



Hong Kong Retirement Industry Conference

Empowering MPF Scheme Members for Better Investment Outcomes

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12 September 2023





Outline

**An Introduction
to the MPF System**

**Implications of
COVID-19 Pandemic**

**Facilitating Better
Investment Outcomes**

**MPF Initiatives
in the Pipeline**

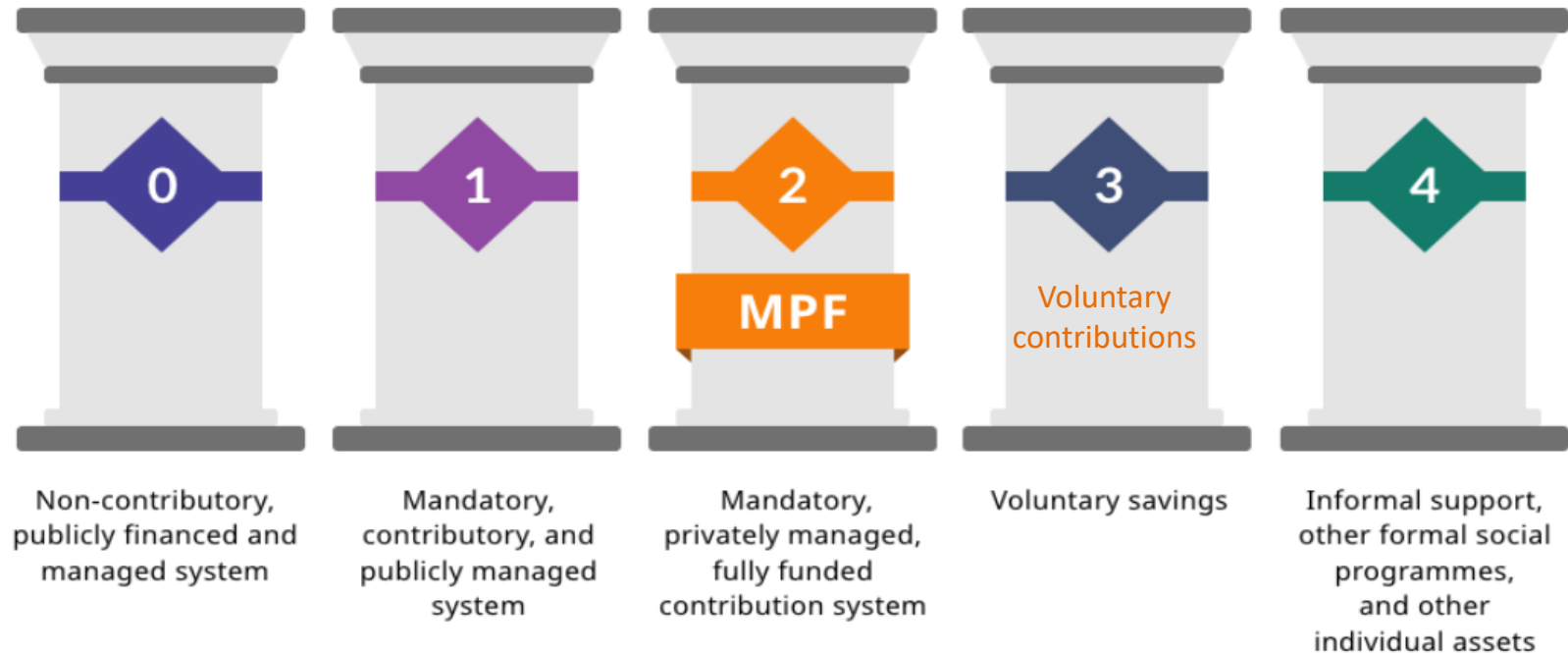


An Introduction to the MPF System



Role of the MPF System in Hong Kong's Retirement Protection Framework

World Bank's Multi-pillar Retirement Protection Framework

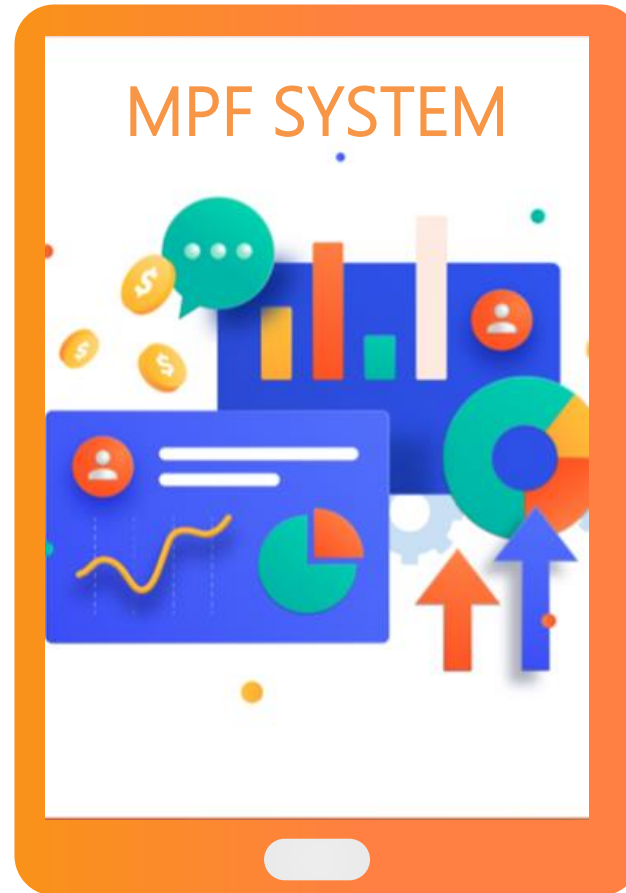


MPF System: a Bespoke Design to Meet Hong Kong's Needs

Employment Based

Mandatory

- Help address **behavioural limitations** and **long-term poverty**
- Help achieve a high degree of **financial inclusion**



Fully Funded

Defined Contribution

Privately Managed

- Harness the power of financial markets to serve a **social mission**
- Leverage on the **strengths of Hong Kong as an international financial centre**:
 - diverse products
 - professional expertise (e.g. trustees, investment managers, sponsors, intermediaries)
 - robust financial regulation
 - efficient capital markets
 - well-developed financial infrastructure



