



JP Morgan – Retirement Industry Conference

Birth of a New Era for the MPF System – The eMPF Platform

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A glance at the Mandatory Provident Fund (MPF) System in Hong Kong

Role of MPF in Retirement Protection

World Bank's
Multi-pillar Retirement Protection Framework
The pillars complement each other

0	1	2	3	4
Non-contributory, publicly financed and managed system	Mandatory, contributory and publicly managed system	Mandatory, privately managed, fully funded contribution system	Voluntary savings	Informal support, other formal social programmes and other individual assets
		Hong Kong		
<ul style="list-style-type: none"> • Old Age Allowance • Old Age Living Allowance • Comprehensive Social Security Assistance Scheme 	Nil	<ul style="list-style-type: none"> • MPF (mandatory part) • Occupational retirement schemes 	<ul style="list-style-type: none"> • MPF (voluntary part) • Personal savings/ investment 	<ul style="list-style-type: none"> • Family support • Public housing • Public healthcare

Provide basic retirement protection



Key Statistics

(As of 30.6.2022)



4.6 Million
Scheme Members
(235 000 self-
employed persons)



334 000
Employers



13
Trustees



27
Schemes



> 10 Million
Accounts

~4.42 Million Contributions A/Cs
~6.21 Million Personal A/Cs



13 Scheme
Administration
Systems

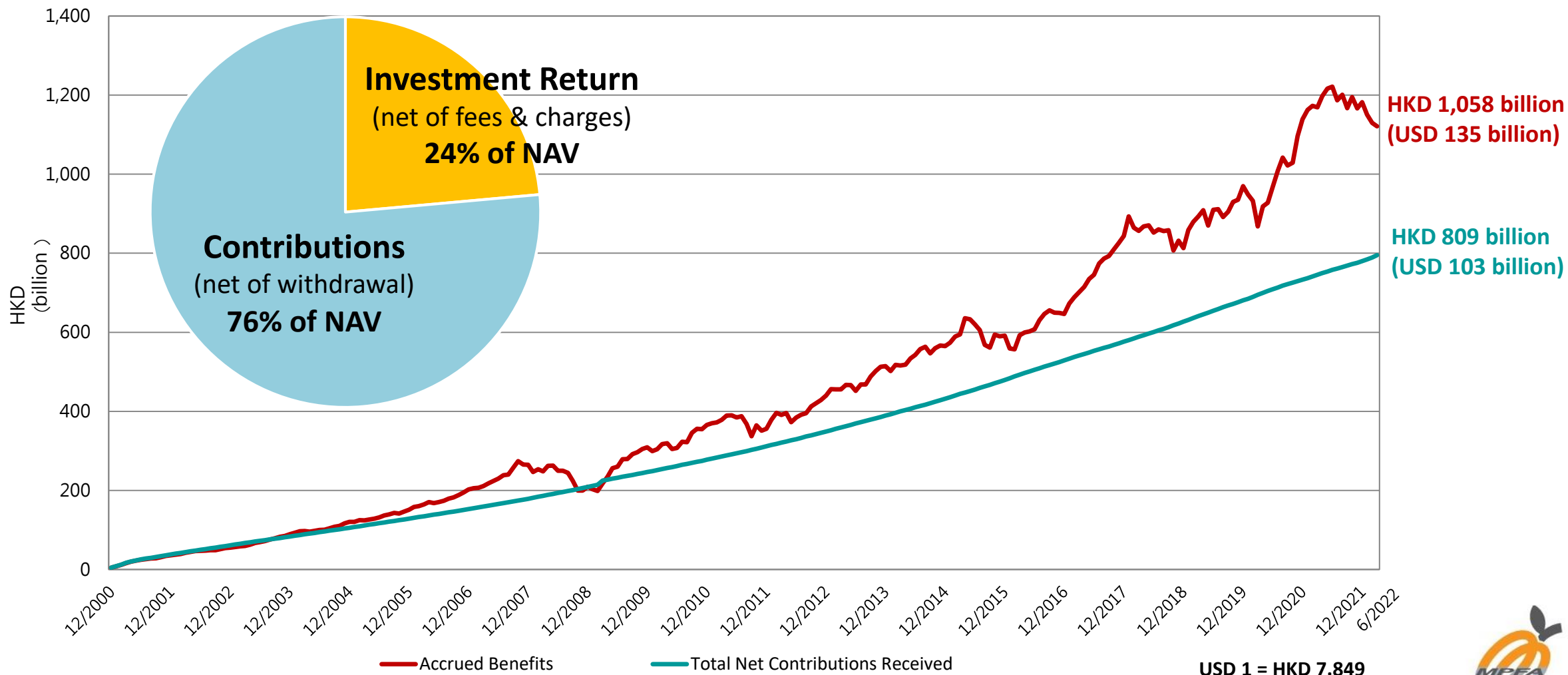


412
Funds



Net Asset Value (NAV)

(1.12.2000 – 30.6.2022)





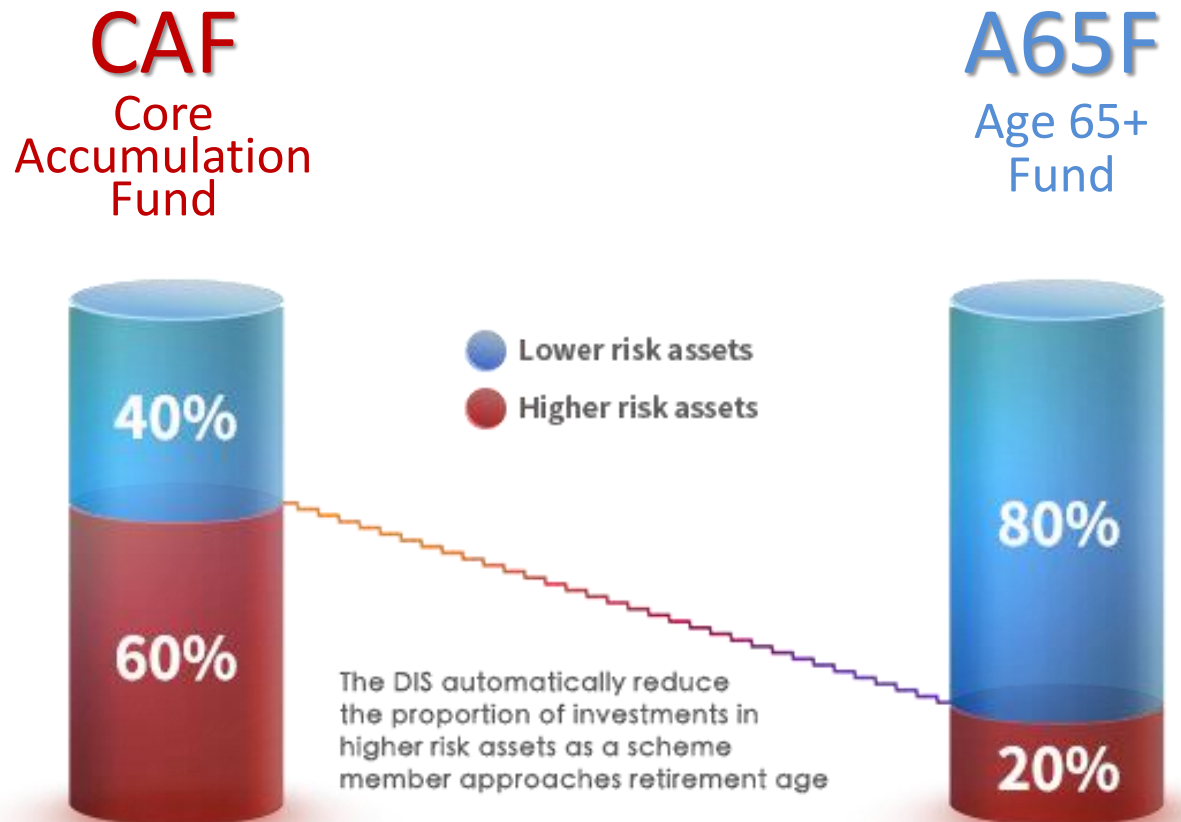
Fund Performance

(As of 30.6.2022)

