

Frequently Asked Questions on the Time Deposit Fund

General

Q1 What is the Time Deposit Fund?

A1 The Time Deposit Fund (“TDF”) 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 TDF is introduced as an additional fund choice in response to requests raised by members from time to time. To capitalize on the 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 The TDF 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 TDF is suitable for them.

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

A4 The key differences between the TDF and the Money Market Fund (“MMF”) are as follows:

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

2. Returns: The MMF seeks to generate income for members through the interest earned on their underlying investments. The returns on MMF can fluctuate based on prevailing interest rates and credit quality of the underlying securities. In contrast, the TDF 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 MMF are designed to provide a high level of liquidity. Members can sell units of the MMF on a monthly basis. The TDF, on the other hand, has no liquidity during the agreed-upon time deposit tenor (the term). Members cannot sell units of the TDF before the end of the term.

4. Risk and Safety: Both the TDF and MMF are generally considered low-risk investments, but they are not risk-free.

Q5 When will the Time Deposit Fund be launched?

A5 The TDF was 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 TDF 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 TDF 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 the TDF, 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 TDF is protected under the Deposit Protection Scheme, which currently covers up to a maximum of HKD800,000 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 TDF.

Q10 Will funds in the Time Deposit Fund be deposited in virtual banks?

A10 No, funds from the TDF will not be deposited in virtual banks. Currently, the TDF 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 Prior to December 2024, all existing members of HAPFS, with the exception of bankrupt and extended members, are eligible to subscribe to the TDF.

Beginning with the TDF subscription window in December 2024, extended members who are retirees of HA will also be eligible for TDF subscription.

Q12 Can staff who rejoin HA after retirement subscribe to the Time Deposit Fund?

A12 No, staff who rejoin HA after retirement are employed under contract terms and are only eligible to participate in the HA Mandatory Provident Fund Scheme (HAMPFS).

Subscription Process

- Q13** **How can members subscribe to the Time Deposit Fund?**
A13 Members can subscribe to the TDF by giving an asset switch instruction to sell the fund units held in their account and allocate the proceeds to the TDF within the designated subscription window. This can be done exclusively through the Invesco website.
- Q14** **Can subscriptions to the Time Deposit Fund be made through Invesco's hotline or Interactive Voice Response System (IVRS)?**
A14 No, subscriptions cannot be made via Invesco's hotline or IVRS. Members can only subscribe through the Invesco website.
- Q15** **How often will the subscription window for the Time Deposit Fund be opened?**
A15 A subscription window for the TDF will be opened in March, June, September, and December of each year.
- Q16** **What are the available tenors for the Time Deposit Fund?**
A16 Members will be provided with the option to select a tenor of either 3 months, 6 months, or 12 months during each subscription period.
- Q17** **When is the cut-off time for subscription to the Time Deposit Fund?**
A17 The cut-off time for subscribing to the TDF is 5 p.m. on the 23rd of the respective month during which the subscription window is open. For details about the opening of the subscription window, please refer to Q15.
- Q18** **Can I allocate monthly contributions to invest in the Time Deposit Fund?**
A18 No, the TDF is currently not applicable to Employee Voluntary Contribution (EVC) or HA's monthly contribution. In addition, asset switching to the TDF 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 affected by the instruction of asset switching to TDF.
- Q19** **Can I switch out the existing EVC assets and invest in the Time Deposit Fund?**
A19 No, currently you cannot switch out the existing EVC assets and invest in the TDF.
- Q20** **Can I change or cancel the subscription instruction for the Time Deposit Fund during the subscription window?**
A20 Yes, you can change or cancel the subscription instructions during the subscription window via the Invesco website only.
- Q21** **What is the minimum allocation amount for the Time Deposit Fund?**
A21 Allocation amount for the Time Deposit Fund must be a multiple of 10% of the switch-out assets.
- Q22** **Is there a maximum limit on the allocation amount for the Time Deposit Fund?**
A22 There is no maximum limit on the allocation amount for the Time Deposit Fund. You may switch all your existing assets to the Time Deposit Fund if desired. When considering a switch to the Time Deposit Fund, please refer to Q7 for information regarding the associated risks.
- Q23** **Can I hold multiple Time Deposit Funds?**
A23 Yes, you can hold multiple series of Time Deposit Funds simultaneously.
- Q24** **Can I transfer funds from my personal savings account and invest into the Time Deposit Fund?**

- A24 No, you cannot transfer funds from your personal savings account and invest into the TDF.
- Q25 I am going to retire in 4 months, can I subscribe to a Time Deposit Fund with a 6-month tenor?**
A25 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.
- Q26 Referring to Q25, 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?**
A26 In general, you cannot subscribe to a tenor that will mature in your retirement month or beyond your retirement date. Therefore, if you are retiring in 6 months, you will not be able to subscribe to a TDF with a tenor of 6 months or longer.
- Q27 Can I set up automatic renewals for my Time Deposit Fund?**
A27 No, automatic renewals are not available for the TDF. 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 TDF is set to expire. Please note that it is necessary to provide new renewal instructions each time your TDFs are due to expire. (Please refer to Q16 and Q28)
- Q28 Can I subscribe another series of Time Deposit Fund upon maturity of the existing one?**
A28 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 TDF when the quarterly subscription window is open.

