

Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes



MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

September 2017

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Published by
Mandatory Provident Fund Schemes Authority

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I. Introduction

1. The Mandatory Provident Fund (MPF) System is an individual savings account arrangement. Under the MPF System, contributions paid by, or on behalf of, scheme members are used to purchase units of MPF funds, which are accumulated in the scheme member's account, as are any returns generated by these MPF funds. Therefore, the amount of accrued benefits accumulated in the scheme member's account depends on the amount contributed to the scheme and the investment return thereon. This report provides an analysis of the accrued benefits held in the accounts of scheme members of MPF schemes as of December 2016.

II. Types of MPF Accounts, Scheme Members and Contributions

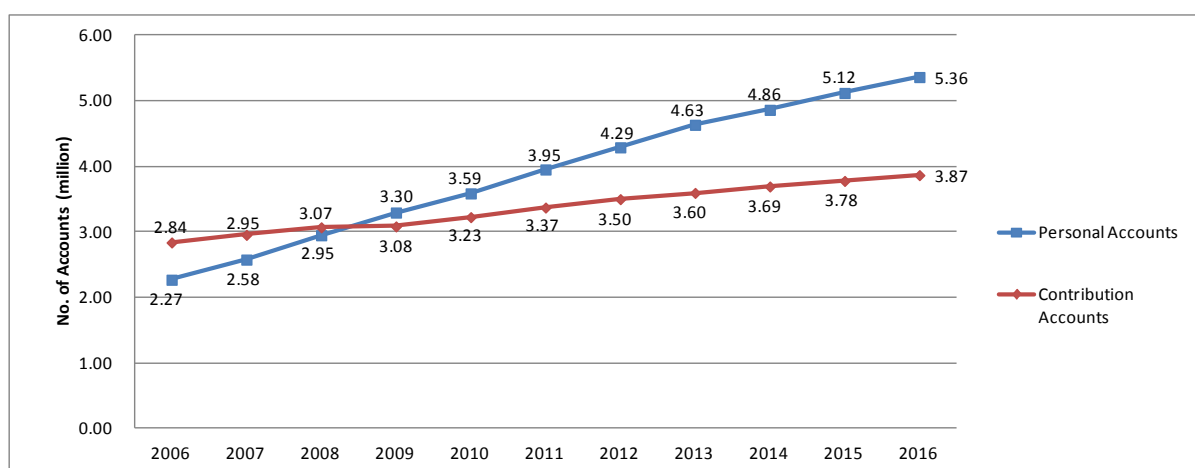
A. Types of MPF Accounts

2. Under the MPF System, MPF accounts are categorized into two types: contribution accounts (CAs) and personal accounts (PAs). A CA receives MPF contributions mainly related to a scheme member's current employment or self-employment for investment. A PA primarily receives accrued benefits attributable to a scheme member's former employment or former self-employment transferred from other MPF accounts, and also accrued benefits attributable to a scheme member's current employment transferred from a CA for investment.
3. Over the past 10 years, there was a substantial increase in the number of both CAs and PAs, particularly the latter. From December 2006 to December 2016, the number of CAs and PAs, on average, grew by 3.1% and 9.0% per year respectively. As of December 2016, there were 3.87 million CAs and 5.36 million PAs.

Table 1 Total Number of MPF Accounts (as of December 2016)

Type of Accounts	Number
Contribution Accounts	3 870 000
Personal Accounts	5 360 000
Total	9 230 000

Chart 1 Growth of the Number of Contribution Accounts and Personal Accounts



B. Types of Scheme Members

4. CAs and PAs are held by scheme members. There are generally three types of scheme members in the MPF System: employees, self-employed persons (SEPs) and PA holders.
5. A scheme member may have multiple identities under the MPF System; an employee can hold a CA and a PA at the same time, for example. One scheme member may hold more than one CA or PA.
6. As of December 2016, the 3.87 million CAs were held by 3.10 million employee and SEP members.¹ If the 1.09 million participants who only held PAs are included, a total of 4.19 million individuals participated in the MPF System.

