

# Business Operations

## MPFA at a Glance

The MPFA is a statutory body established in 1998 under the Mandatory Provident Fund Schemes Ordinance (MPFSO) to regulate and supervise MPF schemes. It also assumes the role of the Registrar of Occupational Retirement Schemes.

### Our Mission

- To regulate and supervise privately managed provident fund schemes;
- To educate the working population about saving for retirement and the role of the MPF System; and
- To lead improvements to provident fund schemes to make them more efficient and user-friendly and better meet the needs of the working population.

### Our Vision

To build a retirement savings system that is valued by Hong Kong people.

## Key Figures about MPF (31.3.2018)

Trustees <sup>1</sup>	17
Intermediaries (total)	32 780
Principal intermediaries <sup>2</sup>	411
Subsidiary intermediaries <sup>3</sup>	32 369
Schemes <sup>1</sup>	32
Constituent funds	469
Approved pooled investment funds (APIF) <sup>4</sup>	319
Approved index-tracking collective investment schemes (ITCIS) <sup>5</sup>	119

1 These refer to the number of approved MPF trustees and MPF schemes in Hong Kong. As at 31 March 2018, there were 32 MPF schemes provided by 14 MPF trustees available in the MPF market.

2 Principal intermediary refers to a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

3 Subsidiary intermediary refers to a person registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes on behalf of the principal intermediary to which the person is attached.

4 Approved pooled investment fund (APIF) refers to a type of investment fund that a constituent fund invests into. It can be in the form of an insurance policy or a unit trust.

5 Index-tracking collective investment scheme (ITCIS) refers to a collective investment scheme which has the sole investment objective of tracking a particular market index.

## Business Operations

### MPF Industry Supervision and Development

#### MPF Trustees

##### Surveillance and monitoring

We adopt a proactive and risk-based approach in monitoring and supervising trustees.

We assess and oversee trustees' compliance and detect potential weaknesses. In respect of areas of concern, we issue newsletters to provide guidance and take supervisory or enforcement actions as appropriate. We investigate suspected non-compliance cases and make regulatory responses having regard to factors including the nature and scope of the cases.

#### Supervision and enforcement actions in 2017-18



Two newsletters were issued to trustees on compliance, scheme administration, and other MPF issues.

136 enquiries were handled in relation to scheme administration, investment and fund operations (cases arising from monitoring, enquiries, complaints and trustees' self-reporting).

281 complaint cases against trustees were received:

- 264 cases relating to service quality were referred to the trustees concerned to address the issues <sup>6</sup>; and
- 17 other cases were enquired into with the trustees concerned to assess if there were any suspected non-compliance.

46 cases of suspected non-compliance were investigated.

Supervisory compliance letters were issued to trustees in 159 cases in relation to internal controls, regulatory obligations, record keeping, investment compliance, and scheme administration. 14 independent reviews were subsequently engaged by trustees to undertake improvement measures.

21 financial penalty notices were issued to trustees <sup>7</sup> (fined \$5,915,000 in total) for non-compliance.

<sup>6</sup> 13 out of 264 cases were related to the implementation of the Default Investment Strategy (DIS) covering trustees' customer services and issuance of DIS notices. Two out of 264 cases were either withdrawn or non-pursuable.

<sup>7</sup> The non-compliances were in relation to scheme administration, including late reporting of default contributions to MPFA, late processing of transfer or payment of MPF benefits and failure to submit various returns or reports to MPFA, etc.

## Business Operations

### Thematic programme

#### On trustees' compliance

We pursued a focused supervisory programme to address operational risks and governance issues of trustees with key compliance issues.

A trustee was undertaking a transformation programme to overhaul its governance, risk management, administration infrastructure and processes.

We closely monitored its programme through regular meetings with the trustee and appointed an independent consultant to assist us in this matter.

#### On cybersecurity

We reminded trustees of their duties to put in place an appropriate cyber-resilience framework and lay down strategies with policies and measures for effective management of cybersecurity risks.

We conducted a thematic survey on cybersecurity risk management. The purpose was to understand trustees' status in cyber-resilience and cybersecurity strategies and measures to protect technological assets and customer information against cyber attacks.

We also required trustees to conduct a comprehensive self-assessment on the adequacy of their cyber-resilience measures with respect to their operation models for withstanding and recovering from disruption caused by cyber threats. The self-assessments would be completed by trustees in second half of 2018.

### Governance of trustees

Good governance is a substantial element of an efficient pension system. Promoting a high standard of governance among trustees has always been a key regulatory objective of MPFA.

We encouraged trustees to implement higher standards of governance, thus better protecting the interests of MPF scheme members.

Measures included meetings with trustees' boards of directors to discuss governance issues, and the first Workshop on Governance of MPF Trustees held in October 2017.

#### Workshop on Governance of MPF Trustees

The one-day workshop was attended by more than 100 representatives, including trustees' boards of directors, local financial regulators and experts on risk management, pension design and governance. The workshop provided a platform for discussion and sharing of experience on topics such as governance framework, risk management and mechanisms for checks and balances.

*"MPF trustees assume a fundamental role in protecting members' interests and delivering value-for-money outcomes for them. MPF trustees, though not public trustees, are indisputably trustees of the public."*



– Dr David Wong, MPFA Chairman

## Business Operations

All 14 trustees have endorsed a charter signifying their commitment to promoting a stronger governance culture and delivering better value-for-money outcomes for scheme members.

We plan to issue a set of high level principles on governance of MPF trustees as guidance for trustees' boards of directors in upholding good governance practices.

Going forward, we will maintain a supervisory dialogue with individual trustees on governance based on their respective business and governance plans.



