Name of respondent / 回應者名稱: -

Q1: No / 不支持
Q1 Comment / 意見: We however agree with the concept of better regulation of default funds in order to ensure members are well-served based on realistic retirement goals. We agree that this should incorporate good value for money, be available to all members and have an investment approach consistent with the long-term risks and returns needed for retirement savings.

However, we disagree that the default fund should be substantially the same in each MPF scheme (see response to Q2 below).

Q2: No / 不同意
Q2 Comment / 意見: We are not in favour of a full homogenisation of the default fund for every MPF scheme. We believe that there is room for differentiation between providers within a regulated framework, and also that different employers should be given the opportunity to nominate their chosen default strategy (from an approved subset within each scheme) for their employees. This would be similar to the US QDIA approach, in which only a small number of specific funds are approved as qualifying default options within each scheme.

This approach has the added benefit of not requiring the launch of multiple new CFs to meet the single prescriptive requirements. Existing CFs can be nominated and, if suitable, approved.

Q3: No / 否
Q3 Comment / 意見: Please see response to Q2 above.

In a situation where there are specific approved funds within each scheme, there would inevitably be similarity between schemes due to the requirement to meet certain criteria.

In the case of a single, centrally-managed default strategy which every scheme is compelled to include as a CF, then of course it should be designed using suitable investment characteristics for retirement savings.

Q4: Yes / 同意
Q4 Comment / 意見: However, we draw on experience from other markets where 'set-and-forget' target date funds have become prevalent and note that pre-defining now which asset class(es) will be low or high risk in 20= years' time can be naïve. Take the current situation as an example, when government bonds, traditionally used as the low-risk (or even 'risk-free') asset, appear very expensive, low-yielding and with a significant chance of delivering negative returns in the coming years.

We would suggest that the decrease in risk over time instead be defined in terms of outcomes, for example having portfolio targets reducing from CPI+4% to CPI+1% in stages as the member draws closer to retirement.

Q5 Comment / 意見: a. A lifecycle approach allows a more customised retirement solution for members and could be constructed using existing CFs. However, it would be more administratively complicated to set up and manage. On balance, we would prefer a lifecycle approach to the series of TDFs.

b. No particular view. However, the establishment of ~250 new CFs (~40 schemes x ~5-6 new CFs each) does not appear to be in keeping with the aim of reducing cost and complexity in the MPF system.

c. Similar economic assets to those currently permitted within the multi-asset CFs should be sufficient. A broader choice of vehicles to access these would increase efficiency – for example, ETFs or other index-tracking funds, futures, active funds. A lifecycle approach using existing CFs would avoid this additional complexity.

d. This should be left to the discretion of the provider and investment manager. We note that, although index-tracking building blocks may be used, a passive asset allocation strategy (either static SAA or set-and-forget TDF glidepath) can potentially cause far more harm to the achievement of retirement goals than the use of index-tracking beta components.

e. This should be left to the discretion of the provider and investment manager.

f. Given the life expectancy in Hong Kong, we believe that real growth in assets is still required well into retirement, and so some risk asset exposure should be maintained at and beyond age 65. A reasonable return target might be CPI+1%, for example, which may imply an equity weighting of 30-50%, depending on prevailing conditions.

g. As noted in several responses above, we believe that providers should be afforded some discretion in many of these elements, in order to differentiate their products, and encourage engagement and awareness on the part of employers.

Q6: No / 不同意

Q6 Comment / 意見: Although this might be achievable, however we believe that the focus should be on value for money, rather than simply on nominal fee levels. Simple fee caps often leads to unintended consequences, such as stifling quality, competition, focus and innovation.

Q7: No / 不同意

Q7 Comment / 意見: Comments as per response to Q6.

Q8: No / 不同意
Q8 Comment / 意見: Although this is often considered a low-cost approach, many of the MPFA-approved ETFs, in fact, charge management fees in excess of the proposed minimums in this consultation document. In any case, low cost does not imply low risk. The use (or not) of index-tracking building blocks for portfolios should be at the discretion of the providers. Full homogenisation of the default funds should not be an aim.

In addition, the use of a purely passive approach to asset allocation, either static weights or adherence to a glidepath, has significant drawbacks, as per our response to Q4.

Q9 Comment / 意見: This should be at the discretion of the providers.

Q10: Yes / 同意
Q10 Comment / 意見: The use of ‘Core’ and ‘Default’ terms in the consultation document highlights the difficulties in communication.

In the case of a fully-standardised approach across all scheme, then yes, a common name should be used. We prefer ‘MPF Default Investment Fund’ from those options suggested.

In our preferred case of certain existing CFs being nominated and approved for use as default funds, then no funds should have to change name, but rather would be required to highlight their status (‘approved as default’ or ‘not approved as default’) in all communication materials.
Q10 Preference / 較可取的名稱: MPF Default Investment Fund (reinforcing that its primary design is built around the default investment strategy for those who do not, or do not want to make an investment choice in saving for retirement)

Q11: Yes / 同意
Q11 Comment / 意見: There would be a need to limit out-of-market time and transaction costs for asset switches.

There would be a need to clarify whether such switches would affect all invested assets, or just, for example, the employer contributions.

Q12: Yes / 同意
Q12 Comment / 意見: This could be used to raise awareness of the issues, and help people appreciate their options.