

China Life MPF Master Trust Scheme
(“China Life Scheme”)
Termination of China Life Guaranteed Return Fund (“Termination”) and
Changes to China Life Retire-Easy Guarantee Fund (“Transferee CF Changes”) – FAQs

Terms used in the following FAQs (unless otherwise defined below) bear the same meaning as in the MPF Scheme Brochure March 2020 Edition of China Life Scheme.

1. What is the key point of the Termination and when will it take place?

Pursuant to clause 17.3.1 of the Master Trust Deed of China Life Scheme, China Life Guaranteed Return Fund (“Terminating CF”) will be terminated with effect from 30 November 2020 (“Effective Date”). The payout amount of the Terminating CF will be transferred to and used to purchase units in China Life Retire-Easy Guarantee Fund (to be renamed as China Life Joyful Retirement Guaranteed Fund, the “Transferee CF”) which has very similar investment objectives as the Terminating CF. There will be no increase in the management fees as a result of the transfer of members’ investment from the Terminating CF to the Transferee CF though the guaranteed rate of return (“GRR”) of the Transferee CF is lower than that of the Terminating CF.

2. What is the key point of the Transferee CF Changes and when will these changes take effect?

With effect from 4 December 2020, the following Transferee CF Changes will be made to the Transferee CF:

- changes (“Guarantee Changes”) to the GRR and the guarantee mechanism such that:
 - the current GRR of 3.5% and net GRR of 2% will be deleted and replaced by a new GRR of 1.35% p.a., being the GRR to be applied directly to Members’ account balance
 - guarantee entitlement will be subject to qualifying conditions
- Management fees will be reduced from 1.5% p.a. to 1.2% p.a. and guarantee charge will be reduced from 1% p.a. to 0.8% p.a.
- the name of the Transferee CF will be changed from “China Life Retire-Easy Guarantee Fund” to “China Life Joyful Retirement Guaranteed Fund”
- the maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of new contributions in any financial period will be increased from HK\$500,000 to HK\$1,000,000 and the maximum limit of the aggregate amount of Smart Easy Personal Contribution which can be invested in the Transferee CF by way of rebalancing will be removed

Pursuant to Part II Clause 2(c) of Annexure E of the Master Trust Deed of China Life Scheme, the “Notice to Participating Employers and Members” was issued on 28 August 2020 to give 3 months’ written notice to employers and Members in respect of the Guarantee Changes. For more details on the Transferee CF and Transferee CF Changes, please refer to the First Addendum issued on 28 August 2020 to the latest MPF Scheme Brochure March 2020 Edition and the “Notice to Participating Employers and Members” issued on 28 August 2020.

3. What will happen to the assets in the Terminating CF?

On the Effective Date, we, China Life Trustees Limited, will redeem all units relating to the Terminating CF as at the Effective Date and on the same day use the payout amount to purchase the units in the Transferee CF, i.e. China Life Retire-Easy Guarantee Fund, which shares similar investment objectives.

4. Why is the Termination taking place? What are the benefits?

We no longer consider it advisable to maintain two similar guaranteed funds, being the Terminating CF and the Transferee CF, under China Life Scheme. To allow for a more cost-effective scheme structure, achieve better economies of scale (by consolidating the assets of the Terminating CF and the Transferee CF) and streamline its fund platform, we wish to terminate the Terminating CF. We consider that the Termination is in the interests of members.

5. Why are the Transferee CF Changes taking place? What are the benefits?

The Guarantee Changes are introduced with the aim of sustaining the continuous operation of the insurance policy approved pooled investment fund (“Relevant Fund”) of the Transferee CF and to ensure that Members can continue

to enjoy having a guaranteed fund as one of their fund choices, taking into account recent market conditions of the bond and credit market in which the Relevant Fund of the Transferee CF primarily invests and the resulting expectation that the return of investments of the Relevant Fund of the Transferee CF will be low. For details of the relevant recent market conditions prompting the changes, please refer to the “Notice to Participating Employers and Members” issued on 28 August 2020. The Guarantee Changes, which contribute to the sustainability of the continuous operation of the Relevant Fund of the Transferee CF, are in the interests of Members investing in the Transferee CF.

The reduction of Management fees and guarantee charge is proposed for the interests of the Members investing in the Transferee CF. The changes relating to the maximum limit of aggregate investment amount of Smart Easy Personal Contribution which can be invested in the Transferee CF are proposed for the purpose of providing greater flexibility for Members’ retirement planning and assisting with the achievement of retirement goals by Members.