*“Since MPF is a compulsory system, trustees have a special duty to protect members’ interests and play a key part in maintaining members’ trust in the integrity of MPF System.”*



– The Honourable Bernard Chan, Convenor of the HKSAR Executive Council

### Communication with trustees

We maintain regular dialogues with the trustees on MPF-related issues and work closely with them to pursue initiatives to enhance the MPF System.

The Trustees Operations Liaison Group (TOLG) with representatives of trustees and MPFA met two times in the year to discuss developments of the MPF System, MPF scheme operation, compliance issues, the development of information systems and cybersecurity issues.

The Information Technology Projects Advisory Committee under TOLG met two times to discuss system project plans, application system interfaces, technical infrastructure and arrangements for a disaster recovery test.

A working group formed with trustees met five times to discuss and resolve operational issues relating to the implementation of the Default Investment Strategy (DIS).

Through an Education Liaison Group, trustees joined hands with us to promote the MPF System and provide MPF investment education to scheme members.

Our Managing Director met regularly with the chief executive officers (CEOs) of the trustees to share updates on the development of the MPF System, brief them on the focus of MPFA's work, and exchange views with them on MPF-related issues.

Roundtable discussions were held with trustees' CEOs to exchange views on matters relating to governance and risk management.

28 prudential meetings with the senior management of individual trustees were held for us to assess how the trustees control their operations and view their business prospects, and for discussing supervisory concerns arising from off-site reviews, on-site inspections and other sources.

## Business Operations

### MPF intermediaries

#### Registration

We process applications for registration as MPF principal and subsidiary intermediaries to engage in MPF sales and marketing activities. New applicants or applicants who have left the industry for three years or more are required to take an examination.

Members of the public can check MPF intermediaries' registration through MPFA's website or hotline.

#### Application and annual fees

From 1 January 2018, new applications for registration as MPF intermediaries must be accompanied by an application fee. All registered intermediaries have to pay an annual fee after registration.

Existing intermediaries registered before 1 January 2018 have to pay an annual fee as well. If payment is not made on time, an additional fee will be incurred. Failure to settle the outstanding annual fee and/or additional fee may result in suspension or revocation of registration.

Various payment methods including electronic ones are available for settling the annual fees. Around 40% of the intermediaries used electronic means to pay the fees for 2018.

#### Professional development

To maintain professional competencies in MPF business, subsidiary intermediaries must undertake a minimum of 10 hours of Continuing Professional Development (CPD) activities on MPF each year. Non-compliance may result in suspension or revocation of registration.

As at 31 March 2018, 27 activities in the form of courses, seminars, lectures or conferences were recognized as core CPD activities for MPF intermediaries. We carry out quality assurance checks on these activities, which include vetting the materials used, visiting classes and reviewing participants' evaluation.

#### Supervision

MPF intermediaries are required to submit annual returns to MPFA within one month after the end of a calendar year.

Around 80% of intermediaries made use of an "eService"<sup>8</sup> platform to file the returns electronically for 2017.

Separately, we communicated regularly with intermediaries on regulatory requirements and legislative changes that impact on them.

In 2017-18, eight circulars were issued on regulatory issues, covering matters relating to conduct, fees for intermediaries and revised MPF guidelines. One circular was issued on administration issue about the electronic submission of personal account enquiries by intermediaries on behalf of scheme members.

In addition, a series of briefings were organized for intermediaries on the application and annual fees and promoting payment via the "eService" platform for efficiency.

<sup>8</sup> "eService" is an electronic platform established by MPFA to allow registered intermediaries to view their registration information, submit and view their returns, and view their submission history at any time. Registered intermediaries can also make electronic payment for their annual or additional fees through "eService".

## Business Operations

### Enforcement

We regulate MPF intermediaries in conjunction with the frontline regulators (i.e. the Insurance Authority (IA), Monetary Authority (HKMA) and Securities and Futures Commission (SFC)) under a multi-regulator framework.

The MPFA and the frontline regulators have distinct powers and functions under the framework. In cases concerning conduct issues, the frontline regulators are responsible for the supervision and investigation of the MPF intermediaries who are their regulatees. The MPFA is the sole authority to determine and impose any disciplinary orders against MPF intermediaries under the MPFSO.

Where MPF intermediaries or unlicensed persons are suspected to have conducted regulated activities in contravention of the law, we will investigate or refer the cases to the relevant frontline regulators for investigation.

All cases investigated by frontline regulators will be passed to us for assessment and consideration of whether to impose disciplinary sanctions or take enforcement actions.

During the year, 19 on-site inspections were conducted by the frontline regulators.

In 2017-18,



**We received 10 complaints and referral cases against MPF intermediaries, mainly concerning failure to comply with statutory conduct requirements.**

**Investigation was initiated by a frontline regulator in six cases concerning MPF intermediaries.**

**A disciplinary order of six-month suspension of registration was made against an MPF intermediary who had contravened the conduct requirements of acting honestly, fairly, in the best interests of scheme members and with integrity under the MPFSO and the Guidelines on Conduct Requirements for Registered Intermediaries.**

**33 compliance advice or reminder letters were issued to principal or subsidiary intermediaries in 22 cases.**

In the year, we convened two meetings of the MPF Intermediaries Regulation Committee with the frontline regulators to exchange views on supervisory and enforcement issues relating to MPF intermediaries.

Two meetings were held with the IA for mutual progress updates in relation to complaints handled by MPFA, cases referred by MPFA to IA for investigation, and supervisory work conducted by IA.

## Business Operations

### MPF schemes and funds

#### Default Investment Strategy (DIS)

The DIS, launched on 1 April 2017, represents a major reform of the MPF System to address concerns about high fees of MPF funds and the difficulty of making fund choices. The default investment arrangements of all MPF schemes have been standardized since then.

