

DEPUTY CHAIRMAN AND MANAGING DIRECTOR'S REVIEW AND OUTLOOK



The eMPF Platform project will continue to be a challenge and focus of MPFA. We need to re-position and brace ourselves for new challenges and fundamental changes to both the mode of operation and regulatory regime. Amidst the challenges in 2020-21, we have strived to continue delivering quality work to fulfill our mission. We will sustain our efforts and I am confident that we will see higher quality results in the years to come.

*Ms Alice Law Shing-mui
Deputy Chairman and Managing Director*

2020-21 was an intense year overshadowed by the COVID-19 pandemic which greatly impacted employers, employees and the wider community. Despite the unprecedented and difficult situation, we have continued to display unfaltering commitment and dedication to our business goals, projects and programmes promoting the value of the MPF System. We have even gone as far as achieving many “firsts” in our reform, supervisory and member protection efforts as well as other areas.

Advancing MPF Reform

The development of the eMPF Platform is a major infrastructure which aims to reshape the administrative process and operating models of MPF schemes. The objective is to standardize, streamline and automate the existing scheme administration processes. The Government has committed \$4.9 billion for the project.

MPFA has been working closely with the Government and the MPF industry in the development of the eMPF Platform. The Steering Committee on the eMPF Platform Project set up by the MPFA Management Board had met frequently during the year to provide strategic steer on the project, scrutinizing its budget and expenditure, overseeing its management and monitoring its progress.

An open tender exercise to invite interested parties to design, build and operate the Platform started in December 2019. The industry response was very encouraging. However, due to the outbreak of the COVID-19 pandemic, we had to slightly push back the tender submission date from 9 April to 29 April 2020 to provide adequate time for potential tenderers to prepare and submit their tenders.

This slight delay has not impacted the rest of the project schedule. Since then, we have gone ahead full steam with the project. In January 2021 we

awarded the contract to a successful tenderer (the contractor), marking the *first* major step forward in the development of this financial public utility.

On 5 March 2021, we reached a new milestone. We for the *first* time established a wholly-owned entity, the eMPF Platform Company, to take forward and operate the Platform.

The Company is supervised by a Board of Directors, comprising representatives from the Government, MPFA and the Company, as well as experts from different professions and fields. A robust governance framework and policies have been developed and are applicable to the Directors of the Company.

We are very pleased to see that the Company is working on track amidst the pandemic. Frequent meetings with the trustees and the contractor are held to discuss and manage technical issues of the infrastructure of the Platform. As at 31 March 2021, eight meetings have been held.

We are working on the second-stage legislative amendments to provide legal backing for the operation of the Platform and related matters. The target is to introduce the amendments in mid-2021. The Platform is planned to be built by the end of 2022 at the earliest and come into full operation in around 2025. These dates will be monitored closely to ensure that any risk of delay will be managed and mitigated.

Reinforcing Member Protection

In the face of tough times, our staff stand fast in their roles to protect the MPF interests of scheme members, though some re-juggling of priorities would be necessary. Focusing our attention on debt recovery reaped a fruitful result. We were able to recover \$196 million of default contributions for about 108 000 employees, a record high of recovered amount in the past decade.

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Despite the uncertainty of the economic outlook, the year saw 1 671 employers receive the Good MPF Employer Award, the highest number recorded since the launch of the award scheme in 2015. This shows that employers attach great importance to retirement protection for their employees in both good and difficult times.

Enhancing Industry Supervision

Business collaboration with the industry has not ceased during the pandemic. Apart from working on the eMPF Platform project, trustees were closely engaged in enhancing the transparency of fund and account information to scheme members and developing retirement solutions that would meet scheme members' needs in both contribution and withdrawal phases. In September 2020, the *first* retirement solution offered by an MPF trustee since the establishment of the Investment Solutions Lab was launched.

During the pandemic when MPFA's and trustees' customer counter services had been suspended, we took the opportunity to promote the handling of MPF matters through digital channels to reduce social contact and to save time. It is encouraging to note that the digital take-up rate has been going up. As at December 2020, 45% and 57% of employers had adopted digital means to submit MPF contribution information and make MPF payments respectively. This is a positive sign that the public will be prepared to embrace digital transformation brought by the eMPF Platform project.

The Occupational Retirement Schemes (Amendment) Bill 2019 was passed in June 2020. It strengthens regulatory control over Occupational Retirement schemes (ORSO schemes) and improves the

governance of the schemes. As a responsible industry regulator, we are glad to take up the enhanced supervisory role in the operation of the ORSO schemes to protect the interests of ORSO scheme members.

Networking and Outreaching

Even in the stressful time of social distancing, we have been able to stay in touch with our

stakeholders and make new connections. The MPF System 20th Anniversary Branding Campaign and a variety of our publicity and public education activities, talks and seminars were conducted through live broadcast, video chats, pre-recorded videos, or in a hybrid format of physical and virtual formats, instead of being restricted to a conference hall.

MPF messages continued to spread exponentially via different channels during the pandemic.

In addition, we have fostered closer ties with fellow regulators. We for the *first* time participated in the Green and Sustainable Finance Cross-agency Steering Group established in May 2020 and jointly led by the Securities and Futures Commission and the Hong Kong Monetary Authority. We continued to contribute to the work of the Investor and Financial Education Council and its Financial Education Coordination Committee. We had five meetings with financial regulators to share regulatory experience and discuss enforcement issues.

