 p.m. on the 23rd of the month when the selected tenor ends. For instance, if you have subscribed to a six-month Time Deposit Fund starting from April 2024, the fund will mature by the end of September 2024. In this case, you should give instructions to switch out the entire balance of the Time Deposit Fund during the month of September 2024, and the deadline is 5:00 p.m. on 23 September 2024.

Q34 Upon maturity of the Time Deposit Fund, can I switch out a portion of the fund balance and switch into another fund or another series of Time Deposit Fund?

A34 Upon maturity, you are required to switch out 100% of the funds invested in the Time Deposit Fund. You can choose to transfer these funds either to another series of the Time Deposit Fund or to one of the six lifestyle funds. Partial switching out of the Time Deposit Fund is not allowed.

Default Deposit Fund

Q35 When can I switch out of the Default Deposit Fund and invest in another series of the Time Deposit Fund?

A35 You can provide asset switch instructions every month before the cut-off time, which is 5:00 p.m. on the 23rd of each month. However, please note that the window for subscribing a new series of the Time Deposit Fund is only open on a quarterly basis. In other words, you can only choose a new series of the Time Deposit Fund during the months of March, June, September, and December each year. For maturing months that do not fall at quarter-end, you can only invest in the six lifestyle funds.

For instance, suppose it is currently the month of July 2024, and you want to switch out of the Default Deposit Fund and invest in a new series of the Time Deposit Fund. In this case, you would need to wait until the next available subscription window, which is in September. Before 23 September, you can provide asset switch instructions through the Invesco website to allocate the proceeds from the Default Deposit Fund to the desired new series of the Time Deposit Fund.

Q36 What happens if no instructions are received from members upon maturity of the Time Deposit Fund?

A36 If no instructions are received from members upon maturity of their selected Time Deposit Fund, the assets will be automatically switched to a one-month Time Deposit Fund (referred to as the "Default Deposit Fund.")

Q37 Referring to Q34, how about the Default Deposit Fund? Can I switch out a portion of the balance from the Default Deposit Fund?

A37 No, you are also required to switch out 100% of the balance from the Default Deposit Fund.

Withdrawal / Termination

Q38 Can I request for an early withdrawal from my Time Deposit Fund in case of an emergency?

A38 No, members can only withdraw benefits under HAPFS if their employment with HA is terminated or if they become entitled to payment of such benefits for any reason. If such situation arises before the Time Deposit Funds matures, members will only receive the amounts placed in the Time Deposit Fund (together with interests) after the maturity and redemption of the relevant time deposits, subject always to the terms of HAPFS and applicable laws.

Q39 I am an extended member holding a Time Deposit Fund which has not yet matured, can I apply for partial withdrawals?

A39 If you have subscribed to the Time Deposit Fund and left the HA before the maturity of the time deposits and chosen to extend your membership, the Time Deposit Fund will be automatically transferred to the extended membership account, but you cannot make any partial withdrawals until the Time Deposit Fund is matured.

Q40 Can time deposits be cancelled before the designated maturity date?

A40 No, when members choose to switch their assets into the Time Deposit Fund, no subsequent cancellation or withdrawal can be made before end of the selected tenor.

Q41 What happens if members leave HA before the maturity of the selected Time Deposit Fund?

A41 If members leave HA before the maturity of selected Time Deposit Fund, they will only receive the payouts, including the full interest for the entire duration, after the time deposit funds are matured and redeemed from the bank.

Q42 Referring to the above case in Q41, when will I receive the payouts after the maturity of the time deposit?

A42 You will receive them within 30 working days from the maturity date of the selected Time Deposit Fund.

Q43 What happens if members have both lifestyle funds and the Time Deposit Funds when they leave the HA?

A43 If members have both lifestyle funds and the Time Deposit Fund when they leave the HA, the lifestyle funds will be redeemed and paid out as usual. However, the funds locked within the Time Deposit Fund can only be redeemed and withdrawn from the bank once they reach maturity.

Q44 How are Long Service Payment (LSP), Minimum MPF Benefits (MMB), or the unvested portion of accrued benefits handled upon leaving the HA?

A44 For members (i) who joined HAPFS after 1 December 2000 that their MMB have to be transferred to an MPF scheme according to the Mandatory Provident Fund Schemes (Exemption) Regulation; (ii) who are entitled to LSP under the Employment Ordinance; and/or (iii) who are not eligible to receive the benefits held in their respect in full upon leaving HA pursuant to the rules of HAPFS, the payment or transfer of the member's MMB, benefits to be used to offset LSP and any portion of the scheme benefits which shall not be paid to the member will be settled as far as possible by withdrawing the corresponding amount from the redemption proceeds of investments in other fund choices.