We oversaw trustees' implementation of DIS, and supervised them in carrying out transitional arrangements.

As required by us, trustees engaged independent auditors to conduct a post-implementation review on their controls for issuance of notices and transfer of MPF benefits from default investment arrangement accounts to DIS. No irregularities were noted from the review results.

With the concerted efforts of MPFA and the trustees, DIS has been operating smoothly since its launch.

As at 31 March 2018, around 1.5 million accounts (about 15% of the total number of 9.53 million MPF accounts) were partly or fully invested according to DIS or were invested in the two constituent funds of DIS, involving \$25 billion of MPF benefits (around 3% of the total net asset value of the MPF System).

#### Fees and charges

Lower fees can have a significant contribution to long-term investment return.

As a result of measures to facilitate market forces and streamline scheme administration, the average Fund Expense Ratio (FER) of MPF funds dropped significantly by 25% from 2.06% in July 2007 (when FER was first introduced) to a record low of 1.54% as at 31 March 2018.

The fee caps of DIS will likely place further downward pressure on fees of MPF funds, and reduce the FER over time. In fact, since the passage of the legislation on DIS in May 2016 and up to 31 March 2018, 93 MPF funds have reduced their fees (biggest reduction up to 55%).

As at 31 March 2018, there were 234 <sup>9</sup> (50%) low-fee MPF funds (with management fee of 1% or below or FER of 1.3% or below) of different types (192 of them investing in equities and/or bonds).

#### Scheme merger and consolidation

MPF trustees make continuous efforts to enhance the cost-effectiveness of their MPF schemes. Since 2003, applications have been received for 38 schemes to be consolidated into 14 schemes.

We have an internal specialist team to ensure that timely and effective regulatory response is provided in the complex transactions of scheme restructuring and mergers and to ensure the orderly conduct of trustees' business consolidation and scheme changes.

In 2017-18, Sun Life Hong Kong Limited (SLHK) acquired the entire issued share capital of FWD Pension Trust Limited. Consequential to the acquisition, the sponsorship of FWD MPF Master Trust Comprehensive Scheme and FWD MPF Master Trust Basic Scheme was transferred to SLHK on 3 October 2017.

<sup>9</sup> Including 64 constituent funds of DIS.



## Business Operations

### Product and entity approval

For MPF product applications, we provide trustees with a series of approval checklists on our website to facilitate better preparation of documents and information to expedite the processing time of approving applications.

**In 2017-18,**

- 13 APIFs and three ITCISs were approved.
- 56 constituent funds reduced fees.
- Four schemes were cancelled.
- 16 constituent funds, one APIF and 21 ITCISs were terminated.
- One trustee surrendered its licence.
- Approved status of two overseas banks was withdrawn.

### Transparency of MPF information

We make ongoing efforts to drive improvements to the materials for disclosing MPF information to scheme members, facilitating retirement planning and decision-making on MPF schemes and funds.

Following the simplification and standardization of the presentation of DIS-related information in offering documents <sup>10</sup> for MPF schemes, we have been working on the introduction of additional measures to improve general information presentation and risk disclosure in the offering documents. These measures are to be set out as requirements in the Code on Disclosure for MPF Investment Funds <sup>11</sup>.

We launched a Fund Performance Platform on our website to provide easy access to essential information about MPF funds to facilitate comparison of different MPF schemes and funds and decision-making on MPF investment.

#### Fund Performance Platform



There are three interactive sections on this one-stop platform to provide information about MPF funds' annualized returns, cumulative returns, fees and risk levels.

It helps scheme members review funds from different perspectives to see whether the selected funds suit their retirement needs and to compare the performance of different funds.

A repository of scheme documents has been made available since February 2018 on MPFA's website to provide scheme members with necessary information for actively managing their MPF accounts. The repository now contains offering documents and fund fact sheets and more scheme documents will be included progressively.

<sup>10</sup> A document that invites participation in an MPF scheme.

<sup>11</sup> The Code was published by MPFA to give guidance to MPF trustees and other service providers on the disclosure of information about MPF schemes and funds and in particular information about fees, charges and performance. It also gives guidance to operators of APIFs on the disclosure of information (particularly expense information) to operators of funds that invest in those APIFs. It also specifies the information to be contained in annual benefit statements.



## Business Operations

### Liaison with Frontline Regulators

We maintain a close dialogue with HKMA and SFC in respect of their supervision of MPF custodians and MPF investment managers. We exchange views with them on the regulation of MPF products, fund operation issues and the conduct of MPF investment managers.

Apart from half-yearly meetings, we maintain a close dialogue with IA in regulating financial groups with both MPF scheme operators and insurance entities, and on matters related to MPF investment funds in form of insurance policies providing retirement-related benefits (i.e. insurance policy APIFs).

## Refining the MPF System

### Reviews

#### Minimum and maximum relevant income (RI) levels for MPF contribution purposes

Mandatory MPF contributions are subject to the minimum and maximum RI levels, which are adjustable over time to better reflect changes in the earnings distribution of the working population with a view to ensuring the accumulation of a reasonable amount of benefits for retirement-saving purposes.

There is a mechanism under the MPFSO which requires MPFA to review the two RI levels regularly <sup>12</sup>.

In the current round of review, taking into account the statutory adjustment factors, preliminary adjustment proposals were prepared and views were collected from stakeholders, including business chambers, employer/human resources bodies, labour unions, professional bodies, representatives of employers and scheme members.

Taking into account the views received, we are refining the proposals for submission to the Government.