Asset Switch

- Q29 How can members switch their existing assets into the Time Deposit Fund?**
A29 Members can switch into the TDF by switching out the existing assets from the existing funds and transferring to the TDF within the designated subscription window. This can be done exclusively through the Invesco website.
- Q30 When should I provide instruction to switch out of the maturing Time Deposit Fund?**
A30 To switch out of the maturing TDF, 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 TDF 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 TDF during the month of September 2024, and the deadline is 5:00 p.m. on 23 September 2024.
- Q31 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?**
A31 Upon maturity, you are required to switch out 100% of the funds invested in the TDF. You may choose to transfer these funds either to another series of the TDF or to one of the six lifestyle funds. Partial switching out of the TDF is not allowed.

Default Deposit Fund

- Q32 When can I switch out of the Default Deposit Fund and invest in another series of the Time Deposit Fund?**
A32 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 TDF is only open on a quarterly basis. In other words, you can only choose a new series of the TDF 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 TDF. 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 TDF.

Q33 What happens if no instructions are received from members upon maturity of the Time Deposit Fund?

A33 If no instructions are received from members upon maturity of their selected TDF, the assets will be automatically switched to a one-month TDF (referred to as the "Default Deposit Fund.")

Q34 Referring to Q31, how about the Default Deposit Fund? Can I switch out a portion of the balance from the Default Deposit Fund?

A34 No, you are also required to switch out 100% of the balance from the Default Deposit Fund.

Withdrawal / Termination

Q35 Can I request for an early withdrawal from my Time Deposit Fund in case of an emergency?

A35 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 TDF matures, members will only receive the amounts placed in the TDF (together with interests) after the maturity and redemption of the relevant time deposits, subject always to the terms of HAPFS and applicable laws.

Q36 I am an extended member holding Time Deposit Funds that have not yet matured. Can I apply for partial withdrawals?

A36 No, partial withdrawals are not allowed until all your TDFs have reached maturity.

Q37 Can time deposits be cancelled before the designated maturity date?

A37 No, when members choose to switch their assets into the TDF, no subsequent cancellation or withdrawal can be made before the end of the selected tenor.

Q38 What happens if members leave HA before the maturity of the selected Time Deposit Fund?

A38 If members leave HA before the maturity of selected TDFs, they will only receive the payouts, including the full interest for the entire duration, after the TDFs are matured and redeemed from the bank.

Q39 Referring to the above case in Q38, when will I receive the payouts after the maturity of the time deposit?

A39 You will receive the payouts within 30 working days from the maturity date of the selected TDFs.

Q40 What happens if members have both lifestyle funds and the Time Deposit Funds when they leave the HA?

A40 If members have both lifestyle funds and the TDF when they leave the HA, the lifestyle funds will be redeemed and paid out as usual. However, the funds locked within the TDF can only be redeemed and withdrawn from the bank once they reach maturity.

Q41 **How are, Minimum MPF Benefits (MMB) to be transferred to an MPF scheme, Long Service Payment (LSP), Severance Payment (SP) or the unvested portion of accrued benefits handled upon leaving the HA?**

A41 Upon Members leaving HA, their existing fund holdings (excluding TDF) will be redeemed to pay for MMB, LSP/SP, and transfer of unvested scheme benefits.

If the redemption proceeds from existing fund holdings (excluding TDF) are insufficient to fully cover all the required payments and transfers, they will be allocated in the order below :

1. Transfer of MMB to an MPF scheme;
2. Payment of benefits to HA for LSP/SP offsetting purposes; and
3. Transfer of unvested benefits

The remaining payment or transfer will be made when the TDF has matured.

Q42 **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?**

A42 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.

Q43 **What happens to my accrued benefits if I pass away while holding a Time Deposit Fund?**

A43 In the unfortunate event of a member's passing, the accrued benefits, including those held in the Time Deposit Fund, will be processed in accordance with the Scheme's rules and applicable laws of Hong Kong. Since the Time Deposit Fund does not allow early redemption, the funds will remain invested until the maturity date. Once the Time Deposit Fund matures, the accrued benefits, including any accrued interest, will be distributed to the designated beneficiaries or the member's estate.

Expense

Q44 **Are there any charges or fee associated with a Time Deposit Fund?**

A44 Yes, there is an expense charge for the TDF, which is 0.06% per annum based on your investment amount.

For example, if you subscribe to a TDF of HK\$100,000 with a tenor of one year, the annual charge would be HK\$60.

Q45 **If I place four 3-month time deposits of HK\$100,000 each in a year, what will be the total expense charge?**

A45 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 separate 3-month time deposits of HK\$100,000 each over the course of a year, the total expense charge will amount to HK\$60. This is equivalent to the expense charge for placing a single one-year time deposit of HK\$100,000.

Q46 **When will the expense be charged?**

A46 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 TDF 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

- Q47** **Can members earn interest on the Time Deposit Fund?**
A47 Yes, members will earn fixed returns in the form of interest on the TDF. 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.
- Q48** **How is the interest rate determined for a Time Deposit Fund?**
A48 The interest rate for a TDF 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 HA Retirement Schemes Team 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.
- Q49** **When will the indicative deposit rate be provided?**
A49 The indicative deposit rate will be provided during the subscription period via the HA Chat and the Invesco website.
- Q50** **Is the indicative deposit rate guaranteed for the Time Deposit Fund?**
A50 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.
- Q51** **Will the deposit rate be different for different investment amounts?**
A51 The deposit rate for a TDF 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.
- Q52** **Can I know the actual deposit rate before investing in Time Deposit Fund?**
A52 No, you cannot know the actual deposit rate before investing in the TDF. For further details, please refer to Q49, which provides information on the indicative deposit rates.

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.