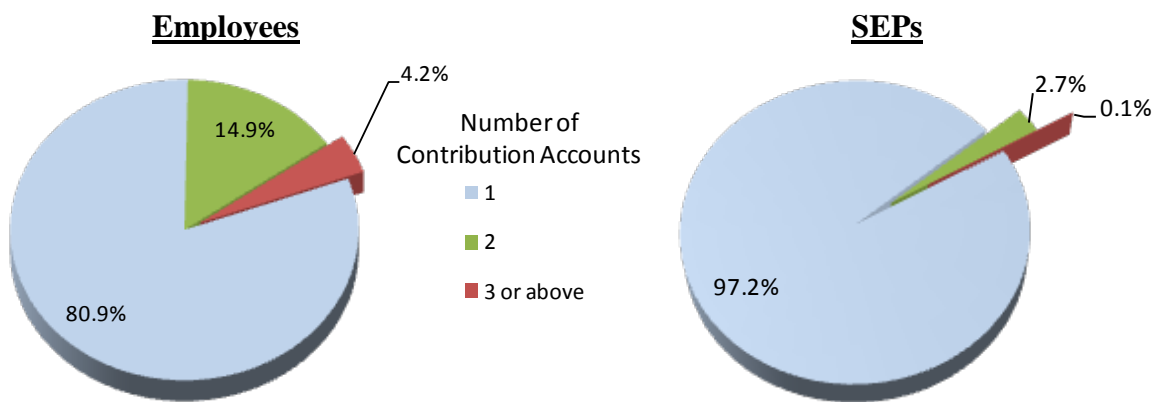
Table 2 Number of MPF Scheme Members (as of December 2016)

Type of Members	Number
Members Holding Contribution Accounts	3 100 700
Members Holding Personal Accounts Only	1 088 100
Total	4 188 800

¹ The total number of 3.10 million participating members covers holders of inactive contribution accounts (e.g. accounts pending cessation and accounts no longer receiving contributions). This figure is therefore higher than the enrolment figures of employees and SEPs published by the Authority, which covers active members only.

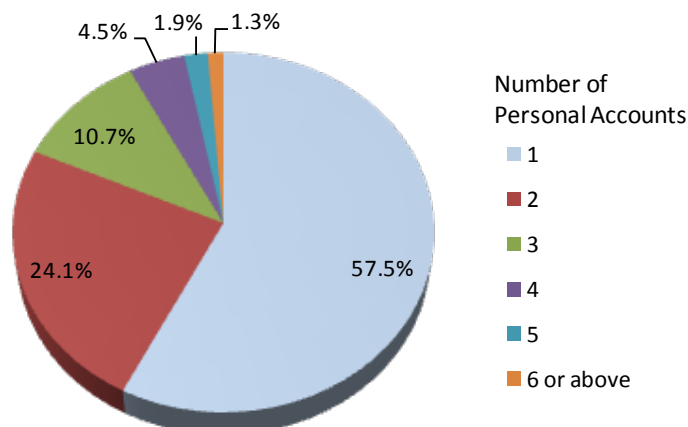
7. Scheme members, particularly employees, may have more than one CA. For example, employees who have two jobs concurrently will have two CAs, one for each job. On average, each employee member had 1.24 CAs as of December 2016. Among employee members, 80.9% had one CA, 14.9% had two CAs, and 4.2% had three or more CAs. It is less likely for SEP members to have more than one CA. On average, each SEP member had 1.03 CAs. Among SEP members, 97.2% had only one CA; only 2.8% of them had two or more CAs.

Chart 2 Number of Contribution Accounts Maintained by Employee and SEP Members



8. The 5.36 million PAs were held by 3.09 million PA holders, many of which had more than one PA. On average, each PA holder had 1.74 PAs; 57.5% had only one PA, 24.1% had two, 10.7% had three, and 7.7% had four or more.