Key MPF Statistics



4.7 Million Scheme Members
(as at end December 2022)



353 000 Employers



13 Trustees



27 Schemes

Enrolment Rate

Employee

100 %

Self-employed Person

88 %

Employer

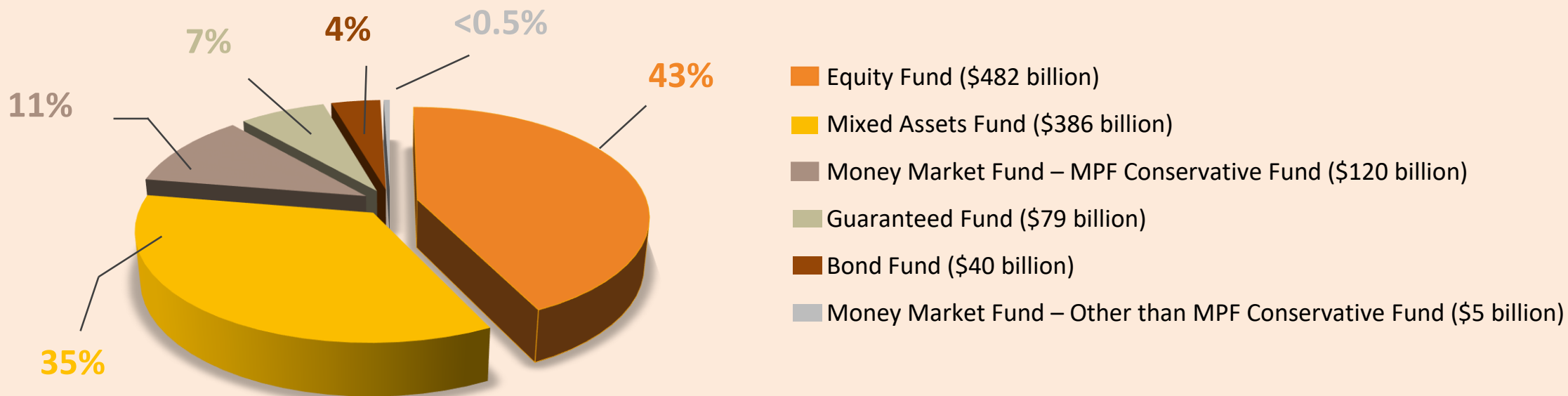
100%



415 Funds

(as at end June 2023)

Asset Allocation by Fund Type



(as at 30 June 2023)



**Facilitate members in
achieving better
investment outcomes**

Importance of Members' Investment Decisions under a Defined Contribution System



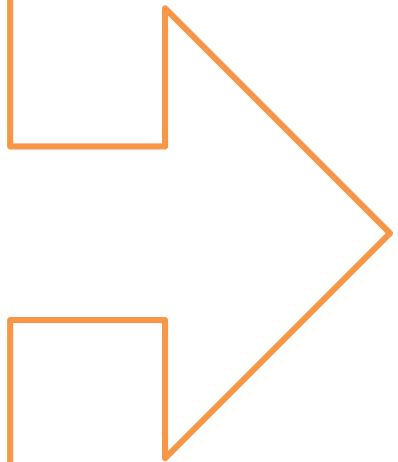
Employees and Self-employed aged 18 to 64 are required to join MPF*



Scheme members free to make investment choices in the schemes they enrol



Investment outcomes hinges on scheme members' investment choices



Two key elements:

1. Availability of suitable investment choices in the scheme
2. Ability of scheme members to make informed investment decisions

* Except for exempt persons

Initiatives Taken by MPFA to Facilitate Better Investment Outcomes of Scheme Members



Financial Education

Improve members' knowledge and awareness of retirement planning and MPF investment



Information Disclosure

Enhance market competition through transparency of information



Greater Autonomy in Managing MPF

Introduce the Employee Choice Arrangement

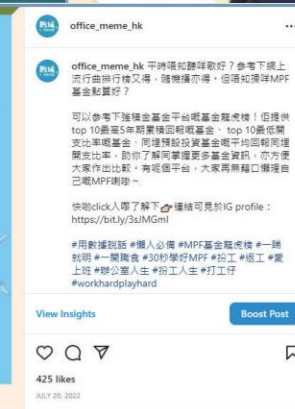


Improving Fund Choices

- Make available a range of fund choices to cater for different risk appetites of scheme members
- Introduce the Default Investment Strategy (DIS)

- Educate scheme members and prospective scheme members on **practical skills to manage MPF investment** and the **importance of early planning** for retirement via:

- Workshops;
- Seminars and webinars;
- Thematic website;
- Social media platform, etc.



Disclosure requirements of trustees

- Under the Code on Disclosure for MPF Investment Funds, MPF trustees are required to **disclose the breakdown of management fees and investment return of funds** in a standardized manner
- A simplified document **Key Scheme Information Document (KSID)** containing key information of MPF schemes to help scheme members obtain and understand MPF information more easily

Provision of fee comparison tools

- A one-stop **MPF Fund Platform** for scheme members to compare different MPF funds (e.g. management fees and investment performance, etc.)

