

BUSINESS OPERATIONS

Our Roles

MPFA has multi-faceted roles and diverse service targets.

Industry Regulator

- Supervise MPF industry participants (trustees and intermediaries)
- Regulate MPF products (schemes and funds)
- Set out standards and provide guidance for promoting good governance among trustees
- Act as Registrar of Occupational Retirement Schemes

Law Enforcer

- Ensure compliance of MPF industry participants, employers and self-employed persons (SEPs)
- Monitor compliance of schemes registered under the Occupational Retirement Schemes Ordinance (ORSO)
- Take enforcement action against non-compliance with ORSO



Scheme Members Protector

- Recover contributions in arrears
- Educate scheme members on MPF rights and obligations, MPF investments, retirement planning

Reforms Advocate

- Conduct researches on policy reform initiatives
- Propose policy reform for Government's consideration
- Implement reform initiatives and enhancement measures

Strategic Priorities

Having put in place the core functionalities of the MPF System, a mandatory defined contribution system, in the first two decades of its establishment, MPFA is set to meet the rising challenges posed by a rapidly ageing population, scheme members’ growing demand for better and more efficient services, as well as a sophisticated global financial market. We give priority to pursuing initiatives to improve the MPF System for delivering better retirement savings outcome for our workforce, create impetus in the MPF industry to work for the benefit of scheme members, and to empower scheme members by equipping them with the necessary knowledge and tools to manage their MPF.

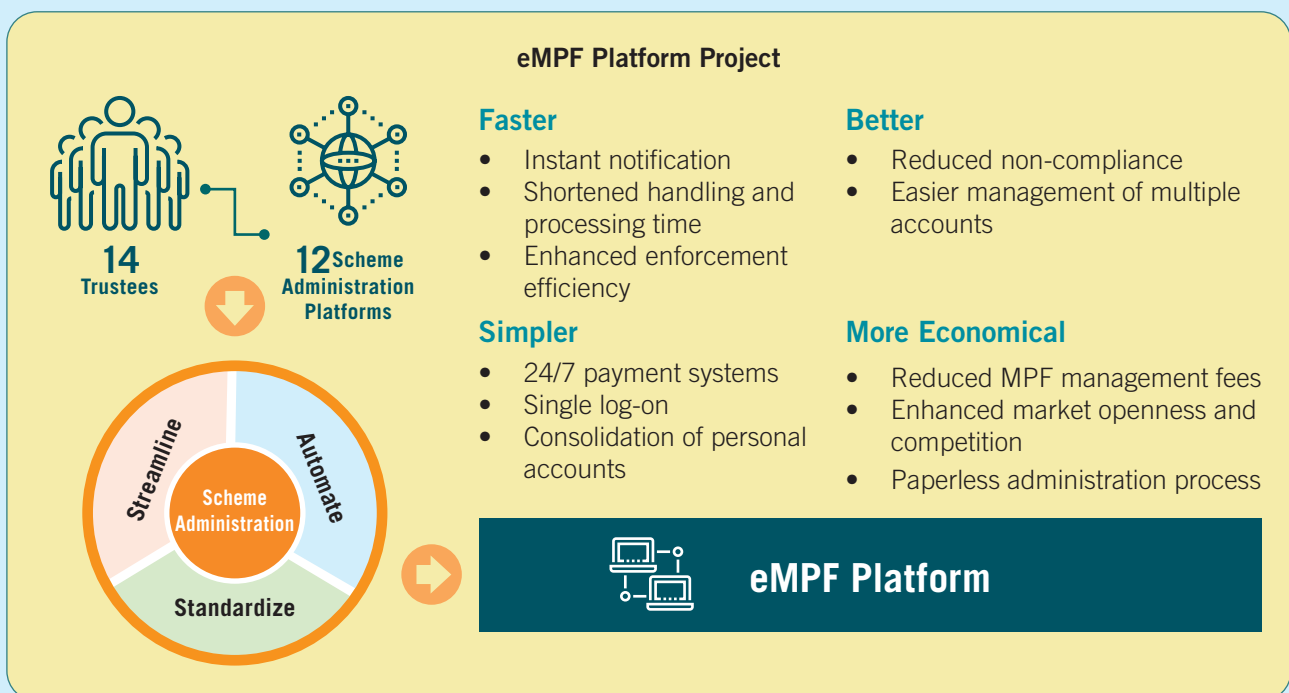
eMPF Platform Project

Objectives of the Project

The Government and MPFA are working on a project to put in place a novel digital eMPF Platform. This digital platform will streamline MPF scheme administration, enhance user experience, improve efficiency and reduce the overall costs of the MPF

System. The eMPF Platform project represents the most sweeping reform of the MPF System to date. It is expected to forge a new landscape for the MPF ecosystem, deepen market competition, pave way for future reforms and ultimately bring about a better user experience with lower prices for the benefit of scheme members.

Currently, the administration of MPF schemes operates under a highly decentralized landscape, i.e. administered by 14 trustees involving 12 scheme administration platforms with different standards. The multiple business models, data standards, process designs, high volume of paper-based transactions and administration system infrastructure make it difficult to achieve standardization and economies of scale. The eMPF Platform is put in place to re-shape the current MPF scheme administration ecosystem, and re-engineer the processes and operations through innovative solutions. The new ecosystem empowered by innovative solutions is expected to enable full digitalization and straight through processing for MPF scheme administration processes. It aims to bring a faster, simpler, better and more economical MPF experience to all parties involved.



BUSINESS OPERATIONS

Latest Progress

Request for Proposal (RFP) and Contract Award

An RFP for the eMPF Platform was issued by MPFA in December 2019 to openly invite interested tenderers to design, build and operate the eMPF Platform. Following the completion of the RFP exercise on 29 April 2020, MPFA concluded evaluation of the proposals received according to the principles of impartiality, fairness, public interest and prudent use of public resources as stipulated in the Agreement on Government Procurement of the World Trade Organization, and awarded the contract to PCCW Solutions Limited (the Contractor) on 29 January 2021.



Following the award, MPFA has been working at full steam to provide steer and support to the Contractor in developing the Platform. The Contractor has already started detailed analysis and designing part of the infrastructure of the Platform, e.g. data centre while fine-tuning the detailed business specifications with the trustee industry. As of end March 2021, eight meetings were held to discuss the detailed specifications among the Contractor, eMPF Platform Provisional Office (Provisional Office) and the trustees. The Contractor is expected to finalize the detailed specifications for building the infrastructure within the first half of 2021. We will continue to work closely with the Contractor and the industry to design and build the eMPF Platform.

Legislative Amendments

MPFA is tasked by the Government to set up a wholly-owned company to design, build and operate the eMPF Platform. The first-stage legislative exercise to empower MPFA to, inter alia, set up a wholly-owned entity (i.e. eMPF Platform Company Limited) to take forward the eMPF project was completed in July 2020.

We have been providing support to the Government to take forward the second-stage legislative amendments. The target is to introduce the legislative proposals into the Legislative Council (LegCo) in mid-2021. The second-stage legislative amendments aim to pave the way for the launch and smooth operation of the eMPF Platform by providing the legal basis for the designation of the eMPF Platform as the common gateway for scheme administration processes in the MPF System, and delineating the respective roles, functions, powers and responsibilities of the Government, MPFA, the eMPF Platform Company and trustees. The amendments will also reflect the streamlined MPF scheme administration work flow and reduced regulatory burden on trustees as a result of the implementation of the eMPF Platform.

A key objective of the eMPF Platform project is to achieve cost savings from the enhanced operational efficiency of the MPF System, thereby creating room for fee reduction for the benefit of scheme members. The legislative amendments will also implement the requirement to pass the cost savings to scheme members.

We also assisted in the wider stakeholder consultation process as part of the legislative amendment exercise.