Chart 3 Number of Personal Account Maintained by PA Holders



C. Types of Contributions

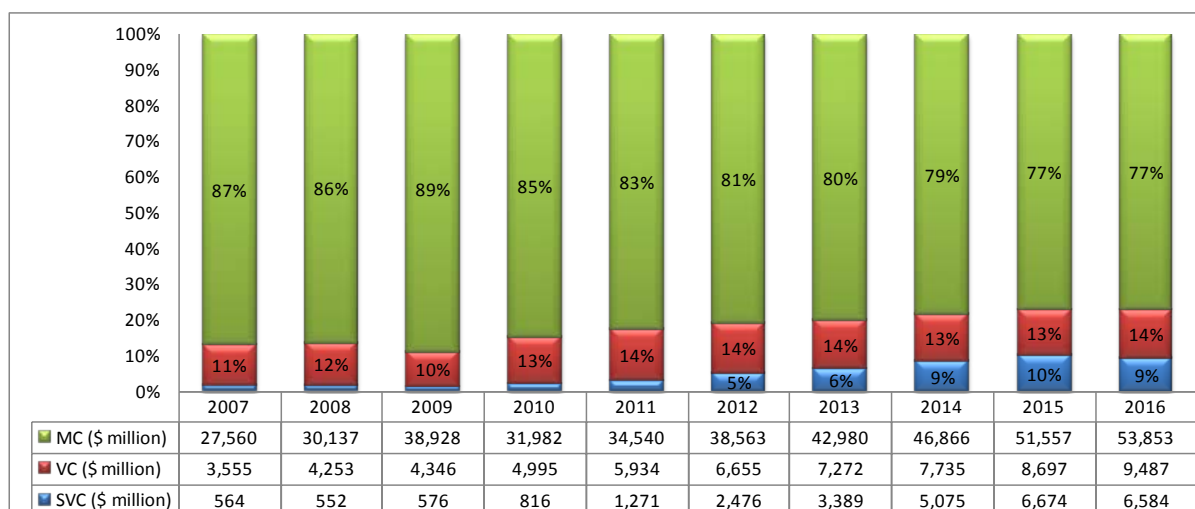
Mandatory Contributions (MCs)

9. Subject to a cap of \$3,000 per month, an amount which is equal to 10% of an employee's relevant income (5% payable by the employer from its own funds and 5% payable by the employee by deduction from the employee's relevant income) has to be made into an MPF scheme as MCs. Employees earning less than \$7,100 per month need not contribute themselves, but their employers still need to contribute 5% of the employees' relevant income. SEPs have to contribute 5% to an MPF scheme, subject to a cap of \$1,500 per month. They are not required to contribute if they earn less than \$7,100 per month.

Voluntary Contributions (VCs) and Special Voluntary Contributions (SVCs)

10. Employers, employees or SEPs can also make VCs to an MPF scheme, in addition to the amount of MCs required under the MPF legislation. Contributions unrelated to employment made directly by employees to the trustee of an MPF scheme without the involvement of their employers are called SVCs.
11. Over the past 10 years, there has been rapid growth in the amount of VCs and SVCs made to MPF schemes. From 2007 to 2016, the total amount of VCs almost tripled, rising from \$3,555 million to \$9,487 million. As a percentage of total contributions, VCs rose from 11% to 14% during this period. Compared with 2015, the SVCs recorded negative growth in 2016 and amounted to \$6,584 million.

Chart 4 Amount of Mandatory Contributions, Voluntary Contributions and Special Voluntary Contributions over the Past 10 Years



Notes:

- (1) The mandatory contributions in 2009 and 2010 included the Government's injection of special contributions into the accounts of eligible scheme members.
- (2) Figures may not sum up to 100% due to rounding.