Fund Type	Past 1 year	Past 3 years	Since 1.12.2000
Equity Fund	-22.5%	0.1%	4.2%
Mixed Assets Fund	-17.6%	0.9%	3.7%
MPF Conservative Fund	0.0%	0.4%	0.7%
Guaranteed Fund	-5.4%	-0.5%	0.9%
Bond Fund	-11.6%	-2.4%	2.0%
Money Market Fund	-1.1%	0.8%	0.6%
Annualized Net Internal Rate of Return of the MPF System			2.8%
Annualized Composite Consumer Price Index (% change 1.12.2000 - 30.6.2022)			1.8%

Default Investment Strategy (DIS)

- Introduced in Apr 2017
- Default if no choice is made
- Key Features
 1. Fee caps
 - Management fees: $\leq 0.75\%$
 - Out-of-pocket expenses: $\leq 0.20\%$
 2. Automatic de-risking
 3. Global diversification





Performance of DIS

(As of 30.6.2022)

- ✓ About 2.74 million (26%) accounts invest all or part in DIS funds
- ✓ HKD 78,739 million (USD 10,032 million)

Fund Type	Annualized <u>Net</u> Return of DIS Constituent Funds		
	Past 1 year	Past 3 years	Since 1.4.2017
Core Accumulation Fund (CAF)	-12.0%	3.6%	4.5%
Age 65 Plus Fund (A65F)	-10.7%	0.1%	1.7%