Stakeholders Engagement

A round of consultation briefing sessions was held in June and July 2020 to engage relevant stakeholders along the MPF value chain to hear

their views on the proposed legislative amendments related to the implementation of the eMPF Platform. The participants included representatives from employers, employees, SEPs, industry practitioners, professionals, the fintech sector, etc.

Constructive and useful views and suggestions were collected in the nine consultation sessions concerned.



Institutional Set-up and Project Funding

Prior to establishing the eMPF Platform Company (Company), the Provisional Office had been set up under MPFA since 2019 to take forward the project. The top management team of the Provisional Office was gradually on-board in 2020 who would be transferred to the Company. The organization structure, manpower plan and governance framework of the Company were approved by the Government in early 2021. Following the approval from the Financial Secretary on its establishment, the Company was incorporated on 5 March 2021.

The LegCo approved a total funding of \$3,903.63 million in 2019 and 2020 for the eMPF Platform project, covering the costs for information

technology infrastructure and software applications as well as the operating costs of the Company in its first two years of set-up. During the financial year, an estimation of the third and final tranche of funding of \$1,035.646 million was made having regard to the tenderers' proposals in the RFP exercise, the updated resource requirements of the Company, the trustees' needs on data cleansing and migration, etc. The funding proposal was discussed at the meeting of the LegCo Panel on Financial Affairs held on 4 January 2021. Members generally supported the proposal.

Smart City Initiative

On 10 December 2020, the Government released the Smart City Blueprint for Hong Kong 2.0, covering a host of initiatives to address the challenges of city management and improving people's livelihood through innovation and technology. The development of the eMPF Platform is one of the initiatives in the Blueprint.

MPFA's commitment to advancing digital transformation in Hong Kong with the pursuit of the eMPF Platform project has received recognition by the Institute of Financial Technologists of Asia. For this, MPFA was presented the Honorary Award of Fintech Ecosystem Contribution Award in September 2020.

Trustees' Governance

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

In 2020-21, we conducted a survey on trustees' data governance and practices on data usage. The results showed that all trustees have put in place policies and procedures on data governance and management. We also observed that policies and procedures have been established by trustees to govern the use of data by their service providers.

BUSINESS OPERATIONS

We required trustees to submit their business plans for 2021 which would help us understand their governance arrangements, risk management and key initiatives that adhered to the governance principles and offer us an opportunity to provide guidance for better governance.

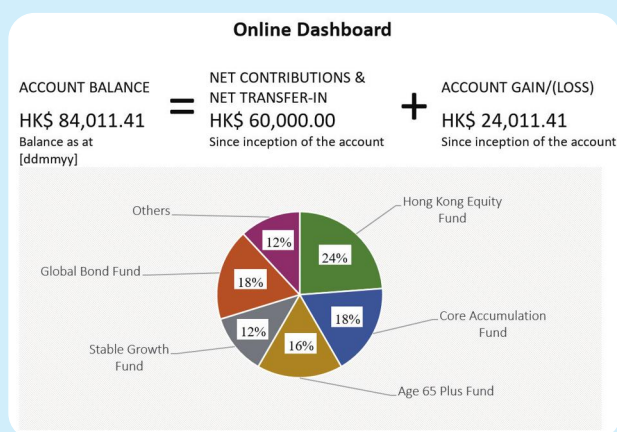
Transparency of MPF Information

We have been making efforts to drive improvements to the presentation and disclosure of MPF information so that scheme members are provided with useful information in an easily accessible way to facilitate retirement planning and decision-making of MPF investment.

With trustees' support, five initiatives were taken forward during the year to further enhance transparency of information to MPF scheme members:

- An Online Dashboard was developed to standardize the disclosure of scheme members' key account information on trustees' online platforms (i.e. website and/or mobile application). The key account information includes:
 - Latest account balance
 - Net contributions and net transfer-in since inception of the account
 - Account gain/(loss) since inception of the account
 - Fund allocation presented in a pie chart

- The layout of annual benefit statements to scheme members was enhanced by using more graphical illustrations in order to improve readability.
- An "Investment Focus" icon has been added under "Repository of Scheme Documents" of the MPFA website since April 2020 to enable users to access directly the page in the MPF Scheme Brochure of each scheme that contains the standardized table with information of investment focus of constituent funds¹. This facilitates comparison of key features of MPF funds.
- The MPF Fund Platform was enhanced in July 2020 to display risk class information of constituent funds following the additional disclosure requirement of the risk level of constituent funds in MPF Scheme Brochure of registered schemes. It enables users to easily obtain the information of "Risk Class Rating" on the MPF Fund Platform and compare this information among different funds.
- A simplified disclosure document that will enable trustees to present key MPF scheme information in a simplified and efficient manner by using visual aids and electronic means of delivery is being developed.



¹ According to the Code on Disclosure for MPF Investment Funds, trustees are required to present key features of constituent funds in a table in the MPF Scheme Brochure of their MPF schemes issued on or after 31 March 2020.

Investment Solutions Lab

Following the global financial crisis and macroeconomic events that had led to volatile global financial markets and low interest rate environment, scheme members are looking for MPF products with stable investment returns. Meanwhile, there is an increasing demand for regular income streams as a growing number of scheme members entering the retirement stage have kept their MPF benefits invested in the MPF System.

Against such a backdrop, MPFA has taken the lead in facilitating the industry's development of retirement solutions.

Following a continuous dialogue with MPF industry practitioners, a supervisory arrangement, namely "Investment Solutions Lab", has been established to enable the industry to offer innovative solutions and develop MPF products that would cater for the investment needs of scheme members in contribution and withdrawal phases.

MPFA issued the Principles for Developing Retirement Solutions in April 2020 that provide the framework for developing retirement solutions aiming to beat medium-term Hong Kong inflation rate, provide stable investment returns and/or distribute steady income to meet scheme members' needs in both contribution and withdrawal phases.

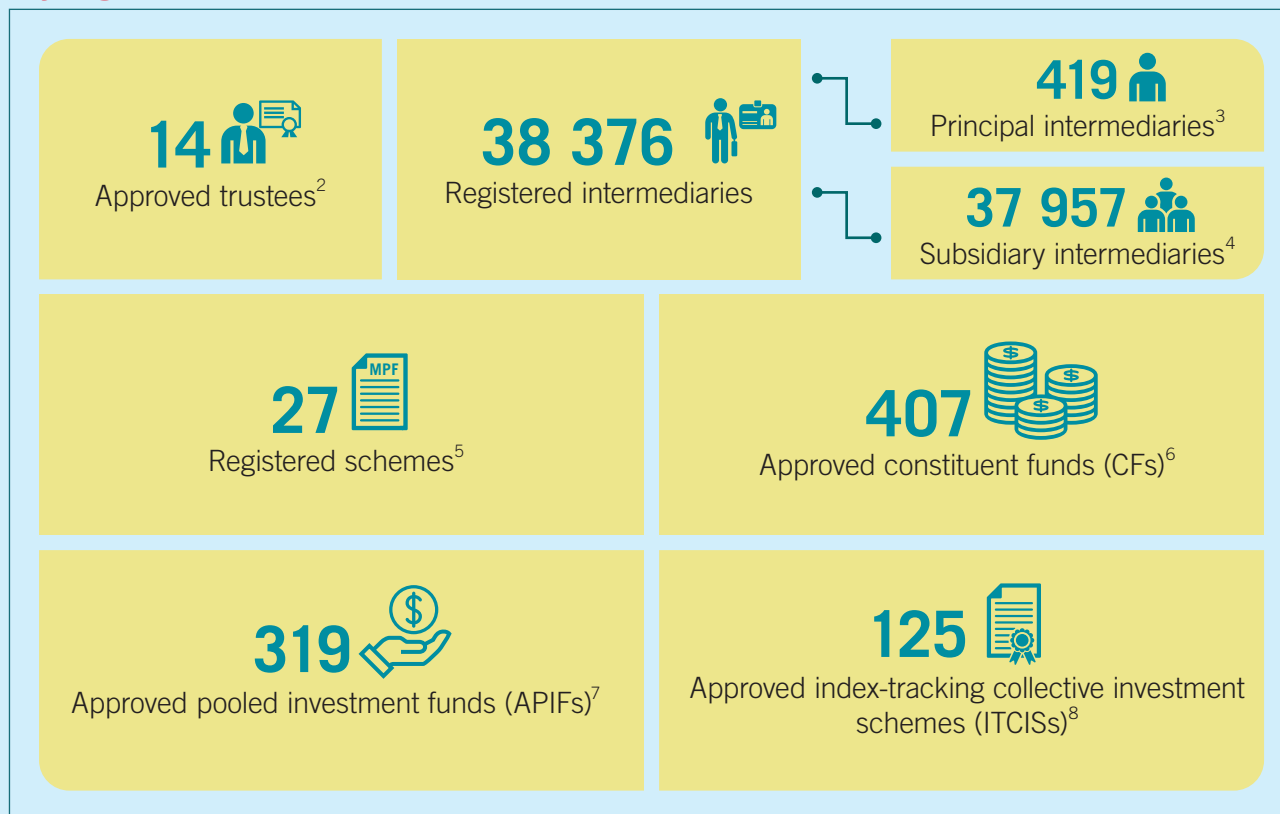
Since the launch of the Investment Solutions Lab, the MPF industry responded positively with a variety of proposals submitted. The first retirement solution offered by an MPF trustee was launched in September 2020.