### Support the Government in developing proposals to progressively abolish the offsetting of severance payments and long service payments with MPF contributions

The Government is refining its proposal to progressively abolish the offsetting arrangement. We provided comments to the Government on aspects of its proposal that may impact on MPF schemes, and assisted the Government in discussing with trustees the implications of the proposal on MPF operations. We also provided necessary statistics and other information to support the Government's work in this regard.

Several meetings were held during the year among the Government, MPFA, the Hong Kong Trustees' Association, and trustees, to discuss issues regarding the Government's proposal.

We will continue to provide support to the Government on this matter.

## Market Efficiency

### Standardization, streamlining and automation of MPF scheme administration

As part of our initiative to standardize, streamline and automate MPF administration, we are working on a digitalization project, preliminarily known as eMPF, to facilitate the automation of scheme administration. A key component of the project is to put in place a centralized electronic platform.

The platform will support enrolment and contributions by employers and account management by scheme members.

The objectives are to improve accuracy, reliability and efficiency of the MPF System, enhance user experience, reduce costs, and enable future reforms of the MPF System.

<sup>12</sup> The MPF legislation stipulates an adjustment mechanism which provides that MPFA must, not less than once in every four years, conduct a review of the minimum and maximum RI levels.

## Business Operations

The Government and MPFA have jointly set up a working group with MPF trustees to steer the development of eMPF. High-level technical specifications of the electronic platform are being developed for cost estimation of building the infrastructure for the purpose of seeking funding approval from Legislative Council.

A user committee is formed to hear views of employers, human resources practitioners and scheme members on key functions of the electronic platform from users' perspective and users' experience of electronic services currently made available by trustees.

Wider digital adoption by users is necessary to reap benefit of the electronic platform. We are mapping out publicity and education strategies to promote digital take-up by users of existing trustees' e-services to pave the way for full digital adoption.

We will continue to work closely with the Government and the industry on matters including legislative amendments and operational arrangements to put in place the electronic platform.

### Leverage on technology

While pursuing eMPF for the long term, we developed or enhanced several systems for the more immediate term for greater market efficiency, higher quality services, and less paper consumption:

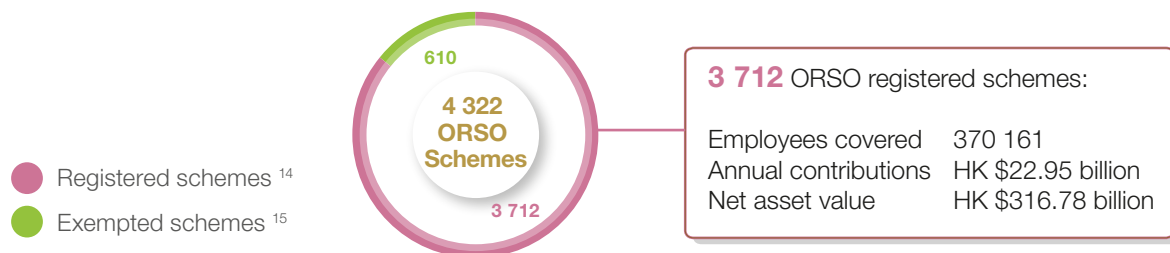
- A system supporting e-payment options for collecting fees from MPF intermediaries
- A Fund Performance Platform to facilitate access to key information and comparison of performance of MPF funds
- A new feature for online submission of documents to speed up the registration procedures for the use of an e-Enquiry of Personal Account (ePA)<sup>13</sup> platform

<sup>13</sup> ePA is a platform for scheme members who have registered for the service to obtain information about their MPF personal accounts easily for better account management.

## Business Operations

### Schemes Governed by the Occupational Retirement Schemes Ordinance (ORSO)

Key figures about ORSO (31.3.2018)



### Work of the Registrar of Occupational Retirement Schemes

The MPFA is the Registrar of Occupational Retirement Schemes. We process applications and notifications of changes, monitor compliance, recover default contributions, collect periodic fees, handle enquiries and complaints, and maintain a public register of ORSO schemes.

#### In 2017-18, we

**Approved the registration of 16 ORSO schemes.**

**Approved ORSO exemption in respect of one scheme.**

**Approved MPF exemption <sup>16</sup> in respect of four registered schemes.**

**Processed 3 874 annual returns and financial statements of ORSO registered schemes.**

**Processed 16 overseas compliance certificates and 444 membership statements of ORSO exempted schemes.**

**Processed 1 100 notifications of changes in relation to scheme name, administrator, employer and address.**

**Approved 55 applications for change of trustees for MPF exempted ORSO registered schemes.**

**Granted consent to six ORSO registered schemes for cessation of application of pooling agreements to the schemes.**

**Approved withdrawal of MPF exemption in respect of 120 ORSO registered schemes and 11 ORSO exempted schemes.**

**Processed notices of termination given by 152 ORSO registered schemes and 27 ORSO exempted schemes.**

**Cancelled the registration of six ORSO registered schemes and withdrew the exemption certificate of 26 ORSO exempted schemes.**

**Granted consent to 78 applications for consent for disclosure of information in compliance with the US Foreign Account Tax Compliance Act.**



<sup>14</sup> An ORSO registered scheme refers to one registered under section 18 of the ORSO.

<sup>15</sup> An ORSO exempted scheme refers to one in respect of which an exemption certificate has been issued under section 7 of the ORSO and any withdrawal under section 12 of the ORSO has not come into effect; or an ORSO scheme within the meaning of the ORSO where the employer of the scheme is the government of a place outside Hong Kong or an agency or undertaking of or by such a government which is not operated for the purpose of gain.

<sup>16</sup> MPF exemption refers to an exemption under section 5 of the MPFSO. Members, or a class of members, of an MPF exempted ORSO scheme and their employer are exempt from the operation of all or any specified provisions of the MPFSO. This is an interface arrangement with the MPF System when the System was launched in 2000.