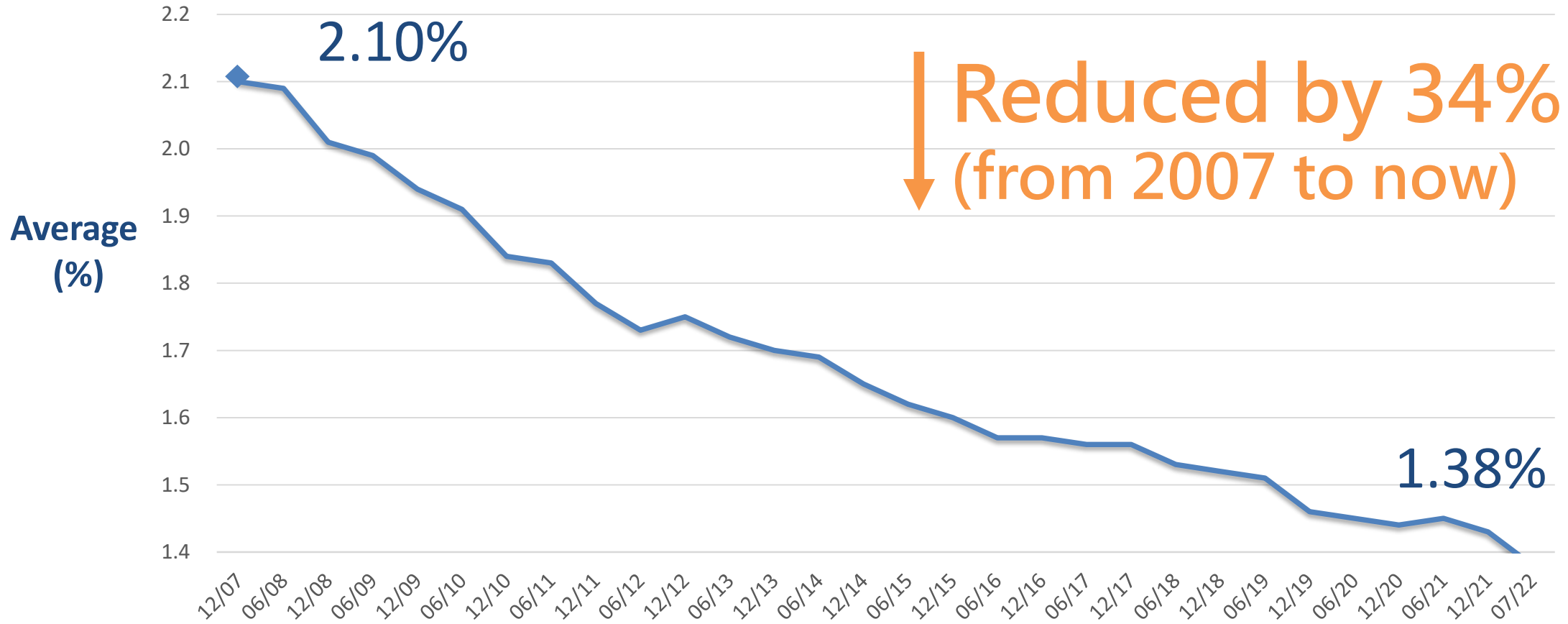
USD 1 = HKD 7.849





Fund Expense Ratio

(As of 31.7.2022)





World Bank

Outcome-based Assessment for Private Pension Systems (2016)

For MPF System

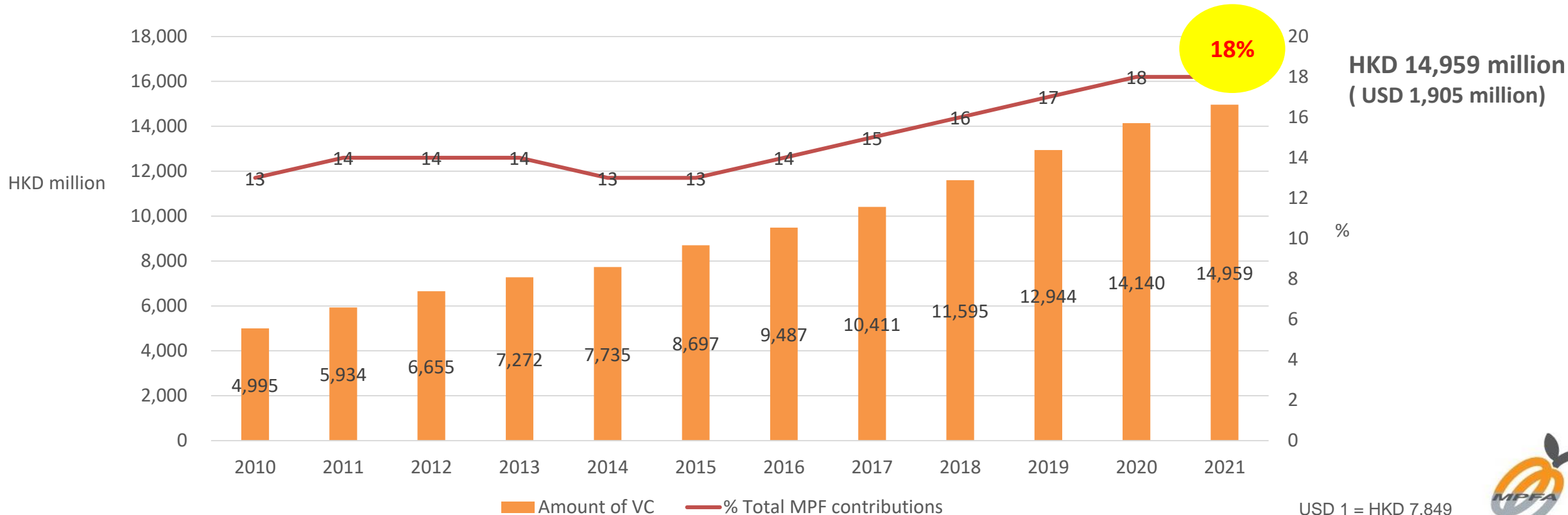
Coverage	
Sustainability	
Security	
Adequacy	
Efficiency	



Measures to Improve Adequacy

Voluntary Contributions (VC)

Encourage employees, self-employed persons and employers to make VC on top of mandatory contributions



Measures to Improve Adequacy

Tax-deductible Voluntary Contributions (TVC)

