

Employee Choice Arrangement (ECA)

Commenced on 1 November 2012, the ECA gives employees greater autonomy, allowing them to, **once a year**, opt to transfer the **accrued benefits** in their contribution accounts from an MPF scheme under current employment (Original Scheme) to a scheme of their own choice. Alternatively, employees do not have to make any change. They can retain the accrued benefits in the Original Scheme.

Be a smart “MPFBoss”

You, as an employee, can have a much greater say in the handling of your MPF investments under ECA. This booklet introduces three “MPF Boss Tactics”, along with other practical information, to help you better understand the details of ECA and become a smart “MPF Boss”.

Reminder:

Even if you have exercised your transfer right under ECA, new MPF contributions (including both the employer’s and employee’s portions) for subsequent wage periods will continue to be made to the original trustee and scheme chosen by your employer, and not to your new trustee and scheme.

If you are an employee

Remember that MPF is a long-term investment. Carefully consider your personal needs before deciding to make a transfer. Do not switch simply for the sake of switching, or just to follow the crowd.

If you are an employer

ECA does not affect your administrative arrangements for MPF, or your arrangements for offsetting severance payments or long-service payments. Nevertheless, by learning more about ECA, you will be able to help your employees with queries.

If you are self-employed

You can, as at present, enrol yourself in any MPF trustee and scheme of your choice. ECA does not have any impact on your MPF rights and obligations.

**Your MPF
Your Choice**

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Employee Choice Arrangement - **MPF Boss Tactics**



MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

Tactic 1: Check Every Detail

*Transfer can be made on a lump-sum basis, once a year.
Better check out all the details.*



Enhanced rights of employees to choose MPF trustees and schemes

- ✦ Your MPF contribution account in the MPF scheme under current employment (Original Scheme) accumulates accrued benefits in different parts which are derived from different types of contributions.
- ✦ Under Employee Choice Arrangement (ECA), the different parts of the accrued benefits in a contribution account have different transfer rules:

Parts of accrued benefits in a contribution account (i.e. Types of contributions that the accrued benefits derived from)	Before ECA	After ECA
Contributions from current employment		
Employer mandatory contributions	✗ Not transferable	✗ Not transferable
Employee mandatory contributions	✗ Not transferable	✓ Transferable <i>once every calendar year</i> ^{1,2}
Employer voluntary contributions	✓ Subject to the governing rules of Original Scheme	✓ Subject to the governing rules of Original Scheme
Employee voluntary contributions	✓ Subject to the governing rules of Original Scheme	✓ Subject to the governing rules of Original Scheme
Contributions from former employment		
Mandatory contributions transferred to the contribution account under current employment	✗ Not transferable	✓ Transferable <i>at any time</i>
Voluntary contributions transferred to the contribution account under current employment	✓ Subject to the governing rules of Original Scheme	✓ Subject to the governing rules of Original Scheme

- ✦ Please note, accrued benefits derived from employer mandatory contributions from current employment is not transferrable.

Other transfer rules

✦ Transfer of selected part(s) of accrued benefits is acceptable

You do not need to transfer all your transferable accrued benefits at one time. If you prefer, you may transfer selected part(s) of the accrued benefits in your contribution account under ECA. For example, you can choose to transfer only the accrued benefits derived from the mandatory contributions from former employment in your contribution account, while retaining other parts of the accrued benefits (e.g. employee mandatory contributions from current employment) in the account.

✦ Transfer can only be made in a lump sum

The selected part(s) of your accrued benefits must be transferred in a lump sum. For example, if you have \$40,000 of accrued benefit derived from employee mandatory contributions in your contribution account, the entire \$40,000 must be transferred in one go.

¹ Calendar year means the period from 1 January to 31 December in any given year.

² Unless the governing rules of Original Scheme provide for more frequent transfer-out.

Tactic 2: **Refuse to Follow a Fad**

There's no hurry. Refuse to follow the crowd.



To Transfer? Not to transfer?

Before making a transfer decision, consider the following:

- ✦ **It is not compulsory to make a transfer**

If you are satisfied with the services of your current trustee, or see no need to make a change, you can retain the accrued benefits in the scheme under current employment rather than “switching for the sake of switching”. If you switch without care, you may suffer a loss.

- ✦ **There is no hurry to transfer**

You should study the details of ECA and consider your personal needs before making any transfer decision. This is especially important for the first transfer, since it is likely that a considerable amount of accrued benefits have been accumulated.

Transfer of accrued benefits involves potential risks

- ✦ **Investment market trends are unpredictable**

The investment market fluctuates all the time, making it difficult or impossible to accurately predict trends. Since MPF is a long-term investment, you **should not make hasty transfer decisions based on short-term market fluctuations**.