6. Why has China Life Retire-Easy Guarantee Fund been selected as the Transferee CF?

The Transferee CF shares similar investment objectives and risk levels compared to the Terminating CF. Members who hold units in the Terminating CF will not be subject to higher risk after the Termination and their unit holdings are transferred to the Transferee CF.

7. How many constituent funds will there be after the Termination?

There will be 8 constituent funds in China Life Scheme after the completion of the Termination.

8. Will my accrued benefits and account balances be affected at all by the Termination?

We will liaise with all service providers such as the investment manager, custodian and administrator of China Life Scheme and the Relevant Funds to ensure proper arrangements (including but not limit to administrative and operational) are in place for the transition and a smooth transfer of accrued benefits of the members from the Terminating CF to the Transferee CF (or to other Constituent Funds as the members may instruct). There will be no bid and offer spreads or other transaction costs in relation to the redemptions of the units of the Terminating CF and the subsequent subscriptions in the units of the Transferee CF.

We do not foresee any loss of accrued benefits of members arising out of the Termination, but note that members will not be entitled to guarantee under the Terminating CF if they withdraw their accrued benefits in circumstances where none of the conditions for guarantee entitlement are satisfied, namely (a) withdrawal on the first dealing day on or after 1 January of each financial period of the China Life Scheme, or (b) withdrawal by reason of termination of employment (applicable to employee members only) (“Relevant Circumstances”). In case there is any event (other than fluctuation of fund price, circumstances beyond our control or loss of guarantee entitlement as a result of withdrawal by Members in situations other than the Relevant Circumstances to which the One-off Arrangement (as defined in the answer to Q9 below) does not apply) resulting in any loss of accrued benefits of the members as a result of the Termination, we will compensate the loss incurred.

9. How will the transfer of accrued benefits take place for the Terminating CF?

On the Effective Date, all units in the Terminating CF will be redeemed and the payout amount of the Terminating CF will be used to purchase the units in the Transferee CF. We will issue a confirmation to members who have units holding or investment mandate investing in Terminating CF immediately prior to the Effective Date, showing the amount of accrued benefits and unit holdings and/or investment mandates being transferred from the Terminating CF to the Transferee CF. The confirmation will be issued within 1 month after the Effective Date. For members who have units holding in the Terminating CF immediately prior to the Effective Date, they may also check their latest unit holdings as a result of the Termination by accessing our website on 2 December 2020. Members will also be notified by letter as soon as practicable if they receive any additional units of the Transferee CF as a result of the residual smoothing provision.

Under the current guarantee mechanism of the Terminating CF, the guarantee will only be offered if the withdrawal of a member satisfies any of the conditions for guarantee entitlement (i.e. the Relevant Circumstances). In this case, we have put in place a one-off special arrangement (“One-off Arrangement”) where members will remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF immediately prior to the Effective Date even though the transfer of holdings in the Terminating CF to the Transferee CF upon Termination does not satisfy the conditions for guarantee entitlement.

The value of holdings of the members investing in the Terminating CF immediately before the Termination (including the value of guarantee entitlement (if applicable)) will be the same as the value of holdings of the members transferred to the Transferee CF immediately after the Termination. The number of units of the Transferee CF to be allocated to each member concerned will be determined by dividing the transfer value of the Terminating CF attributable to the member concerned on the Effective Date by the unit price of the Transferee CF on the Effective Date.

10. Will dealings be suspended due to the Termination?

Dealings of the Terminating CF will be suspended on 27 November 2020 (“Suspension”) in order to process and settle all dealing instructions that may be received by us prior to the Suspension. The determination of the net asset value of the Terminating CF, however, will continue and remain unaffected during the Suspension.

For cut-off times for various types of instructions involving the Terminating CF to be received by us in the transitional arrangement, please refer to Q15 below or the “Notice to Participating Employers and Members” issued on 28 August 2020.

11. Is there any major difference between the key features of the Terminating CF and the Transferee CF?

As mentioned in Q2 above, the Transferee CF Changes will be made to the Transferee CF, which will take effect on 4 December 2020. The following is a comparison table showing certain key features of the Terminating CF and the Transferee CF (both before and after the Transferee CF Changes).

