

## Chairman's Statement



**Charles Lee Yeh-Kwong**

*Chairman*

Following the economic doldrums of 2003, the Hong Kong community has emerged with renewed hope and vigour. Quite notably, discussions about protection for the aged and financial provision for their retirement have become more prevalent. The challenges posed by ageing of the population are attracting greater attention worldwide, but these challenges are even more pressing for Hong Kong. According to the United Nations, 10% of the global population is 65 or older in 2005. This is expected to rise to 21% by 2050. According to HKSAR Government's projections, the rise is even steeper for us, with 11.9% of our population being 65 or older in 2004, and 27% by 2033.

Hong Kong people have a longer life expectancy at birth of 84.6 for females and 78.6 for males (2004) than the global average of 66 (2000-2005). Our birth rate is 0.93, well below the level needed to maintain the population. The projected dependency ratio tells us that the number of working age adults for each person over 65 will drop from around six now to close to two by 2033. All this shows that the working population of the future will have a larger number of retirees to support, and for a longer period due to their longevity.

Caring for the growing number of older people is becoming an increasingly critical issue, with financial provision for retirees at the heart of it. Ensuring their well-being encompasses financial, psycho-social and physical independence, which are inter-related. Financial self-reliance is the cornerstone. With the availability of adequate financial resources, the elderly will not only be able to take care of their physical needs, including basic living and health care, but can also pursue a lifestyle that enhances their psycho-social well-being.

As Chairman of the MPFA, I am very pleased to observe how, since December 2000, the MPF System has contributed to the working population's wealth accumulation in order to promote their future financial independence. With MPF compliance rates at 97.9%, 96.7% and 80.8% for employers, employees and self-employed persons respectively, and considering the proportion of the workforce covered by other retirement schemes, about 85% of the Hong Kong working population are now covered by retirement protection schemes. The net asset value of MPF has surpassed the \$100 billion mark, reaching \$124.3 billion at the end of March 2005. During the period between 1 April 2001 and 31 March 2005, the annualized rate of return for the MPF System weighted by net contributions was 4.3% net of expenses. The real rate of return is even better when the decline in living costs, as illustrated by the annualized composite CPI for the same period<sup>1</sup>, is taken into account.

We must always be mindful that MPF is only one of the three pillars supporting retirement financial protection advocated by the World Bank. The other two pillars are the social security safety net and voluntary personal savings and insurance. While the government provides the social security safety net through public resources, individuals can, and should, do more to assure themselves of a self-reliant retirement by saving more and saving earlier.

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1 Please see Part B of the Statistics section for the comparison.

All over the world, the role of the family is changing, and Hong Kong is no exception. Financial support from family may become less reliable for the elderly. Future generations of older people may not receive from their families the same care and financial support that their predecessors enjoyed. In addition, people increasingly aspire to a higher quality of life during retirement, such that they have the freedom to choose a lifestyle they desire. The availability of adequate financial resources, particularly to cover a longer life expectancy, is an important prerequisite for a fulfilling retirement. This will only be possible through savings and wealth accumulation over and above the MPF requirement during our working lives.

Besides a mandatory arrangement for employers and employees to jointly contribute to provident fund schemes, the MPF System also serves as an additional avenue for voluntary savings. According to data gathered from MPF trustees, voluntary MPF contributions consistently constitute approximately 9 – 10 % of total contributions. In 2004, a number of MPF trustees launched “special voluntary contribution” schemes, under which voluntary contributions can be made directly without involving employers. While there are still insufficient statistics for a better grasp of the contribution patterns of such schemes, this recent development indicates a positive trend in strengthening the other pillar for retirement financial protection.

With the MPF System on track, the MPFA continues to fortify its efforts to strengthen the System, ensure compliance with MPF legislation and enhance its own capabilities, integrity and accountability. In 2004-05, as detailed in the ensuing chapters of this report, considerable achievements were made in improving the disclosure of fees, charges and performance of MPF funds, developing new approaches to enhance compliance by MPF trustees and formulating further proposals to improve the MPF legislation. We also intensified our efforts in enforcement and public education to ensure the protection of employees' interests, and to sustain the high compliance rates achieved since the early years of MPF implementation.

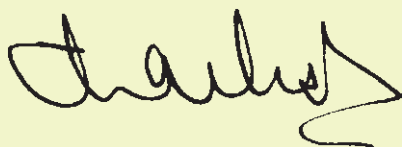
**Chairman's Statement (cont'd)**

For all these achievements, I wish to express my heartfelt appreciation for the support and dedication of my fellow Management Board and committee members. In particular, I wish to pay special tribute to Dr the Hon Li Kwok-po, Dr the Hon Lui Ming-wah, Mr Eddy Fong Ching, Ms Anna Wu Hung-yuk and Mr Joseph Yam Chi-kwong, who retired from the Management Board on 17 March 2005. Without their able guidance and significant contributions since the founding of the MPFA, we would not have come this far.

As in previous years, we received invaluable advice from the MPF Schemes Advisory Committee and the Industry Schemes Committee on the operation of the MPF System and the Industry Schemes. For their work, we are immensely grateful. A majority of the MPF Schemes Advisory Committee members ended their tenure at the end of the 2004-05 financial year, and we would like to thank them especially for their tremendous contributions all these years.

While we bid farewell to the outgoing Management Board and MPF Schemes Advisory Committee members, I would like to extend my warmest welcome to the new appointees and look forward to a fulfilling partnership with them.

During the past year, the staff of the MPFA continued to demonstrate their strength, perseverance and dedication under the leadership of Mrs Diana Chan, who has been appointed Managing Director by the Chief Executive of the HKSAR since July 2004. Their professionalism, energy and team effort have proven invaluable in taking the MPFA to new heights.



**Charles Lee Yeh-Kwong**  
*Chairman*