

**“2018 MPF Awards” Gala Dinner
Opening Remarks By Guest of Honour**

**Cheng Yan-chee
Chief Corporate Affairs Officer & Executive Director
Mandatory Provident Fund Schemes Authority**

8 March 2018

Francis, Lee Hock, distinguished guests, ladies and gentlemen, good evening!

Thank you for inviting me to the “2018 MPF Awards” Gala Dinner.

First, let me congratulate all the awards winners. I am sure you have put in exceptional efforts for enhancing your MPF products and services, and are thus being awarded. This also means that our scheme members have benefited from better MPF products or services.

Thanks to the hard work of the MPF industry, the MPF System has continued to add value to scheme members' MPF contributions. As at end January 2018, the total MPF AUM reached a record high of HK\$893 billion. This includes an investment return of HK\$313 billion, net of fees and expenses, or 35% of the total AUM. The annualized rate of return since inception of the MPF System is 5.4%, significantly higher than the corresponding inflation rate of 1.8% over the same period.

In the light of the good news announced by the Financial Secretary in his Budget Speech last Wednesday, that is the Government's proposal to introduce tax concessions for voluntary MPF contributions, it seems that the MPF AUM is set to reach a new height. The MPFA welcomes the proposal, and, in fact, any measures that will encourage scheme members to make more contributions, as it will further strengthen the retirement protection function of the MPF System. The MPFA will render full support to the Government to implement the new measure as soon as possible. I trust that the MPF industry, like MPFA, welcomes the proposal.

Good governance is one of the awards tonight. It is for MPF schemes that demonstrate leading standard in establishing an appropriate and transparent framework to manage and oversee the interests of their members. I cannot emphasize more that good governance is particularly important for a mandatory private pension system like the

MPF. Trustees in a mandatory system are expected to have a higher duty of care as compared with those of retail products, where investors are free to choose their own service providers and, most important of all, whether or not to invest. Therefore, MPF trustees must assume a fundamental role in protecting scheme members' interests and delivering "value for money" outcomes, so that members can have a basic level of retirement protection. I would like to reiterate what the MPFA Chairman Dr David Wong said - although MPF trustees are not "public trustees", they are indisputably, "trustees of the public".

Private pension systems around the world, including our MPF System, are facing the same challenges of fee reduction, as people would like to see deeper and quicker reduction in fees.

With the concerted efforts of the MPFA and the MPF industry, the Default Investment Strategy (DIS) with fee caps was smoothly launched on 1 April 2017. We hope that the fee caps of the DIS fund will have a benchmarking effect, enhancing competition among MPF funds and bringing about further fee reductions. Indeed, the DIS has been delivering anticipated results. Since the passage of the DIS legislation in May 2016, 88 MPF funds have cut their fees, with the biggest reduction up to 55%.

In order to improve operational efficiency, the Government, MPFA and MPF trustees are working on the technical specifications of a centralized electronic platform to support the MPF scheme administration. eMPF will bring fundamental and significant changes, contributing to a simpler, cheaper and more user friendly MPF System, further reducing fee in the long run.

The MPFA has also worked with the MPF industry in launching a Fund Performance Platform last month to enhance fund transparency which helps employers and scheme members compare the different MPF schemes and funds more easily. More initiatives of this transparency project are in the pipeline and will be launched and publicized one by one within this year.

The MPFA has also recently launched a Messenger bot on our Investment Education Facebook fan page, first of its kind among Government departments and public organizations in Hong Kong. Through the bot, the public can easily learn about retirement planning and MPF investment.

All the above initiatives are part of our investment and public education. It is vital to strengthen scheme members' knowledge of MPF so that they can make informed investment decisions. I am delighted to note that the Investor Education Centre (IEC) is a partner of tonight's event. I sit on the Executive Committee of the IEC and the MPFA has been working very closely with the IEC on various fronts for enhancing the financial and investment knowledge of our working population.

Tonight, we are here to recognize the excellence of MPF schemes. As representative of the MPFA, I call on the continual support and partnership of the MPF industry to make the MPF System a retirement savings system that is valued by Hong Kong people.

On that note, I conclude my speech and wish you all a very enjoyable evening!

Thank you.