For other strategic priorities, initiatives to promote the value and better understanding of the MPF System are covered in the Public Education, Engagement and Publicity section on pages 68 to 76.

Initiatives on strengthening organizational capability and effectiveness are provided in the Our Organization section on pages 80 and 82.

BUSINESS OPERATIONS

Key Figures on MPF (31.3.2021)



Latest list of MPF trustees, schemes and funds are available on the MPFA website:

http://www.mpfa.org.hk/eng/public_registers/index.jsp

² Excluding one approved trustee which operates only approved pooled investment funds and does not operate any MPF schemes.

³ A principal intermediary is a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

⁴ A subsidiary intermediary is 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. A subsidiary intermediary may be attached to more than one principal intermediary or none (normally, for a period not exceeding 90 days).

⁵ Excluding one registered scheme that is to be terminated.

⁶ Excluding 11 funds that are to be terminated.

⁷ APIF is a type of investment fund that a CF invests into. An APIF can be in the form of an insurance policy or a unit trust.

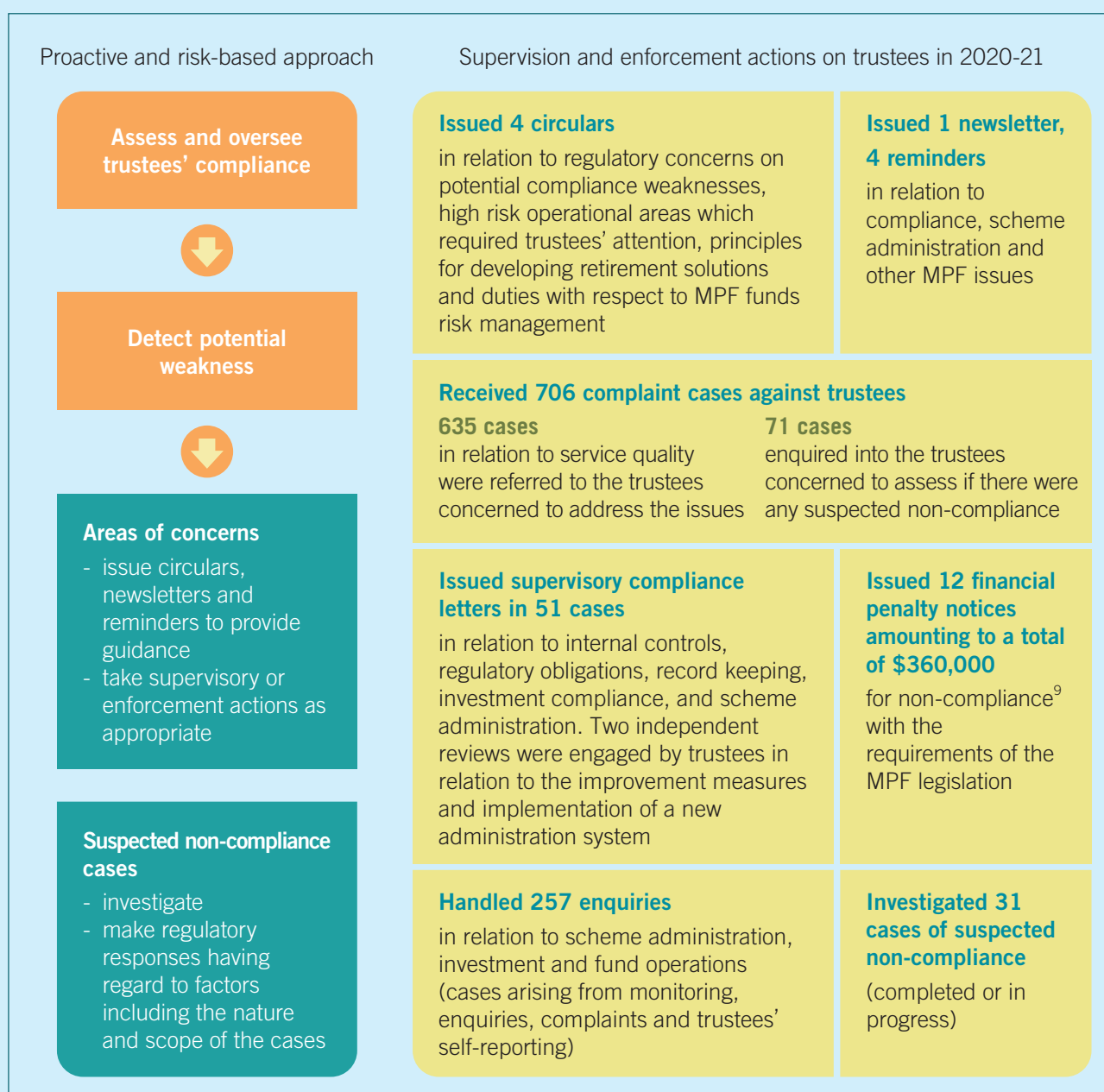
⁸ ITCIS is a type of investment fund that a CF invests into. An ITCIS is a collective investment scheme which has the sole investment objective of tracking a particular market index.

MPF Industry Supervision and Development

MPF Trustees

Surveillance and Monitoring

MPFA adopts a proactive and risk-based approach in monitoring and supervising MPF trustees.



⁹ The non-compliances were related to scheme administration, which included (1) late reporting of default contributions to MPFA; (2) late processing of transfer or payment of MPF benefits; and (3) failure to invest members' contribution in accordance with members' investment mandates.

BUSINESS OPERATIONS

Thematic Programmes

On Trustees' Compliance

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

A trustee undertook to implement 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 the appointment of an independent consultant to assist us in this matter.

On Trustee's Merger of MPF Schemes

A trustee applied for merger of two MPF schemes in order to enhance cost-effectiveness and provide a more diverse choice of constituent fund offerings.

As complicated transactions and actions were involved in the merger (e.g. data migration, transfer of members' assets, addition of funds and suspension of dealings/services), we closely monitored the whole process in order to ensure that the arrangements were carried out smoothly and in the best interest of scheme members. The merger was effective in October 2020.

