

Managing Director's Report

WORK FOCUS **2005-06**

“Look After Your MPF Investment, Add Value to Your Future” is the theme of our MPF Investment Education Campaign. With total MPF net assets grown to \$164.6 billion as at 31 March 2006, the average assets in each of the 2.3 million MPF scheme member's account(s) amounted to about \$72,000. It is therefore timely that the MPFA focused on deepening their understanding of the MPF System and MPF investment in 2005-06. Our other objectives for the year were to strengthen public support; uphold the credibility and integrity of the MPF System through rigorous regulation, supervision and enforcement actions; and to enhance the MPFA's capabilities, quality of service and accountability.



Diana Chan Tong Chee-ching
Managing Director

Public Education

The implementation of the MPF System has brought millions of the workforce into contact with investment funds, many for the first time in their lives. Ever since the preparatory stage of MPF implementation, the MPFA has directed significant effort to educating scheme members on MPF, and particularly on MPF investment.

In 2005-06, we launched a six-month MPF Investment Education Campaign to raise scheme members' awareness of their MPF investment and encourage them to take care of their MPF accounts. A multi-media approach was used to instill in the public more in-depth knowledge of MPF investment in order to enable them to participate effectively in the MPF System. In the process, the MPFA worked in partnership with other stakeholders, including the industry, labour unions, professional bodies, political parties and community groups, to disseminate MPF investment knowledge such as features of various types of MPF funds and factors to be considered when making MPF investment decisions. Rigorous new programmes to sustain our investment education efforts have also been planned for the coming year.

To further strengthen public support, we completed a round of visits to all the District Councils to update them on the development of the MPF System. In the coming years, we will continue to work closely with the District Councils and stakeholders to reach out to the community. Meanwhile, we are setting up a branch office in Tsuen Wan for trial operation in order to keep in closer touch with the local community and to provide the people with easier access to MPFA's services.

MPF Schemes Operation Review

A long-term focus of the work of the MPFA has been to review and refine the MPF System. The MPF Schemes Operation Review Committee spearheaded a series of reviews¹. In 2002, two MPF Amendment Ordinances were enacted. In the 2005-06 legislative session, a Resolution on 11 of the proposed changes to the investment rules as embodied in the MPF Schemes (General) Regulation has been passed by the Legislative Council. These changes, once implemented, would remove undue restrictions on the investment of MPF scheme funds, widen managers' choices and enhance flexibility of MPF investments. Around 30 other proposals have been developed and the MPFA has been working with the Government to prepare these for consideration by the Legislative Council.

Disclosure Project

The MPFA took the initiative a couple of years ago to improve the disclosure of MPF fund performance, fees and charges by developing and issuing the Code on Disclosure for MPF Investment Funds (Disclosure Code). The Disclosure Code requires approved MPF trustees to provide useful and easy to understand information on MPF funds. A number of these requirements have been implemented during the year as scheduled. This is not a one-off project; continued efforts are being made to enhance information disclosure to enable scheme members to make more informed investment decisions.

¹ See details on page 38.



Another disclosure initiative is to improve the content of the annual benefit statements that members receive concerning their MPF accounts. Having studied the experiences in other countries, and after consultation with the industry and other stakeholders, the MPFA has developed a number of proposals for improvement to the statement, including clearer information about contributions, fund transactions, fees and charges, and investment performance. These proposals have now been issued for public consultation.

We have also commenced work on the consideration of the development of a comparative platform of MPF funds, providing information on fees, returns and risks, etc to facilitate the understanding and choice of MPF funds.

Supervision of Approved MPF Trustees

The MPFA has conducted seven rounds of inspection visits to all approved MPF trustees over the years in its efforts to ensure compliance with the regulatory requirements. Since 2003-04, we have adopted a risk-based approach in supervision of the trustees. In 2005-06, a set of Compliance Standards was released to promote good corporate governance, proper risk management and a positive compliance culture among the trustees. In the coming year, the MPFA will continue to provide assistance to the MPF trustees in applying the Compliance Standards in order to fulfill their statutory duties and responsibilities.

Enforcement

Even with the attainment of high compliance rates right from the beginning of System operation, enforcement work is still a very important aspect of MPFA's work. While proactive enforcement actions were maintained throughout the years, the focus of MPFA's enforcement efforts in the early years was mainly on non-enrolment. In more recent years, more efforts were directed to default contributions handling. Meanwhile, the strategies for tackling non-compliance cases were continually reviewed and refined to improve enforcement effectiveness and attain higher work efficiency.

In the 2005-06 financial year, we issued over 300 000 contribution surcharge notices to employers defaulting in making MPF contributions, filed about 1 000 civil claims against defaulting employers at different levels of court, and applied for over 900 summonses in respect of substantiated default cases. An increasing number of claims was filed with the District Court and the High Court, as claims at these courts involved larger amounts and benefited more employees. Through submission of claims at court or by persuasion and counselling of employers concerned, we recovered \$80.2 million of default MPF contributions for employees during the year.

Staff and the Organization

Internally, we reorganized the work and resources of the Supervision Division to facilitate the implementation of the risk-based supervisory and regulatory approaches. The restructuring of the Enforcement Division was also implemented to enable a "through-train" service in investigation and debt recovery. To facilitate management decisions and address management information needs, preparatory work has commenced on the development of a Management Information System.



Among our four corporate core values², we put particular emphasis on promoting "Quality" and "Teamwork" in 2005-06. Communication sessions were conducted to share with staff quality management concepts and practices in the MPFA and other organizations. Various team-building sessions were organized, particularly for those newly reorganized work units. We also continued our staff recognition programme to give recognition to staff who assimilated the corporate core values in their work. With the award of "Caring Organization 2005-2006" logo under the Caring Company Scheme run by the Hong Kong Council of Social Service, the MPFA staff's demonstration of the value of "Community Perspective" has also been well recognized.

OBJECTIVES 2006-07


We have been taking a medium-term perspective of three-to-five years in developing our Corporate Plans. For 2006-07, the MPFA will focus on implementing strategies and programmes to achieve the following objectives:

- (a) to ensure that the MPF System fulfills its role in providing retirement protection;
- (b) to strengthen public support and deepen their understanding of the MPF System and investment; and
- (c) to ensure that the MPFA has the ability to deliver the planned programmes.

VOTE OF THANKS

Reflecting on the year's work, I am most grateful to the Management Board and its supporting committees for their guidance and support. I am particularly indebted to the Chairman, Mr Charles Lee, for his inspiring leadership and able steer. My appreciation also goes to members of the MPF Schemes Advisory Committee and Industry Schemes Committee, who have given us valuable advice on various aspects of the MPF System and the operation of the industry schemes. My colleagues and I are saddened by the loss of our industry schemes Committee member, Mr Valiant Cheung, and wish to convey our condolences to his family.

I am also deeply grateful to my colleagues at the MPFA for their commitment, enthusiasm and professionalism in achieving our goals set for the year, and would like to express my heartfelt thanks to them for their staunch support.



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² The four core values are: Commitment, Quality, Teamwork, Community Perspective.

