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WINDING UP YOUR CX P-FUND

A GUIDE

HOW THE PROCESS WORKS AND WHAT TO DO

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I'll try keep this as simple as possible to help guide you through the "P-Fund" (CPAPF93) withdrawal process.

PLEASE NOTE: This process does need some explaining, as the funds you can withdraw may be FAR LESS than what is actually in your account. However, if you would like to go straight to the withdrawal process, scroll to page 5: WITHDRAWAL PROCESS.

YOU CAN SKIP TO THE WITHDRAWAL PROCESS

Scroll to page 5

LETS START WITH THE BASICS

The CPAPF93 is classed as an ORSO (Occupational Retirement Schemes Ordinance) plan. Only available to higher-income classes, it provides some benefits over the HK MPF scheme, but it does have some caveats too. The withdrawal procedures are therefore different, but I will walk you through that process. Before you can withdraw any of your eligible funds, you need to decide one of two things:

1) **Are you permanently departing Hong Kong**

or

2) **Are you staying in Hong Kong**

If you leave Hong Kong PERMANENTLY, you are entitled to withdraw all eligible funds. If you STAY in Hong Kong, however, a portion of that money must be preserved under the MMB (Minimum MPF Benefit) rules as per government regulations. Later, that money may be withdrawn if you choose to leave Hong Kong (permanently) or retire at the age of 65 (other circumstances apply such as your death or you get critically ill).

OPTION 1: DECIDING TO LEAVE HKG PERMANENTLY

If you decide to leave Hong Kong permanently, you will be eligible for any and all funds available to you and be paid out in cash.

By signing up to CPAPF93, you agreed to the terms within ORSO. Thus are subjected to a **"years of service" schedule.** That is, for every year of service you provide to your employer, you gain a percentage of the vested amount in the fund.

VESTING SCALE

Completed Years of Service	% of Employer's Accumulation
Less than 1	Nil
1 but less than 2	10%
2 but less than 3	20%
3 but less than 4	30%
4 but less than 5	40%
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

However, if you do LESS than 1 year of service, you are NOT entitled to any of the funds your employer has contributed. You are, however, eligible for any of the funds that **YOU** contributed (if any) - this is known as the Members Contribution. Above is the table used to calculate the vested percentage. It's worth noting that Cathay Pacific's scheme is more favourable than that laid out by the regulations. The regulations state that you must serve 3 years or more to be entitled to the funds, whereas Cathay's scheme recognises your service AFTER 1 year of employment. The amount you are eligible for is calculated using the formula below

(P x Vesting Balance) + Member Balance

P = % based on your years of service
Vesting balance = company contributions
Members Balance = your contributions

If you have done less than 1 year of service, all of the vested money provided by Cathay Pacific will be forfeited. However, you are entitled to withdraw ALL funds that **YOU contributed to the scheme** and any interest that may have accrued. At the end of this document, I have provided details and advice regarding the **withdrawal procedure.**

OPTION 2 – STAYING IN HKG (Seeking other employment or re-employment by CX)

By staying in Hong Kong, under the regulations of ORSO and the MPF scheme, a **portion of the funds** under the CPAFP93 NEW, must be transferred to a recognised MPF scheme for **preservation**. This is due to government's requirement which states that you must have an MPF for your eventual retirement. The minimum amount that must be transferred for preservation is known as the **MMB** (minimum MPF Benefit) and is the **LESSER** of the **2** calculations shown on the right:
NOTE: The "final average Income" is capped at $30,000
(This is set by the government)

Years of service = Members continuous service since he/she joined the CPAPF93 New)