If the redemption proceeds of investments in other fund choices are insufficient to fully settle the aforesaid payments and transfers, the proceeds will be utilized in the following order: -

- (i) Transfer of MMB to an MPF scheme according to the Exemption Regulation;
- (ii) Payment of benefits to HA for LSP/SP offsetting purposes; and
- (iii) Payment of benefits to HA or the relevant account under HAPFS pursuant to the terms of HAPFS.

Q45 What happens if members leave the HA and have either the Time Deposit Funds only or both lifestyle funds and the Time Deposit Funds, but the redemption proceeds of the lifestyle funds are not sufficient even for the MMB?

A45 Where a leaving member has all his/her benefits invested in the TDF or if the redemption proceeds of investments in other fund choices are less than the amount of the member's MMB, the member's MMB will only be transferred to an MPF scheme according to the Exemption Regulation after all the time deposits are redeemed upon maturity.

Q46 What arrangements will be made in the event of death?

A46 The account balance will be claimed by the designated beneficiary(ies). If there are no designated beneficiaries, the account balance will be claimed by a legal personal representative. The respective personal representative needs to submit the claim form for payment of accrued benefits and provides a copy of Letter of Probate or Administration issued by the Probate Registry.

Effective 1st January 2020, under the new Hong Kong regulation on Automatic Exchange of Financial Account Information ("AEOI"), beneficiary or personal representative is required to provide the Scheme Administrator with a self-certification on tax residency(ies) before the claim is processed. For details of AEOI, please refer to the FAQ under the AEOI section.

Expense

Q47 Are there any charges or fee associated with a Time Deposit Fund?

A47 Yes, there is an expense charge for the Time Deposit Fund, which is 0.06% per annum based on your investment amount. For example, if you subscribe to a Time Deposit Fund of HK\$100,000 with a tenor of one year, the annual charge would be HK\$60.

Q48 If I place four 3-month time deposits of HK\$100,000 each in a year, what will be the total expense charge?

A48 If you place a time deposit of HK\$100,000 with a tenor of 3 months, the expense charge will be HK\$15. Therefore, if you place four 3-month time deposits of HK\$100,000 each over the course of a year, the total expense charge will amount to HK\$60, which is the same as placing a single time deposit of HK\$100,000 for one year.

Q49 When will the expense be charged?

A49 The total expenses associated with the entire duration of the time deposits will be deducted from the principal amount prior to placing the time deposits. For instance, if you subscribe to a Time Deposit Fund of HK\$100,000 with a one-year tenor, the annual charge will amount to HK\$60. Consequently, we would first deduct HK\$60 from the principal amount of HK\$100,000, resulting in a net nominal amount of HK\$99,940 for the placement of the time deposit with the bank.

Deposit Interest

Q50 Can members earn interest on the Time Deposit Fund?

A50 Yes, members will earn fixed returns in the form of interest on the Time Deposit Fund. The actual deposit rate will be determined at the time of placement. All deposit returns and expense charges will be reflected in the fund price. To mitigate concentration risk, the subscription funds of a specific tenor will be allocated across multiple banks. The final blended deposit rate will be announced once all the time deposits have been made.

Q51 How is the interest rate determined for a Time Deposit Fund?

A51 The interest rate for a Time Deposit Fund is determined by banks, and it may be influenced by various factors such as market conditions, prevailing interest rates, and the duration of the time deposit. The Scheme Office will allocate funds based on the offers from banks and the size of the placement. Subsequently, they will calculate the actual yield rate for each tenor of the Time Deposit Fund.

Q52 When will the indicative deposit rate be provided?

A52 The indicative deposit rate will be provided during the subscription period via the HA Chat and the Invesco website.

Q53 Is the indicative deposit rate guaranteed for the Time Deposit Fund?

A53 No, the indicative deposit rate serves as a reference only and is not guaranteed. The actual deposit rate can only be determined and confirmed at the time of placement. It may differ from the indicative rate due to market conditions and the policies of the bank.

Q54 Will the deposit rate be different for different investment amounts?

A54 The deposit rate for a Time Deposit Fund remains the same regardless of the investment amounts. The actual deposit rate is determined by the banks providing the deposits and is influenced by market conditions and other factors.

Q55 Can I know the actual deposit rate before investing in Time Deposit Fund?

A55 No, you cannot know the actual deposit rate before investing in the Time Deposit Fund. Please refer to Q52 too.

This FAQ has been translated into Chinese. If there are any inconsistencies between the English version and the Chinese version, the English version shall prevail.