Voluntary Contributions Made by Employers and Employees

12. To strengthen the retirement benefits of employees, some employers would make VCs for their employees (ER-VCs). Some employees would also make VCs (EE-VCs), sometimes as a prerequisite for employers' matching contributions.
13. In 2016, a total of 295 500 employees (or 11.4% of all participating employees²) received ER-VCs from 15 700 employers (or 5.6% of all participating employers²) with an aggregate amount of \$8,020 million. A total of 82 100 employees (or 3.2% of all participating employees²) also made an aggregate amount of \$1,319 million to their MPF schemes as EE-VCs.
14. The average amount of ER-VCs received by employees with VCs from employers was \$27,100 in 2016, while the average amount of EE-VCs made by employees who contributed on top of MCs to their MPF schemes was \$16,100. On average, the ER-VCs made by each employer making VCs to the MPF schemes of their employees amounted to \$511,400 in 2016.

² As of December 2016

Table 3a Voluntary Contributions Made by Employers

Number of Employers Who Made ER-VCs	Number of Employees Who Received ER-VCs	Total Amount of ER-VCs (\$ Mil)	Average Amount of ER-VCs	
			Per Employer (\$)	Per Employee (\$)
15 700	295 500	8,020	511,400	27,100

Table 3b Voluntary Contributions Made by Employees

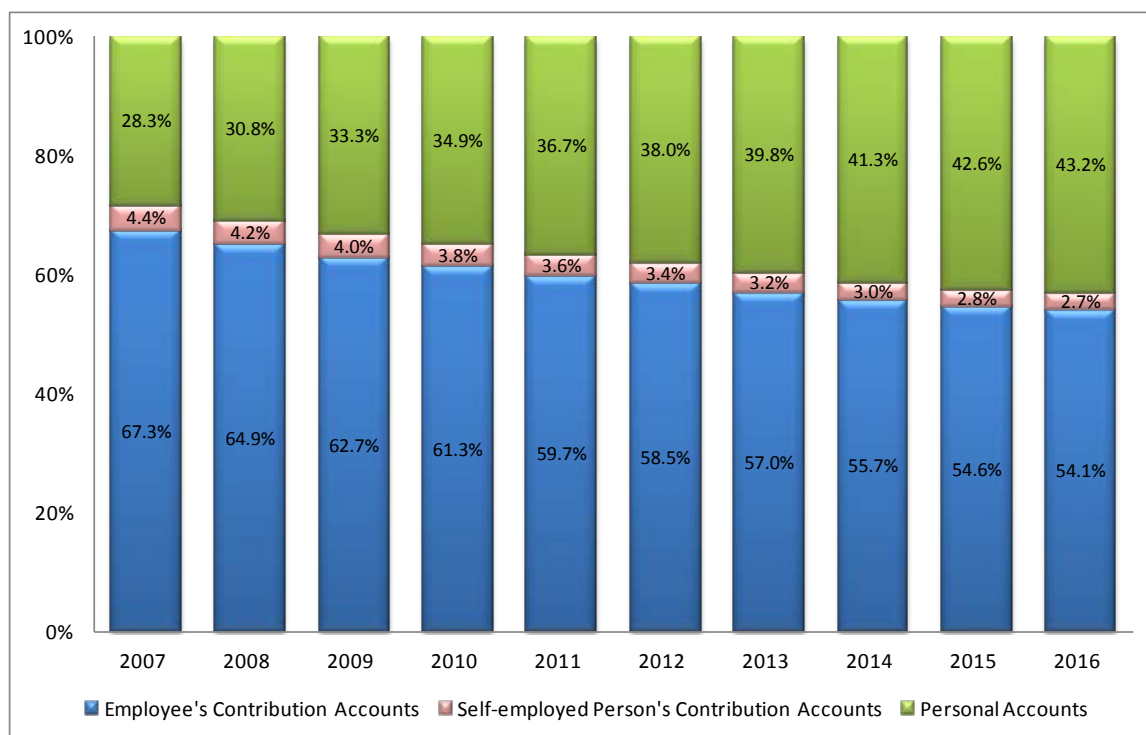
Number of Employees Who Made EE-VCs (Not including SVC)	Total Amount of EE-VCs (\$ Mil)	Average Amount of EE-VCs Per Employee (\$)
82 100	1,319	16,100