	Terminating CF	Transferee CF (before Transferee CF Changes)	Transferee CF (after Transferee CF Changes)
Name	China Life Guaranteed Return Fund	China Life Retire-Easy Guarantee Fund	China Life Joyful Retirement Guaranteed Fund
Fund type	Guaranteed fund	Guaranteed fund	
Investment objectives	To provide a return that is above the GRR to participants.	To provide capital preservation in the long-term and offer to enhance return with limited exposure to global equities, while also providing a guaranteed return.	
Investment policy	To invest solely in the Relevant Fund issued by China Life Insurance (Overseas) Company Limited (“Insurer”) and will in turn solely invest in the underlying unit trust approved pooled investment fund (“Underlying Fund”) which maintains a well-diversified portfolio comprising global equities, fixed income securities, and bank deposits.	To invest solely in the Relevant Fund issued by the Insurer and will in turn solely invest in the Underlying Fund which maintains a diversified portfolio comprising global equities, intermediate term global fixed income securities and debt securities.	
Asset allocation	Bank deposits: 0-50% Fixed income securities: 50-80% Global equities: 0-30%	Cash/bank deposits: 0-50% Fixed income securities: 50-80% Global equities: 0-30%	
Risk level	Low	Low	
GRR	4% p.a.	3.5% p.a.	1.35% p.a.*
Net GRR	2.5% p.a.	2% p.a.	
Conditions on guarantee entitlement	Yes	No	Yes
Qualifying Period[^]	No	No	36 completed months

Management fees	1.5% p.a.	1.5% p.a.	1.2% p.a.
Guarantee charge[#]	N.A.	1% p.a.	0.8% p.a.
Smoothing provision[#]	0.0077% per week (i.e. approximately 0.4% p.a.)	N.A.	N.A.

*Please note that for simplicity reasons, the current GRR and net GRR will be deleted and replaced by a new GRR of 1.35% after the Transferee CF Changes (as shown in the table above). The new GRR represents the GRR that will be applied directly to the account balance of Members.

[#]Please note that the guarantee charge is the property of the Insurer whilst the smoothing provision is the property of the Terminating CF.

[^]Please refer to section B(1) “Details relating to the Transferee CF Changes” in the “Notice to Participating Employers and Members” issued on 28 August 2020 for definition of “Qualifying Period”.

For more details on the Transferee CF and Transferee CF Changes, please refer to the First Addendum issued on 28 August 2020 to the latest MPF Scheme Brochure March 2020 Edition and the “Notice to Participating Employers and Members” issued on 28 August 2020.

12. Will the website or Interactive Voice Response System continue to be in service during the Termination?

The website will continue in service during the Termination. However, members should note that the Terminating CF will not be available for selection for rebalancing or change of investment mandate after 4 p.m. (HK time) on 18 November 2020. The relevant instructions will be rejected and we will inform the affected members of the rejection by phone within the same working day of the receipt of the relevant instructions, followed by the issuance of a letter on the following working day. Website service for account balance enquiry will remain available to members after the aforementioned cut-off time.

The Interactive Voice Response System only provides enquiry services and is not available for receiving instructions.

13. Do I need to pay any extra fees or charges for the Termination?

No. All costs of the Termination will be borne by us.

14. Do I need to change the forms that I am now using?

Yes. New versions of enrolment forms (with Terminating CF removed) will be made available from the Effective Date onwards via our website (www.chinalife.com.hk) and other channels. There will be a transitional period (from the Effective Date up to 26 February 2021) for accepting the old version of enrolment forms by us. Upon receipt of the old versions of enrolment forms during the transitional period, instructions for investing in the Terminating CF will be deemed and processed as instructions with respect to the Transferee CF. Old versions of enrolment forms received by us after 26 February 2021 will be rejected and we will inform the affected members of the rejection by phone followed by issuance of a letter within 5 working days upon receipt of the outdated forms.

15. Will there be any special administration arrangement that requires my attention?

Details of the transitional arrangement in respect of different types of instructions involving the Terminating CF will be as follows:

Types of instructions*	At or before the relevant cut-off time	After the relevant cut-off time
Member enrolment and subscriptions (i.e. contributions and transfer-in assets)	Relevant instructions received on or before the relevant cut-off time (i.e. 4 p.m. (HKT) on 26 Nov 2020) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 4 p.m. (HKT) on 26 Nov 2020) will be withheld. Such instructions involving the Terminating CF will be deemed and processed as instructions with respect to the Transferee CF. Processing of these instructions will be resumed from 1 to 3 Dec 2020 free of charge.
Redemption (i.e. claims, withdrawals, and transfer-out assets)		