1

2 x Final Average Monthly Relevant Income x the member's years of service

OR

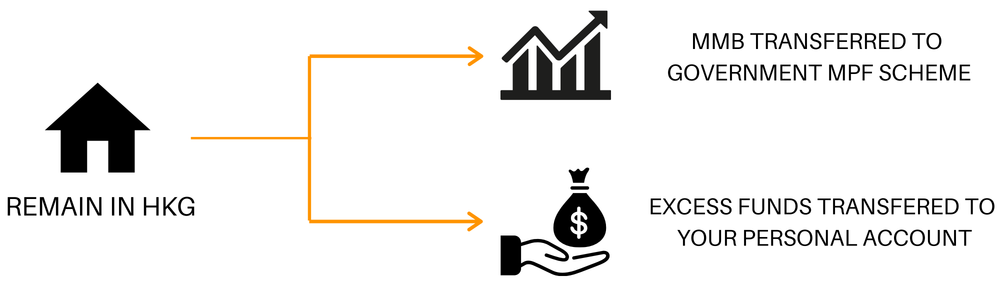
2

Vesting Balance + Member Balance

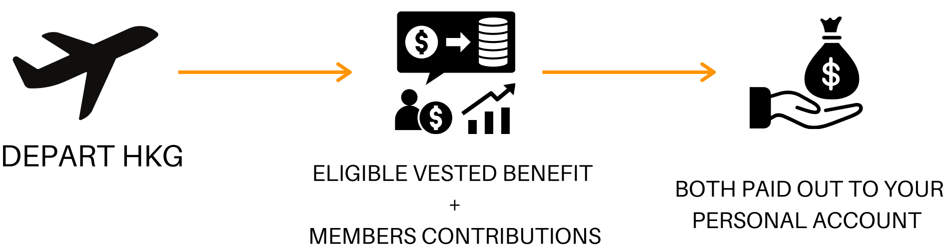
What this means is that a portion of your funds will be transferred to an MPF Master Scheme for preservation until you retire at the age of 65 **OR**, later leave Hong Kong **PERMANENTLY**. Any **EXCESS** amount above the **MMB** will be transferred to you in the method you select on the withdrawal form. This excess money is then for your own private use.

The amount to be preserved is calculated for you by HSBC Trust Services - you need not worry about working this out – the examples that are provided are simply to assist you in understanding the process.

OPTION 1



OPTION 2



EXAMPLE 1: LESS than 1 year of service.

YEARS OF SERVICE (VESTING SCALE)	Less than 1 YEAR
EMPLOYERS CONTRIBUTIONS (CX)	$80 000
EMPLOYEES CONTRIBUTIONS (YOU)	$40 000
AVERAGE FINAL YEAR MONTHLY INCOME **(CAPPED AT $30,0000)**	$30 000

Your withdrawal amount will be as per the ORSO calculations

Step 1	**EMPLOYERS CONTRIBUTIONS X VESTING SCALE %**	**$80 000 X 0% = $0**
Step 2	**A) AVERAGE MONTHLY INCOME IN THE FINAL YEAR OF SERVICE (CAPPED at $30K) X YEARS OF SERVICE X 1.2**	**$30,000 x 1 x 1.2 = $36,000**
Step 3	**B) EMPLOYEE'S CONTRIBUTIONS + BENEFITS DERIVED FROM THE EMPLOYER'S CONTRIBUTIONS UNDER THE VESTING SCALE**	**$40,000 + $0 = $40,000**
Step 4	**Minimum MPF Benefit (MMB) = Lesser of (A) and (B)**	**36,000**
Step 5	**Excess funds allowable for early withdrawal (B – MMB)**	**$40,000 - $36,000 = $6000**

Therefore $36,000 (the **MMB**) will be transferred to the the relevant Master MPF scheme or your relevant NEW employers scheme. $6000 is available for **YOU** to withdraw to your personal account in cash or however you have elected to be paid out.

Of course, if you have not contributed any sum of money to the CPAPF93 NEW (in the case of less than 1 year of service) there will be **no excess money to be withdrawn**.

EXAMPLE 2: More than 1 year of service

YEARS OF SERVICE (VESTING SCALE)	1 YEAR
EMPLOYERS CONTRIBUTIONS (CX)	$90 000
EMPLOYEES CONTRIBUTIONS (YOU)	$45 000
AVERAGE FINAL YEAR MONTHLY INCOME **(CAPPED AT $30,000)**	$30 000

Step 1	**EMPLOYERS CONTRIBUTIONS X VESTING SCALE %**	**$90 000 X 10% = $9,000**
Step 2	**A) AVERAGE MONTHLY INCOME IN THE FINAL YEAR OF SERVICE (CAPPED at $30K) X YEARS OF SERVICE X 1.2**	**$30,000 x 1 x 1.2 = $36,000**
Step 3	**B) EMPLOYEE'S CONTRIBUTIONS + BENEFITS DERIVED FROM THE EMPLOYER'S CONTRIBUTIONS UNDER THE VESTING SCALE**	**$45,000 + $9,000 = $54,000**
Step 4	**Minimum MPF Benefit (MMB) = Lesser of (A) and (B)**	**36,000**
Step 5	**Excess funds allowable for early withdrawal (B – MMB)**	**$54,000 - $36,000 = $18,000**

Therefore $36,000 (the **MMB**) will be transferred to the Master MPF Scheme, or your relevant NEW employers scheme. $18,000 is available for **YOU** to withdraw to your personal account or however you elect to be paid out.