III. Accrued Benefits of Scheme Members

A. By Account Type

15. For the MPF System as a whole, the aggregate accrued benefits of scheme members amounted to \$646 billion as of December of 2016. Scheme members' accrued benefits are held under CAs and/or PAs. In terms of account type, 56.8% of scheme member's accrued benefits were held in CAs (about \$367 billion), while 43.2% (about \$279 billion) were held in PAs as of December 2016.

Chart 5 Accrued Benefits by Account Type over the Past 10 Years

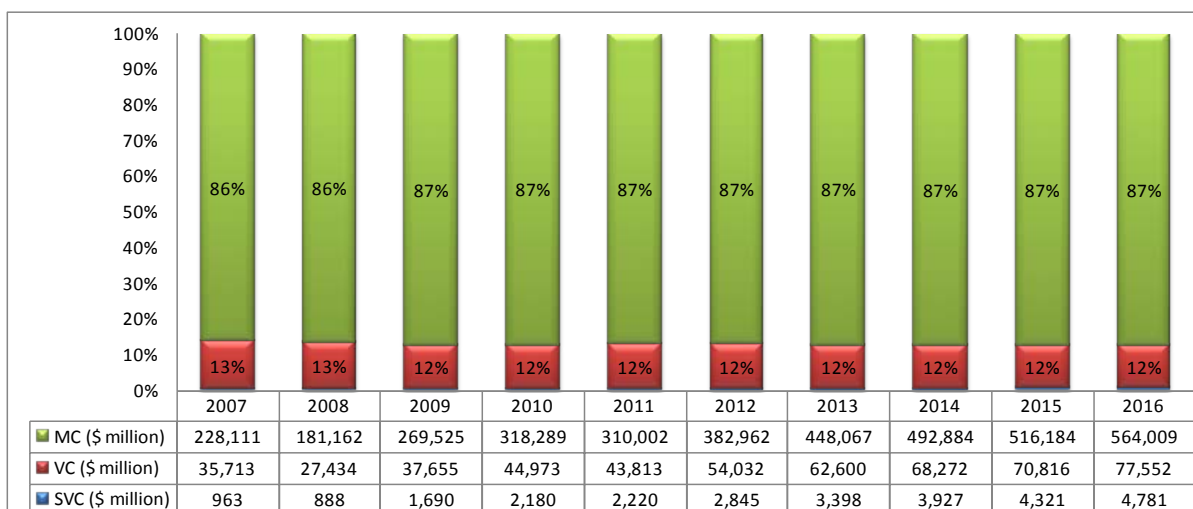


Note: Figures may not sum up to 100.0% due to rounding.

B. By Contribution Type

16. Scheme members' accrued benefits are derived from MCs, VCs and SVCs. In terms of contribution type, 87% of scheme members' accrued benefits came from MCs, while 12% came from VCs as of December 2016.