On Trustee's System Revamp

A trustee undertook to implement a revamp of its core administration system with the aim to improve work efficiency and operational control.

We closely monitored the progress of its system implementation and post-system launch operational issues through supervisory letters and meetings with the trustee.

On Handling of Withdrawal on Grounds of Permanent Departure from Hong Kong

We carried out a thematic review to assess whether trustees have put in place robust internal control procedures when verifying applications for withdrawal of MPF benefits on grounds of permanent departure from Hong Kong. A circular was issued to provide guidance to trustees in order to enhance and align their practices in assessing permanent departure claims.

On Trustees' Data Governance

We conducted a survey on trustees' data governance and data usage practices. We observed that trustees have established relevant policies and procedures to govern the use of data by their service providers.

Communication with Trustees

Through communication groups/channels, we maintain regular dialogues with trustees on MPF-related issues and work closely with them to pursue initiatives to enhance the MPF System.



<p>Trustees Operations Liaison Group</p>	<p>A meeting was held to discuss issues relating to MPF scheme operation and trustees' customer services</p>
<p>Education Liaison Group</p>	<p>Through ongoing liaison to jointly promote the MPF System and provide MPF investment education to scheme members</p>
<p>Roundtable discussions</p>	<p>A meeting, attended by Managing Director of MPFA and trustees' Chief Executive Officers, was held to:</p> <ul style="list-style-type: none"> • share updates on the development and strategic direction of the MPF System and the focus of MPFA's work • exchange views on matters relating to governance and risk management
<p>Supervisory meetings</p>	<p>13 meetings were held to:</p> <ul style="list-style-type: none"> • discuss supervisory concerns on trustees' operation and governance • discuss risk areas identified and trustees' mitigating measures • discuss initiatives to support the development of MPF products or services
<p>Working group meetings</p>	<p>Five meetings were held to:</p> <ul style="list-style-type: none"> • discuss requirements of the electronic platform for trustees to submit annual statutory returns • explore further enhancement of transparency of information of MPF schemes • discuss issues relating to trustees' handling of withdrawal of MPF benefits on grounds of permanent departure from Hong Kong • discuss the roles of MPF trustees in ESG (environmental, social and governance) integration and disclosure and the proposed implementation approach

BUSINESS OPERATIONS

Digital Transformation

Advancements in technology have been changing the way we live and work. We encourage trustees to continue promoting their electronic tools/services to improve digital take-up by employers and scheme members for greater efficiency and better user experience.

In 2020, we streamlined certain requirements in the MPF Guidelines on Giving of Notices or Documents by Electronic Means to encourage trustees to obtain consent from scheme members regarding receiving notices and documents by electronic means. We noted that more scheme members receive notices or documents by electronic means after the issuance of the revised Guidelines. This helps reduce printing cost and contribute to a greener environment.

During the year, we streamlined the digital submission by trustees of investment portfolios of MPF funds and their market value. Furthermore, to enable digitization of physical annual statutory returns currently submitted by trustees, we are developing an eReturn system to receive and store the annual statutory returns, including financial data of schemes and APIFs, electronically. The eReturn system will also facilitate MPFA's work in reviewing, retrieving and conducting industry-wide comparison of the financial information of the schemes and APIFs more efficiently.

Supervising the Industry in Response to COVID-19 Pandemic

We have been closely monitoring the COVID-19 pandemic to ensure that trustees can maintain smooth and orderly operations during this challenging time. Most trustees have adapted to an operating model in which working from home has become the “new normal”. In addition, the pandemic has accelerated the use and the development of new digital tools and services, for example, videoconferencing platforms, electronic member enrolment services and electronic application for transfer of benefits, to carry out certain MPF activities. We have reminded trustees to put in place cybersecurity controls to detect and prevent potential cyber threats.



Responses to Market Events and Crisis

In view of the volatility in local and international markets due to the COVID-19 outbreak and evolving geopolitical conflicts, we have intensified our supervisory efforts on potential vulnerabilities arising from the exceptional market conditions to ensure that trustees and their investment managers manage the risks properly and continue to act in the best interest of scheme members. In addition, we maintain a close dialogue with the industry on appropriate arrangements and contingency plans having regard to the impact of the rising US-China tensions on their operations.

MPF Intermediaries

Registration

We process applications for registration as MPF intermediaries to engage in MPF sales and marketing activities.

New applicants or subsidiary intermediaries who have not registered for three years or more are required to take and pass a qualifying examination before they can become MPF intermediaries.

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

From 31 August 2020, MPF intermediaries could notify MPFA of changes in their address or contact details via eForms on the electronic system – eService, other than physical forms.

Professional Development

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

In the past, we organized train-the-trainer workshops and industry briefings in relation to MPF intermediaries via face-to-face training. Under the COVID-19 pandemic, we conducted all the workshops and briefings via webinar mode in 2020-21.

As at 31 March 2021, 34 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 by vetting the materials used, visiting classes and reviewing participants' evaluation.

Supervision

MPF intermediaries are required to submit annual returns¹⁰ to MPFA within one month after the end of a calendar year.

We communicate regularly with intermediaries on regulatory requirements and legislative changes that impact on them.

Supervision actions on intermediaries in 2020-21

Issued four circulars

in relation to regulatory and administration issues, covering conduct issues and MPF guidelines and forms

¹⁰ Principal intermediaries' annual returns cover business statistics on MPF sales and marketing activities conducted during the year in report. Subsidiary intermediaries' annual returns cover the number of hours of core and non-core CPD activities on MPF they attended during the year in report.

BUSINESS OPERATIONS

Enforcement

We adopt a multi-regulatory regime for the regulation of MPF intermediaries.

Frontline Regulators (FRs)

- Insurance Authority (IA)
- Hong Kong Monetary Authority (HKMA)
- Securities and Futures Commission (SFC)

For cases related to conduct issues, the FRs are responsible for supervision and investigation of MPF intermediaries who are their regulatees



After investigation, the relevant FRs pass the cases to MPFA for MPFA's final assessment and consideration whether any disciplinary actions or other enforcement actions against the relevant intermediary are warranted



MPFA

The sole authority to

- register MPF intermediaries
- provide compliance guidelines
- determine and take disciplinary actions against non-compliant MPF intermediaries

Enforcement actions on MPF intermediaries in 2020-21

MPFA

Received 32 complaints and referral cases

mainly concerning allegations against MPF intermediaries of failure to comply with statutory conduct requirements

Issued 16 compliance advice letters or reminder letters

to principal or subsidiary intermediaries in 12 cases

Imposed 2 disciplinary orders

two subsidiary intermediaries were suspended from registration as an MPF intermediary respectively for 15 months and 40 months for contravening the conduct requirements under the MPFSO and the Conduct Guidelines including the requirement of acting honestly, fairly, in the best interests of scheme members and with integrity

FRs

Conducted 13 inspections

Investigated 5 cases

concerning the conduct issues of MPF intermediaries

Liaison with Frontline Regulators

We communicate closely and regularly with the FRs through holding regular liaison meetings. During 2020-21, two MPF Intermediaries Regulation Committee meetings were held with the FRs for sharing regulatory experience, observations and issues identified by FRs and the latest development in the respective regimes.

In addition, two meetings were held with IA for mutual progress updates of the cases referred to IA by MPFA for consideration of investigation and cases initiated by IA. One meeting was held with HKMA for similar purpose. In the meetings, enhancement of communication and practice, as well as supervisory work conducted over MPF intermediaries, were also explored and discussed.

MPF Schemes and Funds

Product and Entity Approval

We provide approval checklists on the MPFA website to facilitate better preparation of documents and information by trustees to expedite the processing of applications for approval of MPF products and entities.