If you have done more than 10 years of service, ALL of the vested money in the fund will available to you, however, the MMB will still be transferred to the Master MPF scheme. You will, in all likelihood, have a far higher sum of money in excess of the MMB that is available to you for personal withdrawal.

THE WITHDRAWAL PROCEDURE

You will have received a form from Cathay Pacific that enables you to withdraw any eligible funds in EXCESS of the MMB within the provident fund scheme. This form is quite self-explanatory. You may find some areas not as clear, namely: the withdrawal method and the fact that there are two firms listed: Fidelity and Schroders.

Depending on the switching you have followed on my service, your holdings may be under one of these firms' products. Thus, there is a section under the HSBC withdrawal form for each firms' fund. The selection options explained below are identical for both.

There are **3** outcomes:

1) All eligible funds are withdrawn as you are leaving Hong Kong permanently
2) Your funds are transfered to a Basing benefits scheme. (only for those taking up a base)
3) You remain in Hong Kong and the MMB funds are transferred to the Master MPF scheme .

NOTE: For options 2 & 3, any **EXCESS** funds above the **MMB** (Minimum MPF Benefit) may be withdrawn to your personal account.

OUTCOME 1:

You will require 3 forms:

1) **Cathay Pacific CPAPF93 NEW withdrawal form** (emailed to you by the company)
2) **MMB-W(SD2) form**
3) **MMB-W form**

LINK FOR the MMB-W(SD2) and MMB-W can accessed **HERE**

The MMB-W forms are simply to inform the government that you are leaving Hong Kong PERMANENTLY and do not intend to return. DO NOT falsify this information as it is a criminal offence!

OUTCOME 2:

You will require 2 forms:

1) **Cathay Pacific CPAPF93 NEW withdrawal form** (emailed to you by the company)
2) **Enrolment Form the Basing Benefits Scheme (BBS)** (form provided by Cathay)

Please follow company guidance on this matter as it is very specific to you and your basing allocation

OUTCOME 3

You will require 2 forms:

1) **Cathay Pacific CPAPF93 NEW withdrawal form** (emailed to you by CX already)
2) **MMB-W form**

On the CPAPF93 NEW Withdrawal Form, there is a selection between **3 options** for the withdrawal of any **EXCESS** funds above the **MMB**.
You will have the option to withdraw your funds in 1 of 3 ways:

1) Redeeming all the fund units representing "my vested benefit" (i.e. selling the funds for cash) and be paid the lump sum according to the payment method you have chosen on the form.

2) Arranging a transfer to a Basing Scheme (BBS)

3) Arranging a transfer to your own retail Fidelity/Schroders investment account.

NOTE: for the 3rd option above, this is only if you want to place these funds into a **personal retail account**. i.e. pass on your business to **Fidelity/Schroder**.
I also offer a similar service with a **better choice of investment funds**. Contact us for further details.

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SOME GUIDANCE GOING FORWARD

- **PAYMENT CURRENCY:**

If you choose to withdraw your funds in a lump sum, I suggest that you transfer your funds into USD. As most of the funds are denominated in USD/EUR/JPY. When you sell your units in, say Hong Kong dollars, there will be an exchange rate difference which may lead to the loss of some of your money - this is known as slippage.

- **CHOOSING TO WITHDRAW ANY EXCESS FUNDS:**

I recommend that you withdraw this money in using the "lump sum" option and use the money towards your future investments, rather than transferring it to a retail Fidelity/Schroders investment account as they have limited fund options. Rather place that money into a account that can give you better returns and offer more options.

- **YOUR FUTURE WEALTH AND PROSPERITY:**

This relies heavily on the careful and calculated management of your money. Perhaps, right now, you may not be thinking of your long term strategy, but it may be essential to consider your future finance and a way forward from this. With what you may be given from this withdrawal, together you and I could continue to grow that money or even look at different angles to assist you in managing that money correctly. I am a licensed consultant and offer different wealth management strategies for a variety of people in various professions. You will be in good hands, and I hope that my service to you so far has allowed that trust to build.

If you need **ANY HELP** going forward, please don't hesitate to contact me. I am here to help. You are **not alone** in this process.
I hope that we can continue to work together for a better financial future for you and your family

I am more than happy to arrange an in-person meeting or **ZOOM CALL** to discuss any questions, issues or ideas you may have.

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