Chart 6 Accrued Benefits by Contribution Type over the Past 10 Years

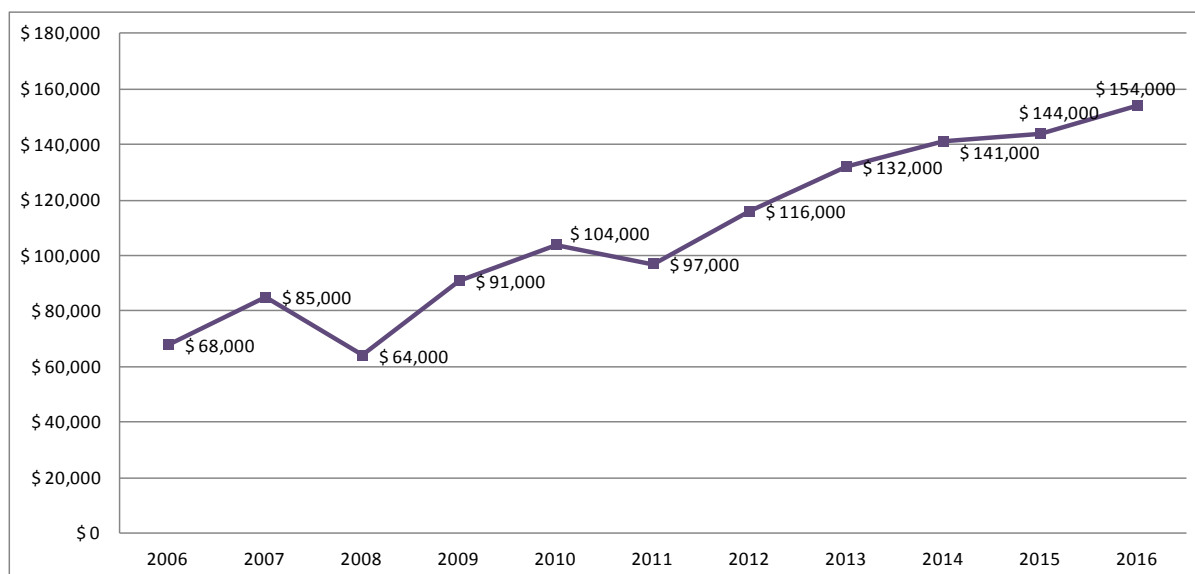


Note: Figures may not sum up to 100% due to rounding.

C. Average MPF Accrued Benefits of Scheme Members

17. As of December 2016, total MPF assets amounted to \$646 billion, held by around 4.19 million scheme members participating in the MPF System (including employees, SEPs and PA holders) as accrued benefits. On average, each scheme member had \$154,000 accumulated in his/her account(s) as of December 2016.

Chart 7 Growth in Average Accrued Benefits Held by Scheme Members



Note: Figures are rounded to the nearest thousand.

18. Over the past 10 years, the average accrued benefits held by scheme members have more than doubled, from an average of \$68,000 as of December 2006 to \$154,000 as of December 2016. This represents cumulative growth of 126% in the past 10 years.
19. In terms of account type, the average accrued benefits of employees, SEPs and PA holders were about \$119,000, \$72,000 and \$90,000, respectively, in December 2016. The average accrued benefits of \$154,000 held by scheme members are higher than the average accrued benefits of any other account type, because scheme members may participate in MPF schemes in more than one capacity (e.g. as an employee holding one or more CAs and a PA at the same time).

Table 4 Average Accrued Benefits Held in Different Account Types as of December 2016

Account Type	Average Accrued Benefits of Scheme Members
Employee's Contribution Account	\$119,000
Self-employed Person's Contribution Account	\$72,000
Personal Account	\$90,000

Note: Figures are rounded to the nearest thousand.

20. Scheme members of different age groups and gender have a different average amount of accrued benefits. Information on the average accrued benefits of scheme members by age groups and gender as of December 2016 is shown in Table 5.

Table 5 Average Amount of Accrued Benefits Held by Scheme Members by Age Groups and Gender as of December 2016