## Business Operations

### Funding status of ORSO registered schemes

We monitor the funding status of ORSO registered schemes by examining annual returns and audited financial statements. For defined benefit schemes, actuarial certificates must be supplied by designated persons at least once every three years.

According to the relevant reports received up to 31 March 2018,

20 (about 10%) out of 202 defined benefit ORSO schemes were under-funded, covering around 8 100 scheme members.

Total asset size of these under-funded schemes amounted to \$12,993 million.

Total shortfall of these under-funded schemes was \$597 million (about 4.6% of their total assets). The shortfall was caused by investment loss and/or salary increase higher than the assumption used by actuaries.

The relevant employers have to make up the shortfall in funding by a lump sum contribution or monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded. We closely monitored the situation, and the process of making up the shortfall by the relevant employers was smooth.



### Relinquishing of MPF exemption status of ORSO schemes

In 2017-18, 131 MPF exempted ORSO schemes, covering about 3 000 scheme members, relinquished their exemption status. The employers subsequently terminated these schemes and had to enrol the employees in MPF schemes.

### Revision of levels of fees levied on ORSO schemes

The levels of periodic fees and application fees levied on ORSO schemes have been adjusted since 1 January 2018.

ORSO schemes for which periodic fees were due on or after 1 January 2018 must pay new periodic fees.

Applicants must pay new application fees for applications relating to ORSO schemes on or after 1 January 2018.

### Review of the ORSO

ORSO schemes are employment-based schemes set up voluntarily by employers for providing benefits to employees.

It has come to our attention that some ORSO schemes were inappropriately marketed or used for non-retirement related purposes.

In view of this, we reviewed the ORSO and prepared proposed amendments for improving the overall effectiveness of the regulation of ORSO schemes.

Views on the major amendment proposals were collected from stakeholders, including chambers, employer associations, ORSO employers, ORSO scheme administrators and professional bodies.

We are working closely with the Government on the proposed amendments with a view to introducing an amendment bill to amend the ORSO into the Legislative Council in the 2018-19 legislative year.

## Business Operations

### Protecting Retirement Benefits

#### Non-compliant employers under the MPFSO

We take enforcement actions against non-compliant employers, including filing civil claims to recover default contributions on behalf of affected employees and initiating criminal prosecutions to instil deterrent effect. In response to our call, trustees began from the contribution period of November 2017 to promptly follow up with their clients to resolve default contribution and surcharge issues.

**In 2017-18,**



**1 846 employment establishments were visited under inspection (major targets included catering establishments, retail outlets and construction sites).**

**271 900 payment notices were issued in respect of default contribution under MPF schemes <sup>17</sup>.**

**55 835 cases were investigated.**

*breakdown by alleged offences <sup>Δ</sup>*

Default contribution	55 590 cases
Non-enrolment	1 539 cases
Forced change to self-employed person	30 cases
Others <sup>18</sup>	123 cases

<sup>Δ</sup> as one case may involve several types of alleged offences, the total number of alleged offences may exceed the total number of cases investigated

**In respect of substantiated MPF non-compliance, claims were filed with:**

Small Claims Tribunal	503 cases
District Court	44 cases
High Court	1 case
Liquidators	161 cases



**82 Bailiff actions were taken to seize assets of defaulting employers.**

**108 Garnishee Orders were granted by court to seize money from defaulting employers' bank accounts.**

**Four court orders were granted by court to compel convicted employers to rectify non-compliance.**

**\$127.2 million default contributions were recovered on behalf of employees.**

**54 financial penalty notices were issued to repeat defaulters for breach of section 7A(8) of the MPFSO <sup>19</sup> (involving 53 employers and a total penalty of \$504,943).**

<sup>17</sup> A surcharge calculated at 5% of the amount of MPF contributions in arrears is imposed on employers who failed to make MPF contributions for their employees within the prescribed period. The surcharges received are credited into the MPF accounts of the employees concerned.

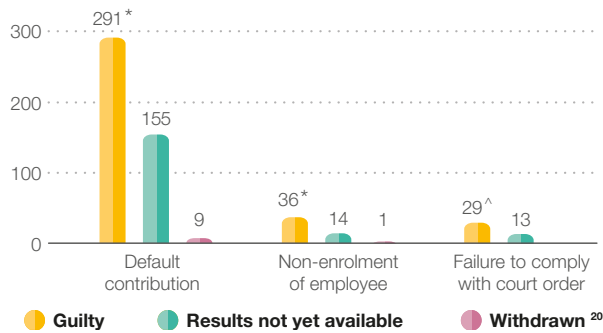
<sup>18</sup> Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.

<sup>19</sup> Failure to pay MPF contributions in respect of an employee to the trustee within the prescribed period.

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548 summonses were issued to employers and directors/managers of limited companies for prosecution in respect of their suspected non-compliance.

### Prosecution Status (31.3.2018)



\* Involving 55 employers and one director of a limited company (total fine: \$1,000,600).

^ Involving eight employers and six directors of limited companies (fined between \$2,000 and \$125,000 each). Two of the directors were sentenced to imprisonment of two weeks (suspended for one year) and 21 days respectively.

The sentences strengthen MPFA's determination in taking enforcement actions against non-compliant employers and deliver a strong deterrent message that non-compliance under the MPF legislation is a serious crime.

We maintain a database of Non-Compliant Employer and Officer Records on MPFA's website. Members of the public can view and search for information on employers and officers with MPF non-compliance records.