The screenshot displays the MPF Fund Platform website. At the top left is the logo of the Mandatory Provident Fund Schemes Authority. The main header reads "MPF Fund Platform". Below the header is an "Important Note" section with three bullet points: "Investment involves risks and past performance is not indicative of future performance.", "Investment decision should not be solely based on the fund performance. Other factors (e.g. fund's investment objective, fees and charges, fund risk level, service level) should also be considered.", and "There are different types of MPF funds available in the market for scheme members to choose from, according to their risk tolerance level. Scheme members who are unfamiliar with investing or unwilling to spend time to manage their MPF may consider the Default Investment Strategy." To the right of the note is a QR code and text indicating a mobile application is available on Google Play and the App Store. Below the note is a "FAQ" button. The main content area features four large tiles: "My Selection", "Performance Chart", "Fund Information Table", and "MPF Scheme Documents". At the bottom, there are six smaller tiles: "10 Highest 5-year Cumulative Return Funds", "10 Lowest 5-year Cumulative Return Funds", "10 Lowest Fund Expense Ratio Funds", "10 Highest Fund Expense Ratio Funds", "15 Funds' Average Returns & Fund Expense Ratios", and "MPF Schemes by Asset Size".

Greater Autonomy in Managing MPF

Employee Choice Arrangement

- Introduced in November 2012
- Allows employees to transfer MPF benefits derived from the employee mandatory contributions in their contribution accounts to a scheme of their own choice once a year



887 000

Applications successfully transferred

(as of 30 June 2023)



Making Available a Wide Range of Funds

27

Schemes

415

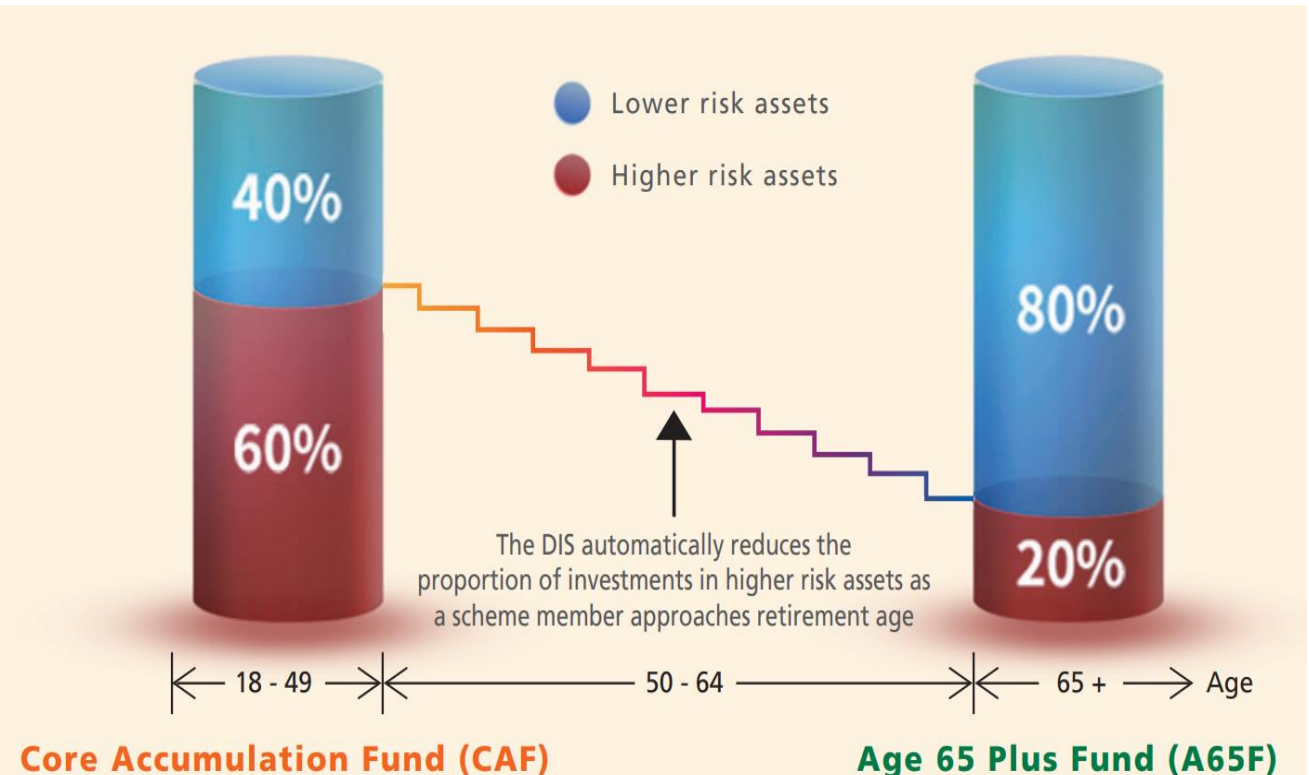
Funds

(as at June 2023)

