

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

IV.1 Guidelines on Disclosure of Annual Fees

INTRODUCTION

In respect of disclosure of information to applicants who are considering joining a registered scheme, section 31(2) of the Mandatory Provident Fund Schemes (General) Regulation (“the Regulation”) stipulates that the approved trustee must disclose to them, amongst other things, scheme information, including all of the fees and charges payable under the scheme. Section 31(3) of the Regulation further requires that the scheme information must include the actual amounts of the annual fees payable in respect of scheme members of the different income levels and participating employers of the different scales of operation prescribed by the guidelines. The objective is to help scheme applicants to compare more easily the annual fees of different registered schemes which may have different fee structures.

2. Section 6H of the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) provides that the Mandatory Provident Fund Schemes Authority (“the Authority”) shall issue guidelines for the guidance of approved trustees, service providers and other persons concerned with the Ordinance.

3. The Authority hereby issues guidelines to prescribe the income levels of scheme members and scales of operation of participating employers for the purposes of section 31(3) of the Regulation.

DEFINITION OF TERMS

4. For the purposes of these guidelines, “fees” refers to the total amount of money payable by a scheme member, directly or indirectly to any party which renders services in the administration of a registered scheme, regardless of whether the fees are to be deducted from the scheme member’s account or paid by the scheme member or employer separately.

5. For the purpose of the illustrative example stated in paragraph 7(b), where the capital preservation fund of the scheme invests in an approved pooled investment fund (“APIF”), the fees also include those of the APIF chargeable to the capital preservation fund.

REQUIREMENTS REGARDING DISCLOSURE OF ANNUAL FEES

6. The approved trustee of a registered scheme is required to disclose the actual amounts of the annual fees payable by a scheme member in the information materials that the trustee is required to provide to scheme applicants under section 31(2) of the Regulation.

7. In disclosing the actual amounts of the annual fees payable by a scheme member, the trustee is required to -

- (a) disclose all the fees and charges payable under the scheme; and
- (b) publish an illustrative example as prescribed at Annex.

ILLUSTRATIVE EXAMPLE

This example is intended to help you compare the total amounts of annual fees and charges payable under this Scheme with those under other registered schemes.

This example *assumes* that :

Your MPF Account Activities

- (a) your monthly relevant income is \$8,000
- (b) you have put all your accrued benefits into the Capital Preservation Fund; you have not switched your accrued benefits to other constituent funds during the financial period
- (c) you have not transferred any accrued benefits into or out of this Scheme during the financial period

Your Company Profile

- (d) 5 employees (including yourself) of your employer participate in this Scheme
- (e) the monthly relevant income of each employee is \$8,000
- (f) no voluntary contribution is made
- (g) each of the other 4 employees has the same MPF account activities as yours

Investment Return and Savings Rate

- (h) the monthly rate of investment return is 0.5% on total assets
- (i) the prescribed savings rate is 3.25% per annum throughout the financial

period.

[Insert the following paragraph if the capital preservation fund maintains an internal portfolio]

Based on these assumptions, the ***total amounts of annual fees*** you need to pay under this Scheme in one financial period would be :
\$_____.

[Insert the following paragraph if the capital preservation fund is a feeder fund]

Based on these assumptions, the ***total amounts of annual fees*** you need to pay under this Scheme (including those payable to the underlying approved pooled investment fund) in one financial period would be :
\$_____.

Warning : This is just an illustrative example. The actual amounts of fees you need to pay may be ***higher or lower***, depending on your choice of investments and activities taken during the financial period.



Instructions to Approved Trustees

Round all dollar figures to the nearest dollar and all percentages to the nearest hundredth of one percent.