As at 31 March 2018, 2 605 non-compliance records were kept in the database, including:

- 1 991 civil awards or judgments
- 614 criminal conviction records

## Non-compliant employers under the ORSO

In 2017-18, the following actions were taken to recover default contributions on behalf of affected employees under ORSO schemes:

145 payment notices were issued in respect of default contribution under MPF exempted ORSO registered schemes <sup>21</sup>.

Two civil claims were filed with Small Claims Tribunal.

\$205,000 default contributions in MPF exempted ORSO registered schemes were recovered on behalf of employees.



<sup>20</sup> Summonses could not be effectively served by the Police or Bailiff, as the defendants had moved away, closed, become untraceable or wound up.

<sup>21</sup> A surcharge calculated at 15% or 20% of the amount of ORSO contributions in arrears is imposed on employers who failed to make ORSO contributions for their employees. No surcharge will be imposed in the first payment notice in respect of ORSO contributions.

## Business Operations

### Non-compliant members of MPF and ORSO schemes

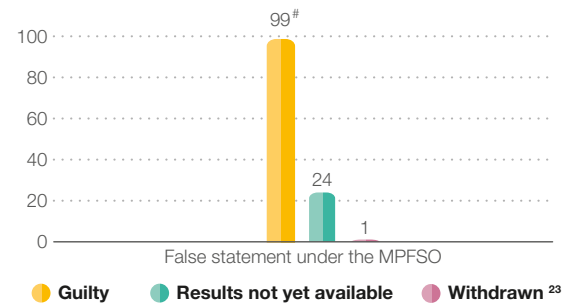
MPFA takes actions in respect of substantiated cases of false claims made by MPF scheme members to withdraw their MPF benefits or by MPF exempted ORSO registered scheme members to withdraw their minimum MPF benefits before attaining retirement age on the ground of permanent departure from Hong Kong.

Such withdrawal affects the amount of savings available to them for retirement.

Moreover, to tackle syndicate crime in arranging scheme members to make false statement for withdrawing MPF benefits, we refer cases to the Police for investigation from time to time.

In 2017-18, 124 summonses were issued to MPF scheme members for making false statements <sup>22</sup>.

**Prosecution Status (31.3.2018)**



<sup>#</sup> Involving 79 MPF scheme members (average fine: about \$4,800).

In 2017-18, 76 scheme members involved in the cases referred to the Police were convicted of making false declarations or statements. Five of them were fined from \$2,000 to \$5,000, 66 of them were sentenced to community service and the remaining five were sentenced to imprisonment from two weeks to two months (all suspended for one year).



## Public Education and Communication

We make continuous efforts to enhance public understanding and acceptance of the MPF System as a retirement savings system that is good for the working population in Hong Kong. A variety of activities is organized to educate scheme members and potential participants on the MPF System, their rights and obligations, and skills to manage MPF investment.

Different channels were used to widely deliver MPF messages to the general public, including television and radio programmes, out-of-home platforms, online publicity, online social media, mobile phone applications, and newspapers and magazines.

<sup>22</sup> MPF scheme members made a false statement in order to withdraw their MPF benefits on the ground of permanent departure from Hong Kong.

<sup>23</sup> Summons was withdrawn due to the absence of a key witness.



## Business Operations

Our education programmes held in 2017-18 for the public include the following:

### General Public



Entertaining videos in the form of television programmes on the fundamentals of MPF investment

A public seminar co-organized with a local university on MPF investment

Messenger bot <sup>24</sup> on the MPFA investment education Facebook fan page (*Workplace Incredibles*) to chat with users on MPF matters



Four infographic videos to encourage early retirement planning and about the concepts of retirement investment



<sup>24</sup> A tool built in the Facebook Messenger which can provide automated and instant responses to users through one-on-one communication.

## Business Operations

### General Public



15 workshops at workplace with a Certified Financial Planner sharing tips for retirement planning and MPF investment and introducing tools on MPFA's website



Four roving exhibitions on how to make informed decisions for MPF investment and consolidation of MPF personal accounts



Four advertorials on MPF investment and retirement planning in the form of case studies with analyses by a Certified Financial Planner of scenarios at different age brackets and life stages



12 buzzword cards designed by a popular illustrator to convey messages on retirement investment and MPF investment

## Business Operations

To further reach out to young people, we stepped up our publicity and education efforts on online platforms, including promotion on our Facebook fan page, short videos by key opinion leaders (KOLs) and crossover programmes with popular illustrators and KOLs. Our education programmes held in 2017-18 for the youth include the following:

### The Youth

MPF talks, financial planning / career cum MPF workshops, for tertiary students and members of youth centres

On-campus activities for tertiary students at local institutions on knowledge of the MPF System and MPF investment

Training workshop for teachers on the MPF System and MPF investment and encourage them to apply financial planning concepts and MPF knowledge in teaching and disseminate MPF messages to students

Participated in career and education fairs to familiarize fresh graduates and young job-seekers with the MPF System and MPF investment



Life-planning workshops simulating experience at different life stages on financial needs and MPF enrolment and investment for secondary school students

Interactive money management workshops and drama for secondary school students on financial planning, MPF investment, and early start on retirement planning



Online promotion of MPF messages for the youth in general: short videos, games and crossover programmes featuring popular illustrators and sports players on the MPFA Facebook fan page *Rolling My Money*; smartphone application *MVP (Most Valuable Player)@Workplace*



## Business Operations

Publicity programmes on specific topics are organized to generate public awareness of the changes to the MPF System, MPFA's new initiatives, the roles and functions of the MPF System and MPFA.