Introduced on 1 Apr 2019

Update to 30 Jun 2022

Benefits:



Extra savings for retirement



Enjoy tax deduction



Flexible
(No fixed frequency/amount)



63,000
TVC accounts

HKD 6,904 m
(USD 880 m)
cumulative TVC made



USD 1 = HKD 7.849



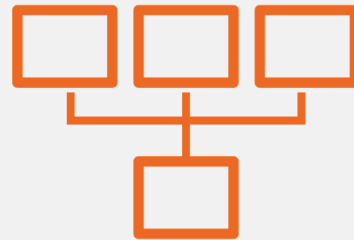
Measure to Improve Efficiency

eMPF Platform

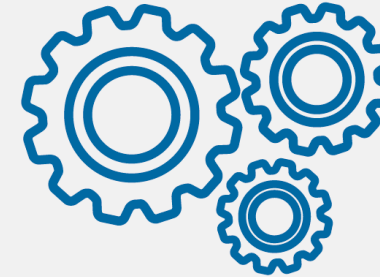
Standardize



Streamline



Automate



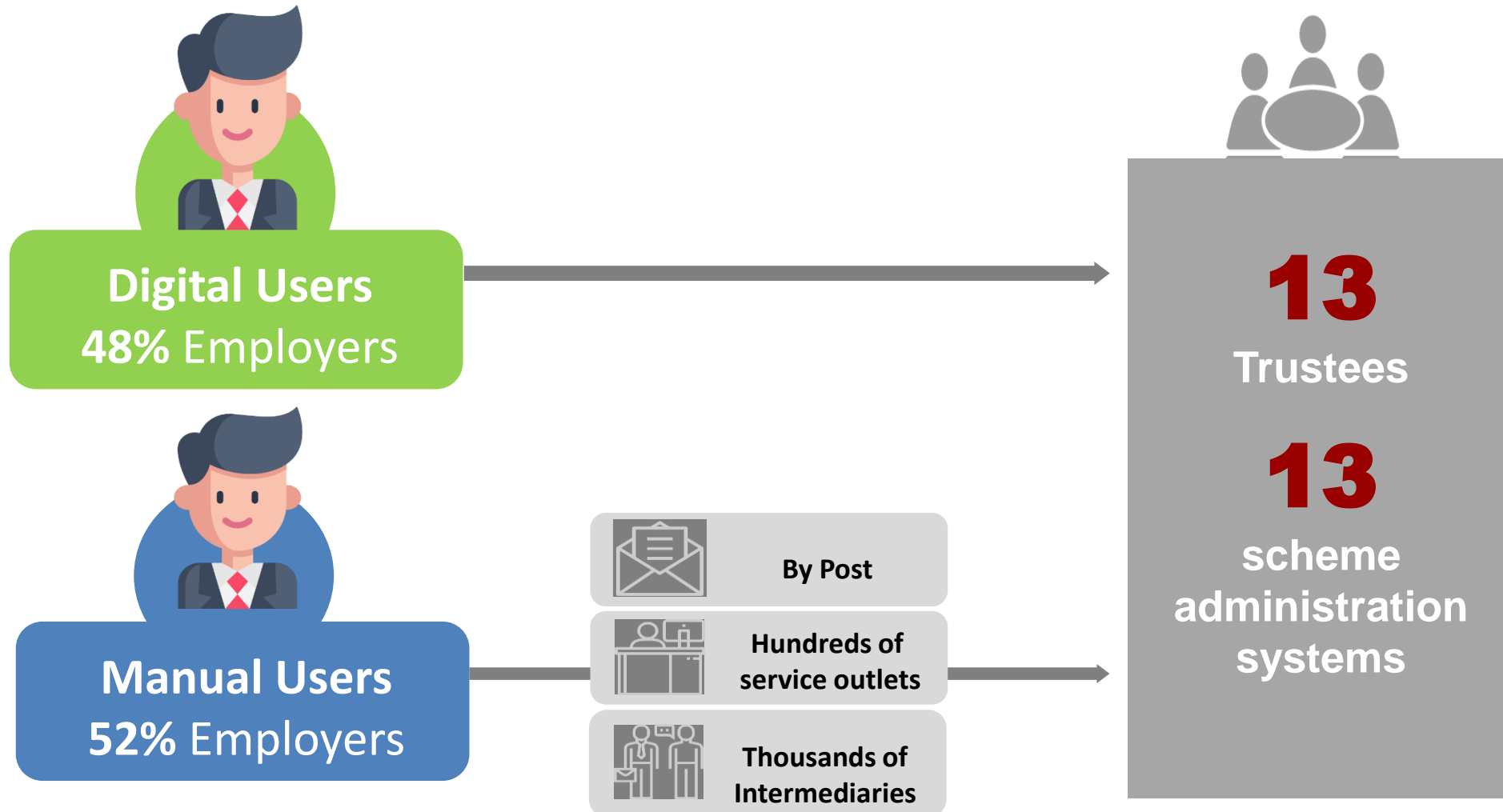
MPF scheme administration



New MPF Ecosystem – eMPF Platform



Current State of MPF Scheme Administration



What is eMPF Platform

Most significant reform of the MPF System to-date



- **Not for profit public utility** increases cost efficiency
- **One-stop common platform** to standardize, streamline and automate
- **Digitalize** scheme administration for 4.6m scheme members (>10m accounts), 334 000 employers
- Driver for fees reduction, higher efficiency and better user experience

All MPF Scheme Administrative on eMPF



Handle contributions

- Mandatory contributions
- Voluntary contributions
- Recover default contributions



Manage MPF accounts

- Fund switching
- Scheme transfer



Benefit withdrawal

- Withdraw benefits
- Long Service Payment (LSP) / Severance Payment (SP) made by employers
- Handle Unclaimed Benefits



Account activation and enrolment

- Register eMPF account
- Enrol MPF scheme

eMPF Platform covers all MPF Scheme administrative procedures



Communication channels and connectivity

- Online Platform
- Service centre



Process Payments



Generates notices, documents and reports