In 2020-21,

- Three CFs, nine APIFs and 11 ITCISs were approved
- 57 CFs reduced fees
- Approval status of 24 CFs, one APIF and 22 ITCISs was cancelled
- Registration of two schemes was cancelled

Registration of Industry Schemes (IS)

We renewed registration of the existing two MPF IS (i.e. BCT (MPF) Industry Choice and BEA (MPF) Industry Scheme) for another term of 10 years commencing 1 December 2020. The notice of registration of the two MPF IS was published in the Gazette on 6 November 2020.

Expansion of Investible Assets

To enhance diversification opportunities for achieving better risk-adjusted returns of MPF funds, continuous efforts were made to review and enhance relevant investment restrictions. In 2020, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Indonesia Stock Exchange and the Warsaw Exchange were included in the list of approved stock exchanges. The proportion of MPF fund assets invested in these markets is no longer restricted by the 10% upper limit of a fund's net asset value.

Meanwhile, we have approved the expansion of the use of listed real estate investment trusts (REITs) for MPF investment purpose. The aggregate limit of 10% of an MPF fund's net asset value to invest in REITs listed on the approved stock exchanges in Hong Kong, Australia, the United Kingdom and the United States was removed, and investment in REITs listed on the approved stock exchanges in five other countries (Canada, France, Japan, Singapore and the Netherlands) was allowed. The relevant revised guideline was issued in May 2020.

Default Investment Strategy (DIS)

2017
April 1

DIS

to address concerns about

- high fees of MPF funds
- difficulty in making fund choices

The default investment arrangements of all MPF schemes have been standardized since then

As at 31 March 2021

DIS

CF CF

partly or fully invested according to DIS or invested in the two CFs of DIS

around 2.5 million of MPF accounts
(about 23.8% of the total number of 10.33 million MPF accounts)

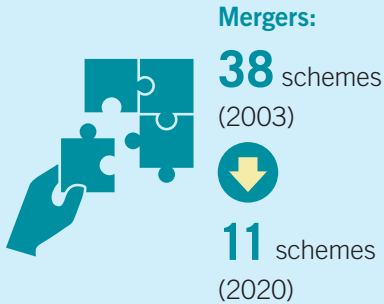
\$72.23 billion of MPF benefits
(around 6.2% of the total net asset value of the MPF System)

We have conducted a review of the level of fee control under the DIS. We will discuss the preliminary results of the review and recommendations with the Government and other key stakeholders.

BUSINESS OPERATIONS

Scheme Merger and Consolidation

MPF trustees make continuous efforts to enhance the cost-effectiveness of their MPF schemes.

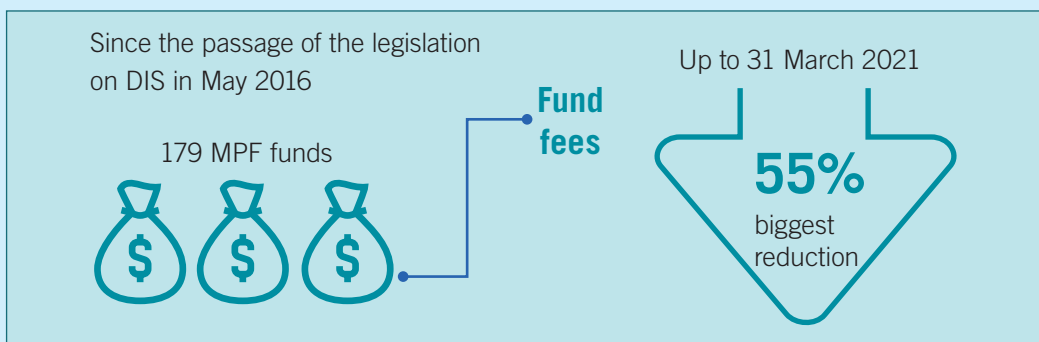
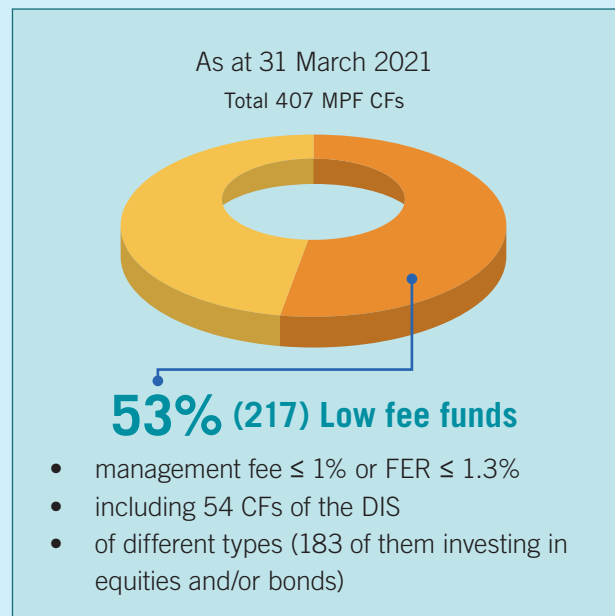
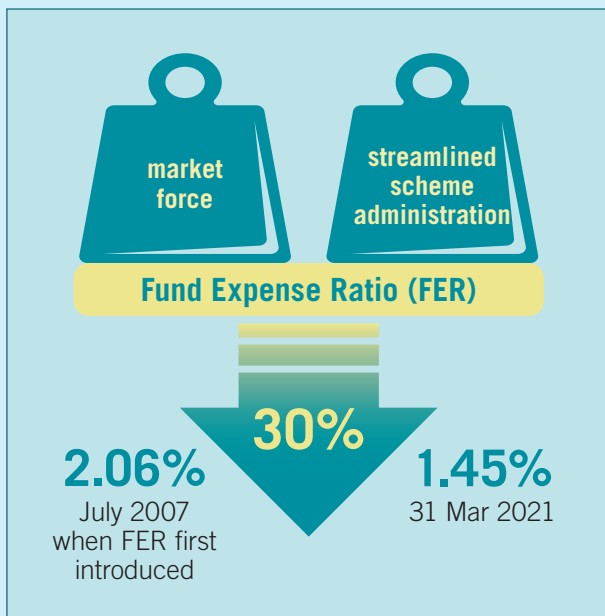


We have an internal specialist team to ensure timely and effective regulatory responses are provided in complex transactions of scheme restructuring and mergers and to ensure the orderly conduct of trustees' business consolidation and scheme changes.

In 2020-21, we approved one merger application that consolidated two MPF schemes into one. The scheme merger took effect on 22 October 2020.

Fees and Charges

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



Sustainable Investing of MPF Funds

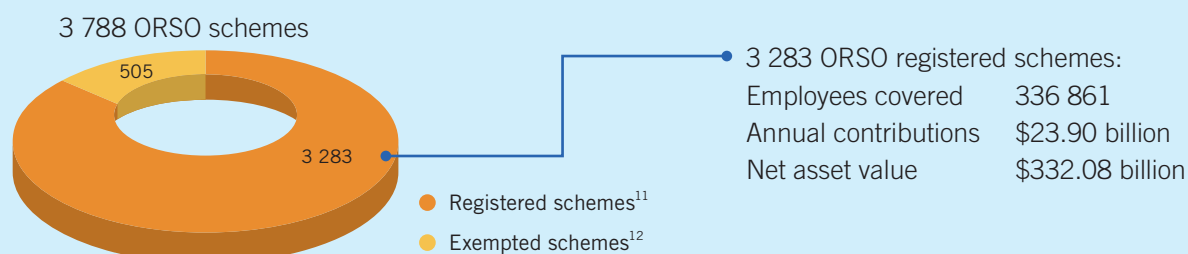
During the year, we continued our efforts to promote sustainable investing of MPF funds.