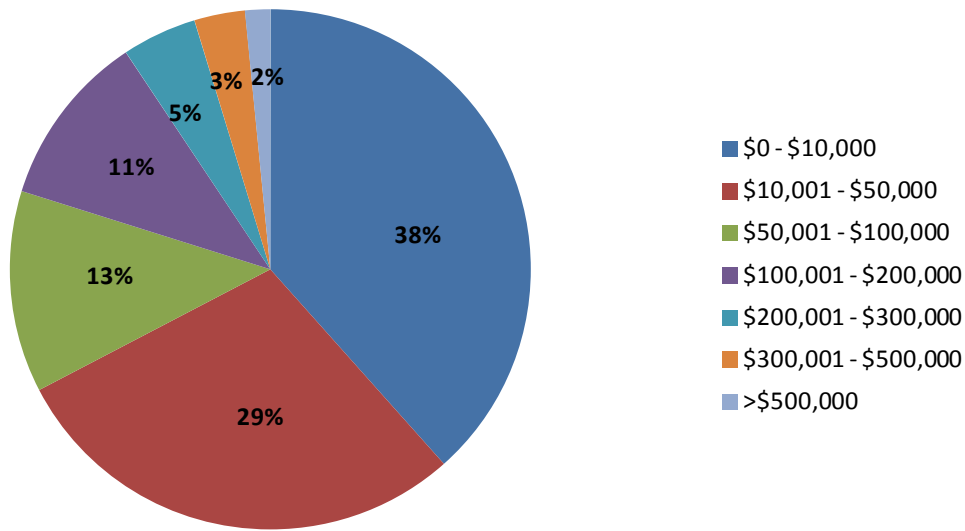
Age Group	Gender		Total (\$)	Ratio Female : Male
	Female (\$)	Male (\$)		
<=24	15,000	17,000	16,000	1 : 1.10
25-29	71,000	70,000	71,000	1 : 0.99
30-34	142,000	145,000	144,000	1 : 1.02
35-39	191,000	208,000	199,000	1 : 1.09
40-44	193,000	225,000	208,000	1 : 1.16
45-49	187,000	236,000	210,000	1 : 1.26
50-54	173,000	234,000	204,000	1 : 1.35
55-59	144,000	211,000	181,000	1 : 1.47
60-64	108,000	178,000	148,000	1 : 1.66
>=65	53,000	87,000	75,000	1 : 1.65
Total	139,000	169,000	154,000	1 : 1.21

Note: Figures on accrued benefits are rounded to the nearest thousand, while the ratios are calculated from unrounded figures.

21. Those members aged between 40 and 54 tended to have greater amounts of accrued benefits than other age groups, while those aged 34 and below as well as those aged 60 or above had accrued benefits lower than the average. Since the younger scheme members have, on average, only joined MPF schemes for a few years, it is not surprising that their accumulated accrued benefits were lower than the average of all scheme members. For the scheme members aged 60 and above, according to the statistics released by the Census & Statistics Department,³ the median monthly employment earnings of employed persons aged 60 or above were only about 70% of the median monthly employment earnings of all employed persons in the fourth quarter of 2016.
22. The average accrued benefits of male members (\$169,000) were 21% higher than those of female members (\$139,000). It is interesting to note that the accrued benefits of female members aged 25-29 were slightly higher than those of male members in the same age group. Starting from the age group 30-34, however, the accrued benefits of male members were consistently higher than those of female members, and the differences tended to increase with age.
23. By the number of accounts, around 38% of accounts had accrued benefits below \$10,000. Those with accrued benefits between \$10,001 to \$50,000 and \$50,001 to \$200,000 accounted for 29% and 23% of total accounts respectively. Of total accounts, nearly 10% (about 870 000 accounts) had accrued benefits of more than \$200,000, and nearly 2% (about 140 000 accounts) had accrued benefits of more than \$500,000.

³ Census and Statistics Department (March 2017). *Quarterly Report on General Household Survey (Fourth Quarter 2016, p.76)*. Retrieved from <http://www.statistics.gov.hk/pub/B10500012016QQ04B0100.pdf>

Chart 8 Distribution of Accounts by Range of Accrued Benefits



Note: Figures may not sum up to 100% due to rounding.

24. As discussed in paragraphs 12-14, in addition to mandatory contributions, many accounts received voluntary contributions made by employers and/or employees. With these extra contributions, the amount of accrued benefits in some accounts were substantially higher than others. For instance, as at December 2016, about 30 000 accounts had accrued benefits of more than \$1,000,000.