- ✦ **Risk of a “sell low, buy high” scenario occurring during investment time-lag**

Transferring accrued benefits involves the buying and selling of fund units and the whole process includes a number of steps by both trustees. You should note that **after the trustee of the Original Scheme has redeemed the funds and before the trustee of the scheme of your own choice (New Scheme) has subscribed to new funds, there will generally be a time-lag of one to two weeks**, during which your accrued benefits will not be invested in any fund. During this period, the fund prices may change due to market fluctuations, and there is a risk of a “sell low, buy high” scenario occurring. For instance, if the fund price is on an upward trend, your existing fund units in the Original Scheme may be sold at a low price level, while the new fund units in the New Scheme be bought at a relatively higher price. Be mindful of this risk before making a transfer.

- ✦ **The price of a fund cannot be specified**

Like other retail funds, MPF funds **are traded on a “forward pricing” basis**, with the execution price calculated on the basis of the net asset value of funds after the market closes on the trading day. You cannot specify the price of a fund when buying or selling fund units.

- ✦ **Entitlement to the guarantee of a guaranteed fund may be lost**

If you are currently investing in one or more **MPF guaranteed funds** in the Original Scheme, you should check whether the transfer of accrued benefits would **violate certain guarantee conditions**, such as the minimum lock-in period, thus disqualifying you from entitlement to the guarantee. You should take into consideration of this before making a transfer.



Tactic 3: **Think Carefully before Taking Action**

*Carefully consider the four major factors before
deciding on any transfer.*



How to choose an MPF trustee and scheme

Before exercising the right to transfer, you should carefully consider the following four factors:

1 Products (Scheme and Fund)

For example:

- * Whether the fund choices available are adequate and meet your needs
- * The features of the funds
- * The risk level and past performance of the funds

(Note: A scheme with more choices of fund products may not necessarily be the best for you. You should choose a scheme with funds that meet your personal needs. In addition, past performance is not a guide to the future performance of an MPF fund.)

2 Services

The range and quality of services provided by the trustees. For example:

- * Are the channels for checking account information provided by the trustee convenient and sufficient?
- * Does the trustee handle the switch of funds quickly and efficiently?
- * How many free benefit statements are issued to scheme members each year?
- * How many times can scheme members switch funds free of charge every year?

3 Fees and Charges

Compare fees and charges of funds of the same type.

4 Personal factors

Take into account things such as your personal investment objectives, current life stage (including years to retirement), risk tolerance level and other savings for retirement.

To assess these four factors and understand MPF investment better, you may refer to the "MPF Fund Platform" (mfp.mpfa.org.hk/eng) and the "Trustee Service Comparative Platform" (tscplatform.mpfa.org.hk/scp/eng) (see page 9) on the MPFA website, as well as to the MPFA's investment education publications³. You should also read information provided by trustees, including offering documents and fund fact sheets. If in doubt, ask trustees for individual scheme/fund information.



³ These publications are available on the MPFA website (www.mpfa.org.hk) and can also be obtained from MPFA offices, Public Enquiry Service Centres of the District Offices, and regional offices of the Labour Department.

ECA Transfer Process

Making good use of the three “MPF Boss Tactics” can help you make smart, informed decisions about whether to transfer your accrued benefits. If, after considering all the relevant factors, you decide to make a transfer of accrued benefits to another MPF scheme of your own choice (New Scheme), please take note of the following transfer process:

Submit Transfer Form to the trustee of the New Scheme

After you have completed the “Employee Choice Arrangement (“ECA”) - Transfer Election Form” (Form MPF(S) –P(P)) (Transfer Form), submit it directly to the trustee of the New Scheme. Your employer is not required to be involved in the process.

* Please make sure you have an MPF account with the trustee of the New Scheme when or before making the transfer.

Three steps to transferring your accrued benefits

After you have submitted your Transfer Form, the trustees of the Original and the New Scheme will process your transfer application according to the following three steps. If the information in the Transfer Form is complete and accurate, the whole transfer process will generally take about two to three weeks to complete.

Step
1

Trustee
of the
New
Scheme

Information is verified

Receives the Transfer Form and verifies the information in the Form, and then sends the Transfer Form to your trustee of the Original Trustee.

Step
2

Trustee
of the
Original
Scheme

Fund units are sold

Receives the Transfer Form from the trustee of the New Scheme and verifies the information and your signature in the Form; sells the fund units in your contribution account and transfers the relevant amounts to the trustee of the New Scheme.

Step
3

Trustee
of the
New
Scheme

Fund units are bought

Receives the amounts from the trustee of the Original Scheme and buys fund units in accordance with your instructions.

On completion of the transfer process, you will receive two documents: (1) a “Transfer Statement” from your trustee of the Original Scheme and (2) a “Transfer Confirmation” from your trustee of the New Scheme. You should check both documents to ensure that the transferred amount and the account details are correct.