- Among the 27 MPF schemes, the no. of funds offered in each scheme ranges from 7 to 29 with different risk and return profile
- Subject to their personal circumstances (e.g. age and risk tolerance level), scheme members are free to **construct their own investment portfolios** consisting of different funds offered by the MPF scheme

Provision of Default Investment Strategy (DIS)

- Introduced in April 2017
- Default option if no choice is made, but scheme members are free to choose DIS actively
- Key Features
 1. **Fee caps**
 - Management fees: $\leq 0.75\%$
 - Out-of-pocket expenses: $\leq 0.20\%$
 2. **Automatic de-risking**
 3. **Global diversification**





Progress of DIS

Number of DIS accounts (as of 30 June 2023):

- Around 2 974 000 accounts (**27% of total MPF accounts** (including contribution accounts, personal accounts and tax-deductible voluntary contribution accounts)) invested according to the DIS or invested in DIS CFs
- Among them, about 2 353 000 accounts invested according to the DIS and about 621 000 accounts invested in DIS CFs

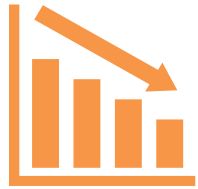
Total DIS assets (as of 30 June 2023):

- \$94 billion (8.5% of total MPF assets)



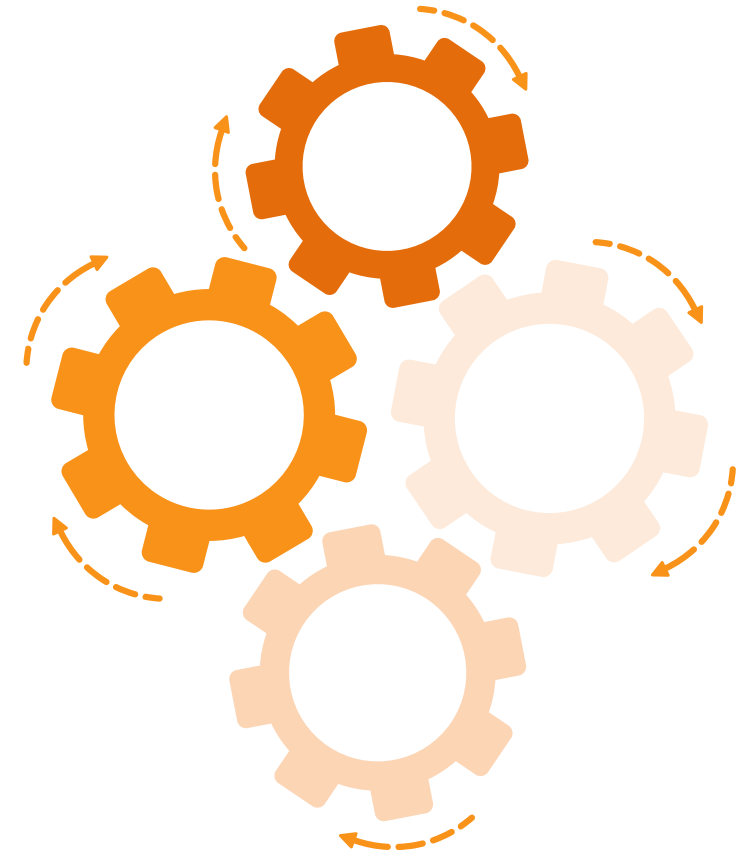
Implications of COVID-19 Pandemic

Implications of COVID-19 Pandemic to the MPF System



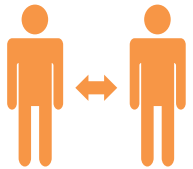
More concerned about return volatilities

- **Heightened volatilities** triggered by COVID-19 pandemic
- Stronger demand for funds with **stable return**



Operational resilience of MPF trustees

- Disruption to business operation due to social distancing
- Need for effective communication with scheme members



Implications of COVID-19 Pandemic to the MPF System (Cont.)