To widely publicize DIS, we arranged the following programmes in 2017-18:

Advertisements through TV, radio, and print and online media, on the launch of DIS and the transitional arrangements



The TV clips on DIS attracted close to three million views on YouTube, hitting the top of the 2017 Hong Kong YouTube Ads Leaderboard

Videos with the gimmick “DIS Kitchen” on online/social media platforms and out-of-home media to introduce the key features of DIS and enhance awareness of DIS as a new MPF investment choice

Comprehensive information on DIS disseminated through thematic website, publications and audio-visual materials

Panel displays in MTR stations to disseminate information on DIS and MPF investment education messages

Flyer carrying comic strips on arrangements under DIS for all the affected MPF account holders



## Business Operations

Other publicity programmes in 2017-18:

### Good MPF Employer Awards 2016-17

This annual event gives recognition to employers who are compliant with the MPF legislation and provide additional retirement benefits to their employees beyond the statutory requirements.

Two new awards, the “e-Contribution Award” and “Support for MPF Management Award”, were introduced to commend awardees who adopt electronic means for MPF administration and who encourage employees to actively manage their MPF accounts.

A total of 879 companies or organizations received the 2016-17 Award.



*“A harmonious employer-employee relation is key to Hong Kong’s economic development. The Good MPF Employers Award not only gives recognition to the good employers but also promotes positive energy in the community.”*



– Dr Law Chi-kwong, Secretary for Labour and Welfare



## Business Operations

### A thematic campaign on MPF account management

- Publicity on the MPF Fund Performance Platform on online media and mobile platforms.
- Telecasting of the “MPF Heroes” video series on TV panels/TV walls in commercial areas.
- Set up counter for checking personal accounts in office buildings and MTR stations.
- Kicked off a series of articles on MPF account management and the online tools provided by MPFA, on Yahoo! Better Me online magazine and its Facebook fan page, together with online promotion to direct traffic to the articles.
- Publicity on the ePA service.



The ePA platform and ePA mobile application give scheme members more flexibility in managing their personal accounts, help them take better care of their MPF accounts, and encourage them to consolidate their personal accounts.

Scheme members registered for ePA services can obtain anytime and anywhere a report on all their MPF personal accounts.

Trustees' contact information and various MPF-related information are provided on the platform. The mobile application also carries information about fees and performance of MPF funds.

Whenever the number of personal accounts held by a registered user increases, he/she will receive a notification urging him/her to consider consolidating his/her personal accounts.

As at 31 March 2018, about 51 000 scheme members have registered for the ePA service.





## Business Operations

Media events in 2017-18:

2017

September

A media briefing on the report *Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes* to highlight the fact that the MPF System has helped scheme members save for retirement



October

Media publicity on MPFA's campaign to raise the governance standards of MPF trustees for better protection of scheme members' interests

2018

January and February

Media briefings on MPFA's work and the performance of MPF funds in 2017, and the launch of the Fund Performance Platform and its features



March

Launch of MPFA Chairman's blog on MPFA's website to boost public understanding of the latest developments of the MPF System and MPFA's work

## Networking and Engagement

### Networking and engagement with stakeholders

The support of our stakeholders is essential to the sustainable development of the MPF System. Our liaison network covers MPF trustees, other regulators, the HKSAR Government, Legislative Council and District Councils, political parties, labour unions, business chambers, employer/human resources bodies, professional bodies, think tanks, the media, the general public, scheme members and prospective scheme members, employers and overseas authorities and organizations. Our common goal is to make the MPF System work better as an important pillar in Hong Kong's retirement protection framework.

In addition to working closely with the industry and other regulators to ensure smooth operation of the MPF System, we are proactive in engaging with our stakeholders through effective liaison and communication channels to gain their support.



## Business Operations

Examples of programmes organized in 2017-18 are as follows:

Networking and engagement programmes	For
Four issues of <i>MPFA Newsletter</i> published to keep stakeholders abreast of the latest developments of the MPF System and MPFA	Members of the public
A retirement planning workshop with free investment consultation by CFA <sup>25</sup> charterholders to raise understanding of retirement planning and MPF investment	Friends of MPF <sup>26</sup>
<p>Programmes on the features of Industry Schemes (IS), the benefits of opening casual employee accounts in advance, and management of MPF investment</p> <ul style="list-style-type: none"> <li>● A series of lunch talks organized with a major labour union for the workers at various construction sites</li> <li>● Over 40 talks organized with the Construction Industry Council for trainees who were about to join the construction industry</li> <li>● Two dinner talks organized with the IS trustees and labour unions of the construction and catering industries for nearly a thousand workers</li> <li>● An outreach activity at a construction site in partnership with a major construction labour union with educational leaflets and souvenirs distributed and a talk delivered</li> </ul>	IS members and casual employees in the construction and catering industries
Over 100 talks on DIS, new initiatives and legislative updates, and employees' rights and employers' obligations under the MPF System (many were organized in collaboration with District Councillors, government departments, business chambers, employer/human resources bodies, labour unions, and professional bodies)	Employers, employees, civil servants, and human resources practitioners
A round of briefings to gather views on the proposed adjustment of the minimum and maximum RI levels	Business chambers, employer/human resources bodies, labour unions, professional bodies, chairmen/vice-chairmen of District Councils, and think tanks
A round of briefings to gather views on the proposed legislative amendments to the ORSO	Business chambers, employer bodies and professional bodies

We also communicated regularly with relevant Government bureaux and departments and collaborated with them in overseeing compliance with the legislation and seeking improvements to the MPF System. These include regular liaison with the Financial Services and the Treasury Bureau, cooperation with the Department of Justice on preparation of legislative proposals and prosecution cases, liaison with the Hong Kong Police on enforcement issues, joint inspection exercises and coordination of complaint cases with the Labour Department, and liaison with the offices of Legislative Councillors and District Councillors at the district level.