Useful Tools

MPF Fund Platform

 mfp.mpfa.org.hk/eng

This one-stop platform provides useful information about all funds, including funds' returns, fees, risk levels, and Fund Expense Ratio, etc. It helps employees review funds from different perspectives to see whether the selected funds suit their retirement needs.

Download MPF Fund Platform App for free:



Trustee Service Comparative Platform

 tscplatform.mpfa.org.hk/scp/eng

The MPFA has consolidated the key information about the services provided by trustees currently operating MPF schemes, and uploaded it onto the “Trustee Service Comparative Platform” on the MPFA website. These service items are grouped into three major areas: Fund Choices, Account Administration, and Customer Services. Scheme members/employers can use this platform to study one particular trustee and scheme, compare several of them, or even analyse particular service items to suit their needs.

Fund Fact Sheet

Trustees are required to issue at least two Fund Fact Sheets to their members for each financial year of a scheme. These Fund Fact Sheets provide useful information about the fund, such as its investment objectives, past performance, fees, risk level, top 10 portfolio holdings and portfolio allocation. This information helps scheme members fully understand the features of the funds in the scheme.



Frequently Asked Questions

Q: How do I obtain the Employee Choice Arrangement transfer form?

A: You can obtain the “Employee Choice Arrangement (“ECA”) - Transfer Election Form” (Form MPF(S) – P(P)) from any MPF trustee. The Transfer Form can also be downloaded from the MPFA website (www.mpfa.org.hk).

Q: If I want to transfer my accrued benefits, must this be done through intermediaries?

A: Not necessarily. Employees can also approach a trustee of their own choice directly to handle the transfer process.

Q: Can an intermediary charge me a fee for their service?

A: MPF intermediaries may receive benefits directly or indirectly (such as through a commission or bonus on their pay) for services rendered. These must be disclosed to scheme members in accordance with the “Guidelines on Conduct Requirements for Registered Intermediaries”. However, normal trade practice is that intermediaries do not charge scheme members fees or commission.

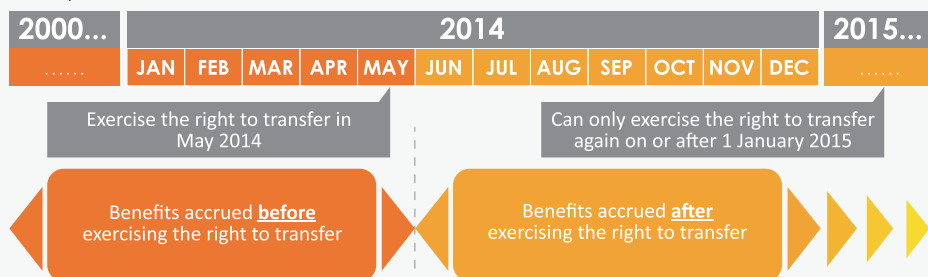
Q: If I work for more than one employer and thus have two or more contribution accounts, am I still limited to making only one transfer within a year?

A: No. If you hold two or more contribution accounts, you can make a transfer of the accrued benefits in each account once a calendar year. The transfer request does not need to be raised at the same time.

Q: After making a transfer, do I need to wait for another 12 months before making the next transfer?

A: No. You have the right to transfer the transferable accrued benefits in your contribution account once on any date every calendar year (i.e. the period from 1 January to 31 December every year). In other words, after you have made a transfer, you can apply to make another one at any time on or after 1 January in the following calendar year.

Example:



Q: After I have transferred my accrued benefits, does my employer need to make subsequent contributions to the new MPF account chosen by me?

A: No. After you have made a transfer of your accrued benefits to the new trustee and scheme, your employer will continue to make contributions (of both the employer's and employee's portions) to the contribution account of the trustee and scheme chosen by your employer, and not to your new trustee and scheme.

Q: Under ECA, is it necessary to transfer my accrued benefits to a newly opened personal account?

A: No. You may consider transferring your accrued benefits to your existing personal account. If you decide to transfer your accrued benefits to a newly opened personal account, consider consolidating other personal accounts you hold into this new account. The more personal accounts you hold, the more scattered your MPF assets will be, and the more time and effort you will need to spend on managing them.

For easier account management, holding just one personal account is best and avoid creating new ones.

Q: If I submit a Transfer Form at the end of the current calendar year and the transfer process is not completed until the next year, will it count as exercising my transfer right this year or next year?

A: If the trustee of the New Scheme receives your Transfer Form on or before 31 December this year and the information is correct, this will count as an exercise of your transfer right in the current year (even if the transfer process of accrued benefits is not completed until the following year). However, if you plan to make a transfer close to the end of a year, you should allow enough processing time when submitting the form to avoid any delay arising from inadequate or wrong information. Otherwise, you may lose your transfer right for that year.