Acceleration of digitalization

- Social distancing disrupted the normal business mode
- **Accelerating use of digital technology** by both the industry and scheme members

Highlighted importance of financial education



- Scheme members **overly concerned with short-term market volatilities**
- Need to highlight MPF as a long-term investment





MPF Initiatives in the Pipeline



Enhancement of Investment Framework

Broaden scope of investment

- Facilitate MPF investment in debt securities issued or unconditionally guaranteed by the Central People's Government, the People's Bank of China and the three Mainland policy banks (i.e. the Agricultural Development Bank of China, the China Development Bank and The Export-Import Bank of China)
- Priority access to Government green bonds and infrastructure bonds

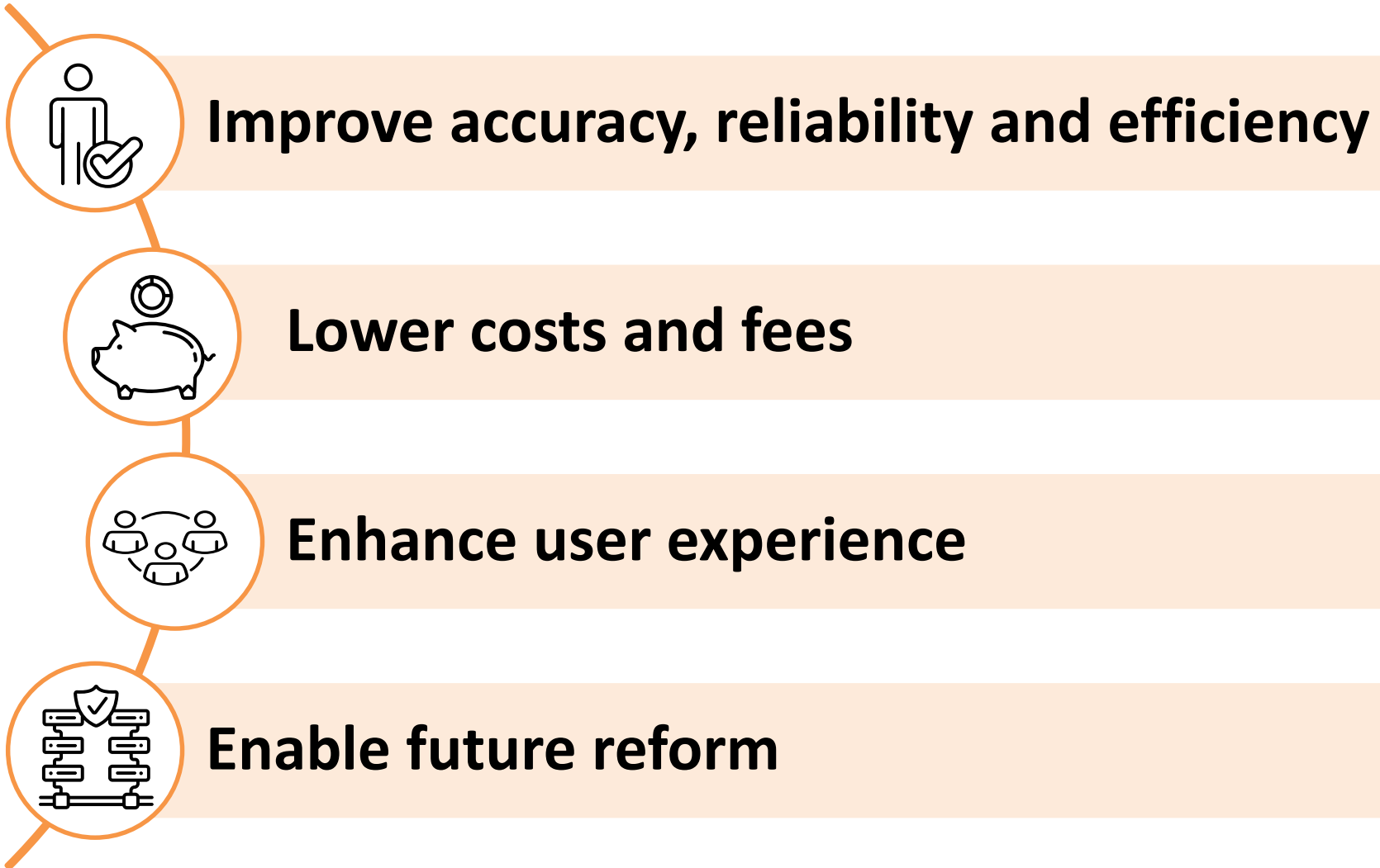
Facilitate trustees in developing appropriate products