- Issue notices and documents
- Data maintenance and information management system



General administration and compliance

- Complaints & enquiries
- Fee payment methods
- Report to MPFA
- Continuous interface for historical data migration to eMPF platform

Key Benefits



Employers and SEPs

- ✓ One-stop enrolment and contribution
- ✓ Reduce paper work and human error
- ✓ Reminder of contribution due date



Employees

- ✓ One-stop management of all accounts
- ✓ Operate anytime, anywhere
- ✓ Create room for fee reduction



Trustees

- ✓ Standardize, streamline and automate scheme administration
- ✓ Reduce administrative burden and associated compliance burden and cost



MPFA

- ✓ Improve reliability and accuracy of the MPF System and facilitate enforcement actions
- ✓ Pave way for future reform initiatives



Timeline

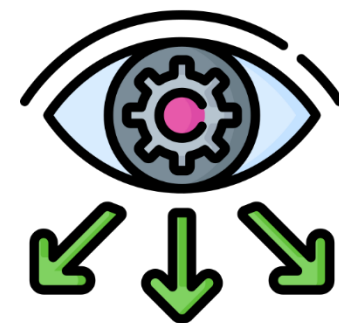


Future MPF Ecosystem

MPF System as a whole

➤➤ Transform the operating model of the industry

- ✓ MPFA leads the transformation as well as takes on new oversight role over the eMPF Platform via eMPF Platform Company Limited



➤➤ Future long-term reform initiatives are made possible



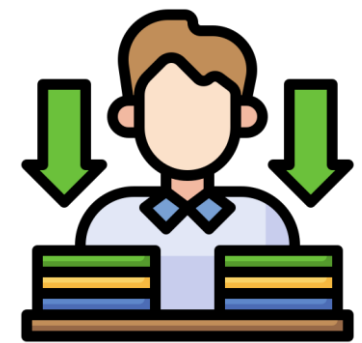
Future MPF Ecosystem

MPF Industry



Foster the digitalization of MPF industry, reduce administrative burden

- ✓ Eliminate paper processes, lower costs
- ✓ Better utilize their resources to investment management which can generate more value to scheme members
- ✓ Focus on wealth management and retirement planning services
- ✓ “Platform effect” on both providers and users