<sup>25</sup> Chartered Financial Analyst

<sup>26</sup> Members of the Friends of MPF programme receive periodically *MPFA Newsletter* and information updates about MPF and MPFA and can join the activities exclusively organized for them to enrich their understanding of MPF.

## Business Operations

### Participating in international conferences and meetings

The MPFA is a member of the International Organisation of Pension Supervisors (IOPS), an international standard-setting body for pension supervisory issues with the objective of improving the supervision of private pensions systems around the world.

We take part in the development of global thinking on private pensions through exchange of experience with IOPS members from over 70 countries and territories and engaging in the drafting of guidelines, good practices and working papers relating to pension regulation and supervision for IOPS. The insights gained assist us in undertaking ongoing reforms of the MPF System and enhancing the supervisory framework of MPF schemes.

Our executives take opportunities to participate in international conferences and meetings to establish a close rapport and exchange information with local and global professionals.

#### 2017

##### April

**Fund Forum Asia 2017** \* by *Fund Forum Asia*

**Town Hall Forum Series** \* by *Hong Kong General Chamber of Commerce*

Chairman spoke on “Challenges and Developments of the MPF System”

**MPF Forum 2017** \* by *Gain Miles*

Chief Corporate Affairs Officer spoke on “DIS – A New MPF Choice, An Informed Decision”

##### May

**International Seminar on Financial Investigation** \* by *Independent Commission Against Corruption*

**Asian Investment Week** \* by *Haymarket Financial Media*

##### June

**Investment Management Summit Asia** \* by *Financial Times*

**Markets in Financial Instruments Directive (MiFID)II: What You Need to Know** \* by *Incisive Media*

**Joint Meetings of IOPS and Organisation for Economic Co-operation and Development (OECD) Working Party on Private Pensions and Research Seminar** by *IOPS and OECD (in Paris, France)*

##### September

**2017 Hong Kong Retirement Industry Conference\*** by *JP Morgan*

Chief Operating Officer spoke on “Governance of Pension Trustees – A Regulator’s Perspective”

**Financial Planning Conference 2017** \*

by *Institute of Financial Planners of Hong Kong*  
Executive Director (Members) spoke on “The Latest Update on MPF System”

**Joint Roundtable on Insurance and Retirement Saving in Asia** by *U.S. National Association of Insurance Commissioners, OECD and Office of Insurance Commission, Thailand (in Bangkok, Thailand)*

Head (Investment Regulation) spoke on “Retirement Saving Adequacy: Addressing the Challenges that Face Asia”

**Annual Banking Conference 2017** \*

by *Hong Kong Institute of Bankers*

## Business Operations

### 2017

#### October

**MYGO Series** \* by Hong Kong Securities and Investment Institute

Chief Operating Officer spoke on “MPF System – Development, Updates and Governance Issues of Pension Trustees”

**7th FinTech Innovation Forum Hong Kong** \* by Questex Asia Limited

**IOPS Technical Committee Meeting, IOPS Annual General Meeting and OECD/IOPS Global Forum on Private Pensions** by IOPS and OECD (in Belle Mare, Mauritius)

**2017 Conference** \* by Hong Kong Trustees' Association

Chairman spoke on “Reforming the MPF System to Improve Administration and Trustee Governance”

#### November

**Annual Meeting of the Global Future Councils** by World Economic Forum (in Dubai, United Arab Emirates)

**11th Annual Conference** \* by Hong Kong Investment Funds Association

Chief Operating Officer was a panellist at the session on “Cross Over Between Retail Funds and MPF”

#### December

**Regional Pension Fund and Social Security Systems Summit** \* by Asia Pacific Investors Cooperation and Asia-Pacific Financial Forum  
Chairman spoke on “Pension Reform and the Development of the MPF System”

### 2018

#### February

**Seminar** \* by The Hong Kong Institute of Human Resource Management

Chief Corporate Affairs Officer spoke on “MPFA Updates: Latest Developments of MPF System and Their Impacts on HR Practitioners”

**IOPS Technical Committee Meetings and Joint IOPS/OECD/The Pensions Authority of Ireland International Seminar** by IOPS and OECD (in Dublin, Ireland)

Head (Trustees Supervision) spoke on “Fees and Value for Money in Private Pension Systems: Hong Kong’s Experience”

#### March

**Cybersecurity Solutions Day** \* by Hong Kong Institute of Bankers

**Regulatory Forum 2018** \* by Securities and Futures Commission

**Asian Institutional Investor Forum** \* by Asia Institute

**Roundtable on Robo’s Role in Virtual Banking** \* by Fintech Association of Hong Kong

\* Events held in Hong Kong

## Business Operations

### Receiving visitors

We receive visitors from overseas and the Mainland, briefing them on the key features and latest developments of the MPF System as well as the roles of MPFA. We also exchange views and share regulatory experience with them, thereby promoting understanding of the MPF System and enhancing the image of the System and MPFA internationally.

Visitors in 2017-18 include:

Department of Finance of Qinghai Province,  
the Mainland (5 June 2017)



Law School of Shantou University,  
the Mainland (7 July 2017)

Social Security Fund, Government of Macao  
Special Administrative Region, led by the  
President of its Administrative Committee,  
Mr Long Kong-io (15 August 2017)



China Insurance  
Regulatory Commission  
(20 November 2017)

Civil Service Exchange Programme  
with the Mainland and Macao  
(28 November 2017)

Shenzhen Social Insurance Fund Office,  
the Mainland (19 September 2017)

European Union Office to Hong Kong and  
Macao (18 October 2017)



ASABRI (Indonesia Army and Police  
Superannuation Company), Indonesia, led by  
the Chairman of its Board of Commissioners,  
Lieutenant General Agus Sutomo (2 November  
2017)



China Securities  
Regulatory Commission  
(30 November 2017)