<p>Cross-agency collaboration since May 2020</p>	<ul style="list-style-type: none"> • Participated in the Green and Sustainable Finance Cross-agency Steering Group (Steering Group), co-chaired by SFC and HKMA. Members of the Steering Group include the Financial Services and the Treasury Bureau, the Environment Bureau, Hong Kong Exchanges and Clearing Limited, IA and MPFA • The Steering Group announced its green and sustainable finance strategy and five key action points with an aim to strengthen Hong Kong’s financial ecosystem to support a greener and more sustainable future
<p>Survey July 2020</p>	<ul style="list-style-type: none"> • Conducted a survey to understand MPF trustees’ views and practices of integrating ESG factors into the MPF funds’ investment and risk management processes and disclosing the integration to MPF scheme members • Findings: need for MPFA to support capacity building and training of trustees on sustainable investing and raise MPF scheme members’ awareness of the subject
<p>Product development November 2020</p>	<ul style="list-style-type: none"> • Approved the first ESG-themed ITCIS tracking the performance of the top 50 securities with the highest ESG scores among constituent securities of the Hang Seng Composite Index
<p>Working group March 2021</p>	<ul style="list-style-type: none"> • Set up a working group with MPF trustees to discuss their roles in ESG integration and disclosure and the implementation approach

BUSINESS OPERATIONS

Schemes Governed by the ORSO

Key Figures on ORSO (31.3.2021)



Work of the Registrar of ORSO Schemes

MPFA is the Registrar of ORSO 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 2020-21, we

- approved 19 applications for registration of ORSO schemes
- issued exemption certificates in respect of two ORSO schemes
- approved the MPF exemption¹³ in respect of four ORSO registered schemes
- approved the withdrawal of MPF exemption in respect of 129 ORSO registered schemes and 16 ORSO exempted schemes
- approved 41 applications for change of trustees for MPF exempted ORSO registered schemes
- processed 635 notifications of changes in relation to name, administrator, employer and address of ORSO schemes
- processed 3 727 annual returns and financial statements of ORSO registered schemes
- processed 15 overseas compliance certificates and 463 membership statements of ORSO exempted schemes
- processed notices of termination given by 175 ORSO registered schemes and 52 ORSO exempted schemes
- cancelled the registration of one ORSO registered scheme
- granted consent to eight ORSO registered schemes for cessation of application of pooling agreements to the schemes
- granted consent to 97 applications for consent for disclosure of information in compliance with the Foreign Account Tax Compliance Act of the United States
- handled four reportable events reported by administrators and/or employers

¹¹ An ORSO registered scheme refers to one registered under section 18 of the ORSO.

¹² 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.

¹³ 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.

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 2021,

4 (about 2%) out of 182 defined benefit ORSO schemes were under-funded, covering around 400 scheme members

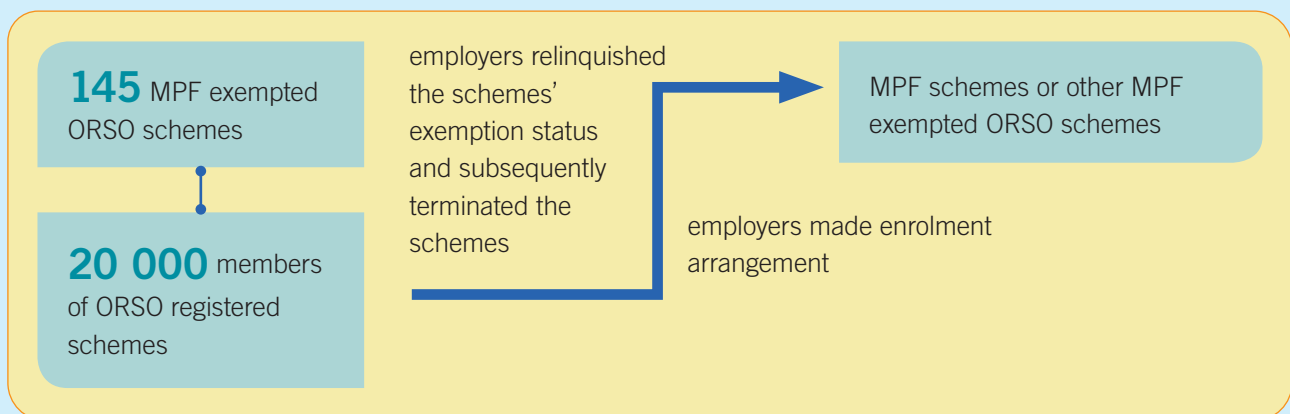
Total asset size of these under-funded schemes amounted to \$710 million

Total shortfall of these under-funded schemes was \$114 million (about 16% 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 2020-21



BUSINESS OPERATIONS

Amendments to the ORSO

The Occupational Retirement Schemes (Amendment) Ordinance 2020 amended the ORSO to empower MPFA to effectively deal with ORSO schemes that cover members who do not have employment relationship with the relevant employers of the schemes and to refine the ORSO regime for better protecting the interests of scheme members.

The amendments came into operation on 26 June 2020. Three town hall briefings (in the form of videoconference in light of the Government's appeal to maintain social distancing) were arranged in July 2020 to help employers and administrators of ORSO schemes to gain a better understanding of the major amendments and the new regulatory requirements.

Support for Government Initiatives

Progressively Abolishing the Offsetting Arrangement

The Government has enhanced its proposal to progressively abolish the arrangement for offsetting of severance payments (SP) and long service payments (LSP) with MPF benefits derived from employers' mandatory contributions and has proposed to help employers save to meet their future SP/LSP liabilities by way of the employers' Designated Savings Account (DSA) Scheme. DSA will ride on the eMPF Platform being built to collect contributions from and disburse DSA monies to employers in order to achieve better cost-effectiveness.

We worked closely with the Government in developing the functionalities on the eMPF Platform to support the DSA Scheme. We also provided technical support to the Government on the proposed legislative amendments on the abolition of the offsetting arrangement and the set-up of DSA.

MPFA will continue to assist the Government in this initiative.

Minimum and Maximum Relevant Income (RI) Levels for MPF Contribution Purposes

In accordance with the statutory mechanism for review of the minimum and maximum RI levels¹⁴, MPFA submitted the findings and recommendations to the Government upon completion of the last review in May 2018. Taking into account the social and economic environment of Hong Kong subsequent to the review and other relevant factors, the Government considered it not appropriate to adjust the levels at this stage. In March 2021, the Government informed the LegCo Panel on Financial Affairs of the review result.

The next review on the minimum and maximum RI levels is due by July 2022. MPFA will conduct the review and make recommendations to the Government in due course.

¹⁴ The statutory mechanism requires that MPFA must, not less than once in every four years, conduct a review of the minimum and maximum RI levels to ascertain whether there are grounds to amend the levels.

Government Paying MPF Contributions for Persons Earning Below Minimum RI Level

We have embarked on the project of assisting the Government in its initiative announced in January 2020 to pay 5% MPF contributions for persons who earn below the minimum RI level and are exempted from the statutory requirement of making MPF contributions. The initiative aims at further enhancing the retirement protection for the low-income working population.

We will continue to work with the Government on the implementation details. The target is to implement the initiative when the eMPF Platform becomes fully functional around 2025.



Relief Measures under the Anti-epidemic Fund

The Government launched a Matching Grant Scheme under the Anti-epidemic Fund set up in 2020. MPFA has applied for a grant under the scheme and will engage external training institutions to provide training programmes for frontline MPF practitioners (e.g. MPF intermediaries and trustees' customer service staff) from mid-2021 to mid-2022.