Rebalancing and change of investment mandate	Relevant instructions received on or before the relevant cut-off time (i.e. 4 p.m. (HKT) on 18 Nov 2020) will be processed in accordance with the normal timeframe free of charge.	Relevant instructions received after the relevant cut-off time (i.e. 4 p.m. (HKT) on 18 Nov 2020) will be rejected. The Approved Trustee will inform the affected members of the rejection by phone within the same working day of the receipt of the relevant instructions, followed by the issuance of a letter on the following working day.
--	--	---

****Members' instructions may be submitted online or delivered by hand, fax, post or email to us. The Interactive Voice Response System only provides enquiry services and is not available for receiving instructions.***

Members should note that the Terminating CF will not be available for selection for rebalancing or change of investment mandate after 4 p.m. on 18 November 2020, including selection on website service. However, website service for account balance enquiry will remain available to members after cut-off time.

16. Do I need to take any action if I am investing / have investment mandate in the Terminating CF?

If members who are holding units in the Terminating CF and/or whose investment mandates are to invest in the Terminating CF do not wish their units and future contributions and/or transfer-in assets to be transferred and/or invested in the Transferee CF from the Effective Date onwards, they may give instructions to switch their units or future investment in the Terminating CF. Such instructions must be received by us at or before 4 p.m. (HK time) on 18 November 2020. Members' instructions may be submitted online, delivered by hand, fax, post, or via email to us. The above mentioned rebalancing and change of investment mandate instruction will be processed in accordance with normal timeframe free of charge. Please note that under the current guarantee mechanism of the Terminating CF, the guarantee will only be offered if the withdrawal by the member satisfies any of the conditions for guarantee entitlement (i.e. the Relevant Circumstances). In this case, we have put in place a One-off Arrangement where members will remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF immediately prior to the Effective Date even though the transfer of holdings investing in the Terminating CF to the Transferee CF upon Termination does not satisfy the conditions for guarantee entitlement.

17. What should I do if I do not wish to involve in the Termination?

Employers, self-employed persons, personal account holders or tax deductible voluntary contribution account holders who do not wish to be involved in the Termination may transfer out of China Life Scheme to other MPF schemes free of charge. Employee members who do not wish to be involved in the Termination, may transfer their accrued benefits derived from their employee mandatory contributions under their current employment to another MPF scheme chosen by them once every year which will be free of charge as well. Smart Easy Personal Contribution Account holders who do not wish to be involved in the Termination may elect to withdraw all their benefits in and terminate their Smart Easy Personal Contribution Accounts. However, please note that guarantee entitlement under the Terminating CF will only be provided where any of the conditions for guarantee entitlement are met (i.e. the Relevant Circumstances).

18. Under what circumstances will I lose my guarantee entitlement?

As stated in our answer to Q9, under the current guarantee mechanism of the Terminating CF, the guarantee will only be offered if the withdrawal of a member satisfies any of the conditions for guarantee entitlement (i.e. Relevant Circumstances). We have therefore put in place the One-off Arrangement where members will remain entitled to the guarantee offered under the Terminating CF for those accrued benefits investing in the Terminating CF immediately prior to the Effective Date even though it is not one of the Relevant Circumstances.

Accordingly, members will lose their guarantee entitlement under the Terminating CF if they withdraw their accrued benefits investing in the Terminating CF prior to the Effective Date (since the One-off Arrangement will not be available for such withdrawal) where the withdrawal *does not* fall within one of the Relevant Circumstances.

19. How can I find out more information about the Termination?

We have issued a notice to all participating employers and members regarding the Termination on 28 August 2020. The Master Trust Deed as well as the latest MPF Scheme Brochure will be amended to reflect all the related changes by way of the Twenty Fourth Deed of Variation and the First Addendum respectively and will be available for inspection at our office at 17/F, CLI Building, 313 Hennessy Road, Wanchai, Hong Kong. The latest MPF Scheme Brochure including the First Addendum can also be obtained free of charge by accessing our website www.chinalife.com.hk. Alternatively, members may contact our hotline 3999 5555 for any queries regarding the Termination.

For Participating Employers only

20. Will the Termination affect my contribution payment arrangements?

No. The Termination will not affect the contribution payment arrangements.

21. Will the Termination affect regular contributions for our employees?

The regular contributions will not be affected. You can submit the contributions for your employees as usual.

22. How will our employees be notified regarding the Termination?

We have issued notice to all members (including your employees who have enrolled into China Life Scheme) and please refer to details under Q19. We will also send notice regarding the Termination to new enrolled members during notification period by inserting it with the Notice of Participation.