Future MPF Ecosystem

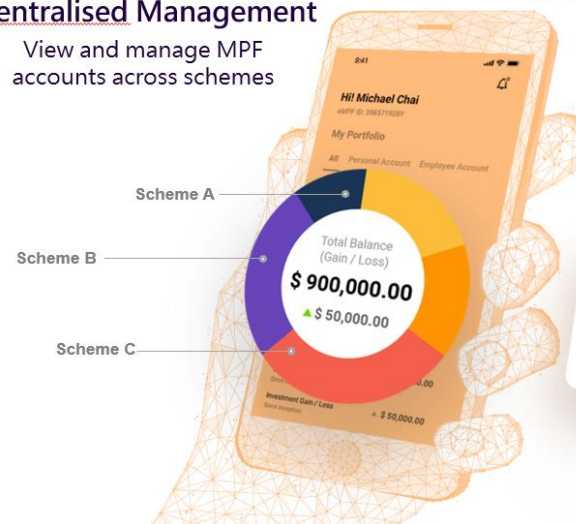
Users

➤➤ Enhance user experience for both employers and scheme members

- ✓ A brand new fully automated, paperless MPF journey which facilitate efficient MPF management
- ✓ All to enjoy value-for-money services

Centralised Management

View and manage MPF accounts across schemes



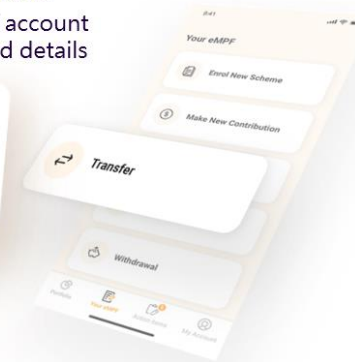
One-stop MPF accounts management

Simple and Convenient
Efficient consolidation can be performed within a week

Comprehensible

Efficient checking of account information and fund details

Conservative Fund	
Market Value (HKD)	\$ 44,126.00
Investment Gain/Loss	▲ \$ 3,500.00
% of Investment Portfolio	32.68%
Unit Price	441.26
Balance as of Date	20/10/2021





Macro Viewpoint



- **Embrace innovation and technology** together with other digital infrastructures in Hong Kong to build a Smart City



- **Pioneer in digitalization of pension administration**



New Era for MPF on the Investment Front

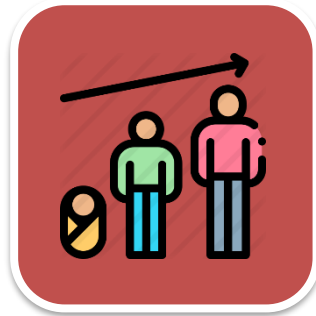


Challenges

CHALLENGES

OR

CHANGES



More severe aging of the population of Hong Kong



Challenging economic conditions



ESG concerns



Major Initiatives on the MPF Investment Front

Retirement
Solutions

Sustainable
Investing



Retirement Solutions

Contribution Phase

- Market Volatility
- Interest Rate Environment
- Members look for more stable returns

Withdrawal Phase

- More members entering the retirement phase
- Members look for regular stream of income to manage longevity, inflation and investment risks