Fostering International Connection

The pandemic might have halted business travel but it did not stop us from contributing to international collaboration in the pension space. The International Organisation of Pension Supervisors (IOPS) is an international standard-setting body for pension



supervisory issues with the objective of improving the supervision of private pensions systems around the world. MPFA is a member of IOPS and has been serving on its Executive Committee for a term of two years since 1 January 2020. During the year, we participated virtually in three IOPS Committee Meetings and three IOPS Executive Committee Meetings to foster collaboration with overseas organizations and exchange views and share experience for enhancing the MPF System.

Caring for the Local Community

To provide relief to individuals and businesses hard hit by the pandemic, the Government in 2020 set up an Anti-epidemic Fund covering a variety of programmes including the Employment Support Scheme and Matching Grant Scheme.

In support of the Employment Support Scheme, we provided advisory and technical assistance from MPF perspective to the Government. This facilitated confirmation of employers' eligibility to receive subsidy under the scheme and transmission of MPF data between relevant parties. Responding actively to the appeal by the Government, we also offered a total of 49 temporary job opportunities during the year.

With regard to the Matching Grant Scheme, we have successfully applied for a grant under the scheme and will engage external training institutions to provide training programmes for frontline MPF practitioners from mid-2021 to mid-2022. It aims to upgrade the skills and enhance the knowledge of MPF practitioners in preparing for the economic turnaround.

Operating under the New Normal

Learning from the experience of the Severe Acute Respiratory Syndrome, we set up a Crisis Command Team very early on in January 2020 to deal with the outbreak of the COVID-19 pandemic. The team's top priority is to maintain business continuity and

productivity as much as possible while taking care of the safety and well-being of our staff. Frequent meetings were held to monitor the development of the situation, assess the impact on business operations and make decisions on necessary contingency measures.

For the *first* time, our staff were required to switch to work-from-home / split-team / flexi-hour work arrangements for a prolonged period of time. Over 95% of our staff are now provided with remote access tools to facilitate remote working. With this, we will be able to embrace a more agile and digital-based operation mode in the future.

Digitalizing MPFA

During the year, we have introduced more digital initiatives to enhance our operation and services for the public. For example, trustees' digital submission of MPFA fund investment portfolio information has been automated and streamlined for time efficiency. MPF intermediaries could notify MPFA of changes in their information using the enhanced electronic platform, eService. In line with the digital trend, a chatbot is added to our revamped website to provide instant and round-the-clock online responses to questions on MPF matters. With the revamped MPFA website, the public can now obtain MPF information and resources at their fingertips.

Ensuring Financial Sustainability

1 October 2020 is a significant beginning for MPFA. To ensure MPFA's long-term financial sustainability, starting from 1 October 2020, MPF trustees are required to pay MPFA an annual registration fee of 0.03% of the net asset value of their MPF schemes. To enhance transparency, we briefed the Legislative Council Panel on Financial Affairs for the *first* time on 1 March 2021 on the main features of our proposed budget for the following year. We will keep up our efforts to ensure robustness in financial management and strengthen our governance and accountability to meet the expectations of our stakeholders.

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Going Forward

The eMPF Platform project will continue to be a challenge and focus of MPFA. The launch of the eMPF Platform will bring in new stakeholders, new technologies and enhanced operational efficiency. There will be fundamental changes to the existing mode of operation, as well as changes in the roles of different parties.

For the organization as a whole, we need to re-position and brace ourselves for new challenges and fundamental changes to both the mode of operation and regulatory regime in anticipation of a new future operating landscape.

Amidst the challenges in 2020-21, we have strived to continue delivering quality work to fulfill our mission. We will sustain our efforts and I am confident that we will see higher quality results in the years to come.

Vote of Thanks

This is the last time I present MPFA's Annual Report as Deputy Chairman and Managing Director of MPFA. Before ending, let me acknowledge and give my sincere gratitude to many.

I am most thankful to our Chairman Dr David Wong. I will not forget how his leadership steered us to the right direction during many difficult discussions and played a critical role in the development of many bold strategies.

I would like to express my gratitude to Members of the Management Board, committees and working groups for their invaluable contributions and generous commitment throughout the year.

I have also benefited from the staunch support from the Government, our fellow regulators, the MPF industry, employer and employee bodies, business chambers and professional bodies, giving sound advice on improving the MPF System.

I equally praise my fellow Executive Directors, who have given me tremendous support and good advice when I took the position. I would like to thank them for the excellent working relationships we have developed and their immense patience over the years.

Last but not the least, I must pay tribute to the strong dedication of our staff. They are agile, resilient and always rise to new challenges. I am impressed every time when they turn our goals into accomplishments.

For me, after almost nine years in MPFA, a very challenging and unforgettable journey is coming to an end. I am sure that MPFA, with the leadership of the new Chairman Mrs Ayesha Lau and the commitment of our staff, will continue to deliver the best outcome of the MPF System and make more "firsts" in the years ahead.



Alice Law Shing-mui

Deputy Chairman and Managing Director