- Introduce the refined approval criteria for MPF funds, helping trustees to design products that can better address the needs of scheme members
- Facilitate a wider use of index-tracking collective investment schemes as investments by MPF funds

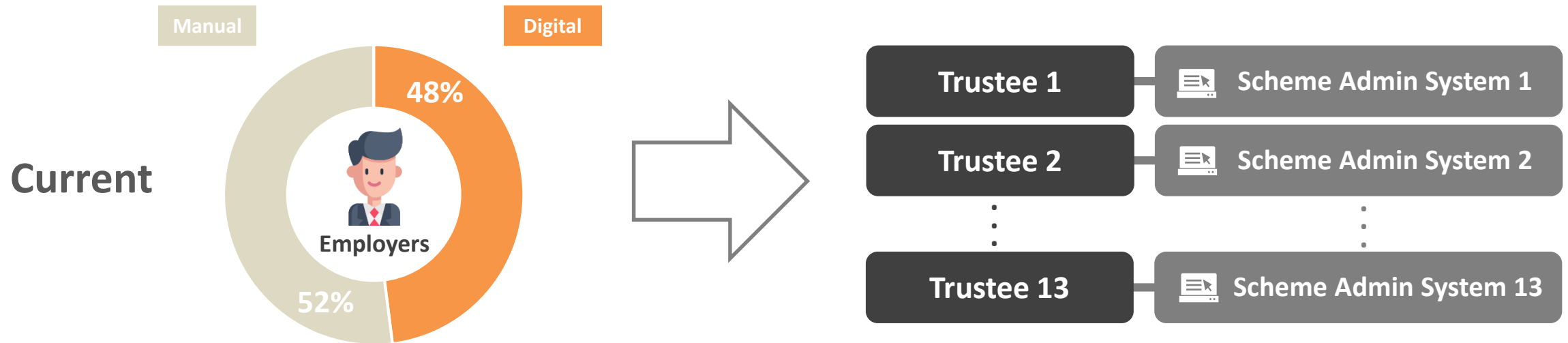


The eMPF Platform

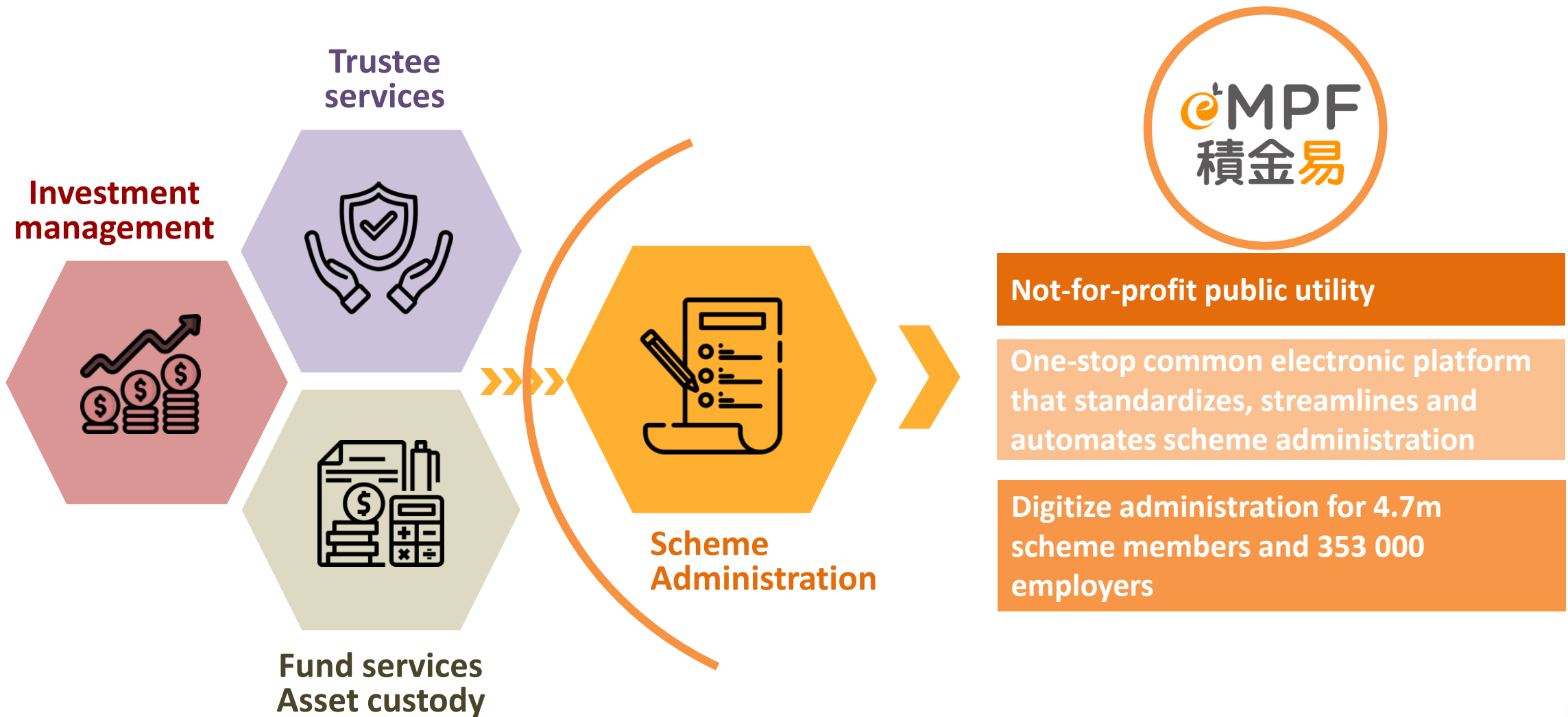
Objectives of the eMPF Platform



Current and Future MPF Scheme Administration



Key elements of the eMPF Platform



eMPF Platform: A Comprehensive Administration Platform



Account activation and enrolment

- Register on eMPF Platform
- Enrol MPF scheme



Handle contributions and process payment

- 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) offset by employers



Generate notices, documents and reports

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



General administration and compliance

- Enquiries & complaints
- Report to MPFA
- Continuous interface with eMPF Platform
- Fee payment for use of eMPF Platform



Communication channels and connectivity

- Online Platforms (Web Portal + Mobile App)
- Service centres

Full-fledged functionalities for employers and scheme members



MPF Ecosystem after eMPF Platform

Scheme Members

- One-stop handling of all accounts
- Operate anytime, anywhere
- Real-time viewing of all accounts
- **Create room for fee reduction**

Trustees

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

Employers and Self-employed Persons

- One-stop for enrolment and contributions
- Operate anytime, anywhere
- Reduce paper work and human errors

MPFA

- Improve efficiency and reliability of the MPF System
- Facilitate supervision of trustees and protection of member interests
- Pave way for future reform initiatives



Project Timeline





Thank You