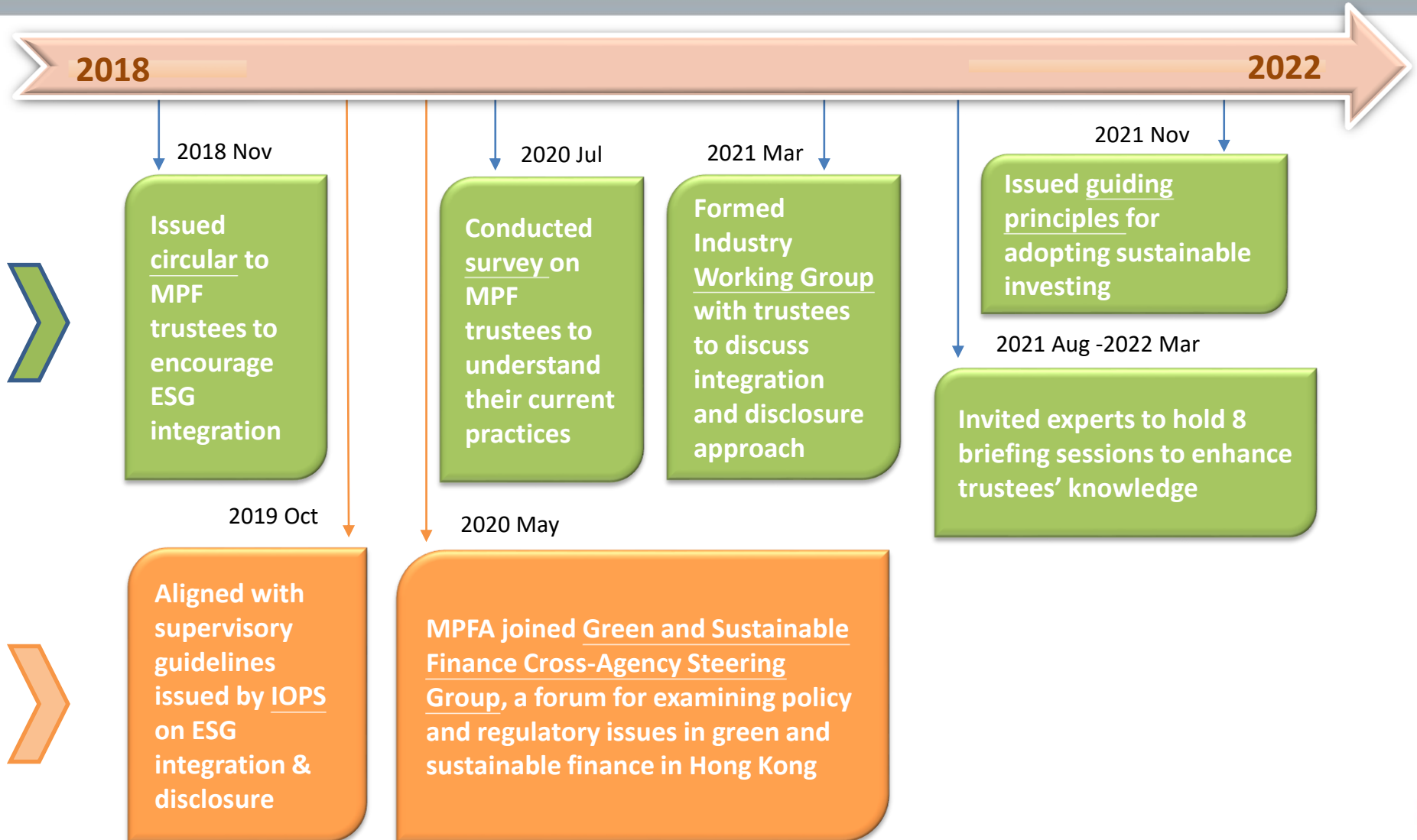


Encourage MPF industry to develop retirement solutions to meet the needs of MPF scheme members in both the contribution and withdrawal phases.



Issued Principles for Developing Retirement Solutions in Apr 2020

Driving for Sustainable Investing





Principles for Adopting Sustainable Investing

Guiding Principles

Strategy

Formulate ESG integration strategy at the MPF scheme level

Governance

Set governance framework to monitor management of ESG risks by investment managers

Risk Management

Ensure consideration of ESG factors in investment and risk management processes of MPF funds

Disclosure

Disclose ESG integration strategies and report implementation progress regularly

Way Forward

Supporting and
Monitoring MPF
Trustees' Adoption
Journey



MPF trustees to formulate
adoption work plan



MPFA to hold capacity building
activities for MPF trustees



Partner with MPF trustees to
promote public awareness



Thank you