MPFA also rendered support to the Government in respective areas of MPF and ORSO schemes related matters to assist the formulation of policy

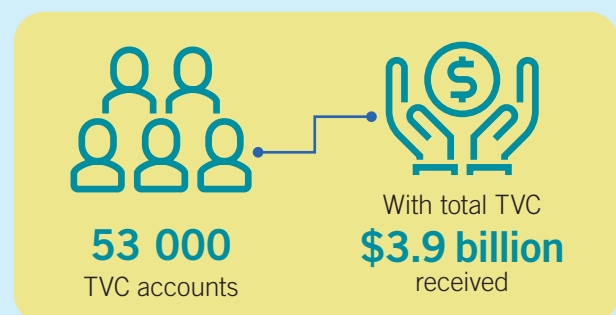
for implementing the Employment Support Scheme for employers to receive subsidy from the Fund. In addition, responding actively to the Government's appeal, MPFA offered a total of 49 temporary jobs in 2020-21.

Tax Deductible Voluntary Contributions (TVC)

The Government on 1 April 2019 introduced tax incentive to encourage scheme members to make more voluntary contributions to enhance retirement protection.

Currently 21 out of 27 MPF schemes offer TVC, among which 12 have launched online platforms for effective opening of TVC accounts by scheme members.

As at 31 March 2021



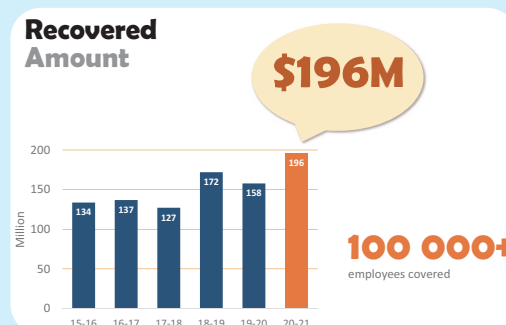
BUSINESS OPERATIONS

Protecting Retirement Benefits

Non-compliant Employers under the MPFSO

In response to the challenges posed by the COVID-19 pandemic to our operation, we re-prioritized our resources and re-engineered our processes, focusing our attention on pursuing debt recovery in order to protect the interests of scheme members who were affected by default contributions.

Our measures helped ameliorate the impact of the COVID-19 pandemic and enabled MPFA to recover \$196 million of default contributions¹⁵ on behalf of about 108 000 employees in 2020-21, the highest recovered amount in the past decade.



Enforcement Actions in 2020-21

870 employment establishments were inspected (major targets included catering establishments, retail outlets and construction companies).

304 000 payment notices were issued in respect of default contribution under MPF schemes.

45 332 cases were investigated

breakdown by suspected non-compliance[△]

Default contribution	45 241	cases
Non-enrolment	1 268	cases
Forced change to SEP	19	cases
Others ¹⁶	154	cases

[△] as one case may involve several types of suspected non-compliance, the total number of suspected non-compliances may exceed the total number of cases investigated

For defaulting employers who failed to rectify default contributions, civil claims were filed with:

Small Claims Tribunal	800	cases
District Court	67	cases
High Court	0	case
Liquidators	129	cases

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

119 Bailiff actions were taken to seize assets of defaulting employers.

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

40 financial penalty notices were issued to repeat defaulters¹⁷ (involving 40 employers and a total penalty of \$594,300).

\$196 million default contributions were recovered¹⁸ on behalf of employees.

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

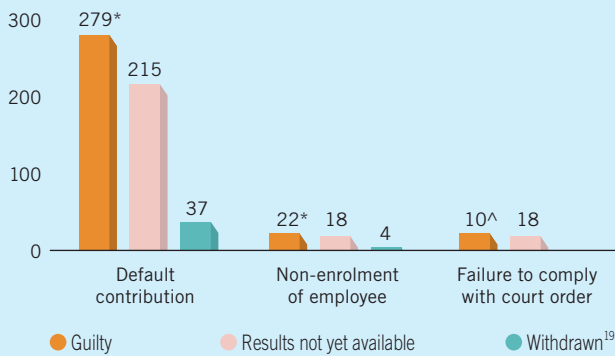
¹⁵ This amount includes surcharge calculated at 5% of the amount of MPF contributions in arrears imposed on employers who failed to make MPF contributions for their employees within the prescribed period. The surcharges received are credited into the MPF accounts of the employees concerned. Among the \$196 million, \$15.57 million of default contributions have been filed to civil courts, pending award or settlement by employers.

¹⁶ Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.

¹⁷ Failure to pay MPF contributions in respect of an employee to the trustee within the prescribed period.

¹⁸ See footnote 15.

Prosecution status (31.3.2021)



* Involving 50 employers and three directors of limited companies (total fine: \$888,900).

^ Involving six employers and one director of a limited company (fined between \$5,000 and \$15,000 each).

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 2021, 3 190 non-compliance records were kept in the database, including:

- 2 608 civil awards or judgments
- 582 criminal conviction records

Non-compliant Employers under the ORSO

In 2020-21, the following actions were taken to recover default contributions on behalf of affected employees under ORSO schemes:

- 79 payment notices were issued in respect of default contributions under MPF exempted ORSO registered schemes²⁰.

- \$126,000 default contributions in MPF exempted ORSO registered schemes were recovered on behalf of employees.

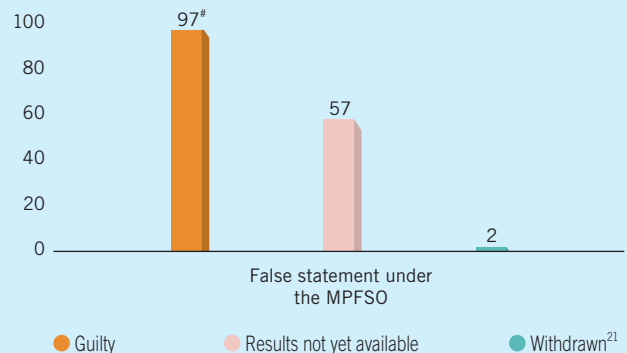
Non-compliant Members of MPF and ORSO Schemes

To deter members of MPF or ORSO schemes from making false declaration to withdraw their MPF or minimum MPF benefits early on grounds of permanent departure from Hong Kong, we continue to take prosecution actions against claimants who made such false statements.

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

In 2020-21, 156 summonses were issued to MPF scheme members for making false statements.

Prosecution Status (31.3.2021)



Involving 77 MPF scheme members with an average fine of about \$4,955 and one MPF scheme member with 12-month Probation Order.

¹⁹ Summonses were withdrawn due to the absence of key witnesses or summons not being effectively served by the Police or Bailiff as the defendant became untraceable or wound-up.

²⁰ 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.

²¹ Summonses were withdrawn as summonses were not being effectively served by the Police or Bailiff as the defendant had passed away or became untraceable.

BUSINESS OPERATIONS

Public Education, Engagement and Publicity

A variety of public education, engagement and publicity programmes were produced and promoted during the year through multiple means and channels such as online platforms, media events, publicity activities, briefings and talks and thematic publications, aiming to promote the value and a better understanding of the MPF System as a retirement savings system for the working population in Hong Kong.

Education Programmes

We seek to educate scheme members and prospective scheme members on their MPF rights and obligations, skills to manage MPF investment, and the importance of early retirement planning.

Activities

- A series of three infographic videos explaining the key features of Annual Benefit Statement, Fund Fact Sheet and MPF Fund Platform telecasted on online platforms
- Short videos were created to present DIS as the handy solution to tackle typical issues in MPF investment

- A series of three videos on fundamental MPF investment concepts and importance of active management of MPF investment telecasted on online platforms and TV, complemented by a quiz game on MPFA Investment Education Messenger Bot
- A series of four advertorials on how to develop appropriate retirement investment strategies in four different career stages published on online platforms
- A public webinar, co-organized with a local university, on MPF investment and retirement planning

Outcome

- Over 1.8 million views and 2 million counts of reach
- Over 3.8 million views and 6.9 million counts of reach



- Over 8.3 million views online and 3.5 million TV viewership, with a total of over 13.1 million counts of reach
- Over 128 000 clicks to the advertorials
- Over 830 participants and 800 post-event views

Activities	Outcome
<ul style="list-style-type: none"> In-company retirement planning workshops in a hybrid format of physical and virtual workshops as well as a Facebook Live event, held to explain the factors for consideration when making retirement planning and introduce the MPFA retirement planning mobile application “樂享退休GPS” as well as other useful tools available on the MPFA website 	<ul style="list-style-type: none"> 290 participants and over 3 400 online live and post-event views
<ul style="list-style-type: none"> MPF investment messages disseminated to working adults through the MPFA Investment Education Facebook Page “Workplace Incredibles” while its Facebook Messenger Bot provides useful information through simulated conversation 	<ul style="list-style-type: none"> Messages regularly published in multimedia formats throughout the year
<ul style="list-style-type: none"> A series of two short videos educating young people on factors to consider when choosing their MPF portfolio as well as the features of DIS as a quick and trouble-free fix, telecasted on various online publicity platforms 	<ul style="list-style-type: none"> Over 6.2 million views and over 9.6 million counts of reach
<ul style="list-style-type: none"> A series of four infographic videos educating young people on key behavioural biases that might affect retirement investment, and the importance of making proper decisions on MPF investment were promoted on various online platforms 	<ul style="list-style-type: none"> Over 3 million views and 4.1 million counts of reach
<ul style="list-style-type: none"> Online platforms including MPFA Facebook Page “Rolling My Money”, Instagram Page “Office Meme” and mobile applications “MVP@workplace” to promulgate MPF messages to young people 	<ul style="list-style-type: none"> Messages disseminated through games, short videos and a reward programme
<ul style="list-style-type: none"> MPF talks, financial planning/career cum MPF workshops, life-planning workshops and drama performances on MPF 	<ul style="list-style-type: none"> Reached out to over 1 300 students and 43 000 graduates of tertiary institutions, and 4 300 students of secondary schools
<ul style="list-style-type: none"> Workshops to equip teachers and parents with knowledge on retirement planning and MPF management 	<ul style="list-style-type: none"> 4 online workshops held, attracting 400 participants

BUSINESS OPERATIONS

Publicity Projects

The outbreak of the COVID-19 pandemic has not stopped MPFA's ongoing publicity and engagement efforts. During the pandemic, MPFA has adjusted the strategy by increasing the utilization of social media platforms and electronic channels to reach out to target audiences and stakeholders. MPFA has also taken the opportunity to strengthen the promotion of digital means to manage MPF to scheme members and employers, in particular small and medium enterprises. Major corporate communication events in the past year, including the annual Good MPF Employer Award and the MPF System 20th Anniversary event on 1 December 2020, were conducted via electronic means.

Good MPF Employer Award 2019-20



The Good MPF Employer Award, launched in 2015, aims to give recognition to employers who strive to enhance retirement protection for their employees. Despite the COVID-19 pandemic, the 2019-20 award year saw a record-high of 1 671 employers receiving the award, showing that employers attach great importance to retirement protection for their employees in both good and difficult times.

Two special awards namely Good MPF Employer 6 Years and Best All-round MPF Employer were

introduced during the year to recognize exemplary employers who have been making continuous efforts to enhance the retirement benefits of their employees.

Having considered the social distancing policy in force at the time, the result of the Award was announced online. A pre-recorded video featuring Secretary for Labour and Welfare, Secretary for Financial Services and the Treasury, Chairman and senior management of MPFA was launched to recognize the good employers.



Publicity Programmes

Activities

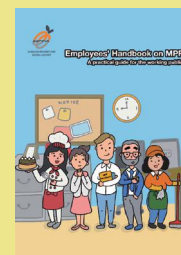
- A series of infographic videos rolled out in Feb 2021 to encourage scheme members to make TVC before the end of the year
- An Employees' Handbook on the MPF published to provide comprehensive MPF information for employees and SEPs
- MPF Account Management and Digital Transformation publicity campaign launched to promote the benefits of using digital tools for MPF account management. Programmes included:
 - an Announcement in the Public Interest (API) on TV and radio
 - an "all-in-one virtual hub" for MPF account management in the format of a thematic website
 - joint publicity with Environmental Protection Department's mascot "Big Waster" to promote "GREEN MPF"
- MPFA's Facebook corporate fan page regularly rolls out interactive posts and engagements posts of different themes, such as MPFA and MPF System updates, enforcement news and MPFA's effort in public education
- MPFA's LinkedIn page shares MPFA corporate news, useful information about the MPF System and new initiatives including the eMPF Platform project

Outcome

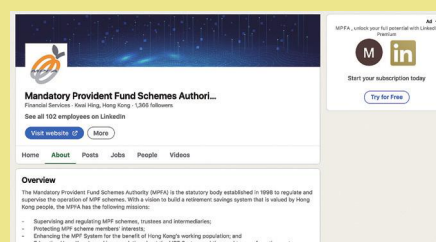
- Achieved 1.6 million counts of reach and 1.03 million views of the video, bumper ads and social media feeds



- Attracted 5 000 views on the MPFA website and around 3 000 physical copies distributed



- The TV API recorded 3.46 million views and 4.18 million counts of reach
- The thematic website recorded over 80 000 page views
- Attracted more than 10 000 followers by end March 2021, with over 4.5 million counts of reach in 2020-21



MPF System 20th Anniversary Branding Campaign

The MPF System entered its 20th year of operation on 1 December 2020. MPFA took the opportunity to launch a publicity campaign and a series of special activities to enhance public understanding of the core values and purpose of the MPF System.

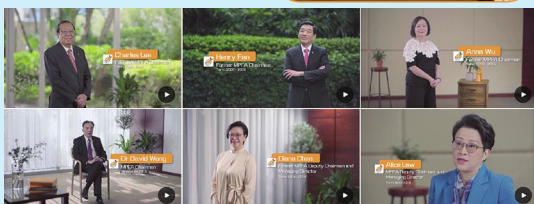
A 20th Anniversary logo was designed to demonstrate the fruitful savings of MPF by its members.



A video entitled “Committed to You” was created aiming to reinforce public understanding of the value and purpose of the MPF System in providing basic retirement protection for the working population of Hong Kong. Based on real life cases, four videos were created featuring how scheme members and employers use MPF to better prepare for retirement.



Another video series “Recounting 20 Years of MPF” was produced to recap how MPFA has proactively reformed the MPF System over the years, featuring interviews with former and incumbent MPFA Chairmen and Managing Directors.



An MPF System 20th Anniversary Webinar was held on the MPF System 20th Anniversary day. Over 700 participants from different sectors pertinent to the



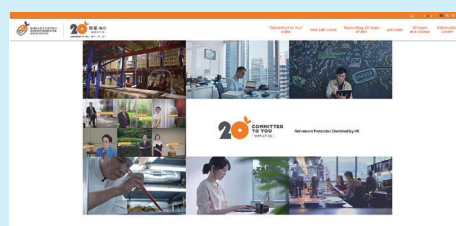
MPF System joined this virtual event. It aimed to review the achievements of the MPF System over the past two decades and explore the way

forward of this important pillar of Hong Kong’s retirement protection system in the years to come.

The webinar also featured a panel discussion entitled “MPF System – The Way Forward”, in which the future development of the MPF System and the MPF ecosystem in the new digital era were discussed.



A thematic website was developed to feature the 20th Anniversary video series, highlights of the 20th Anniversary MPF System Webinar and other publicity materials: <https://minisite.mpfa.org.hk/mpf20/en/home.html>



Media Relations

We proactively engage with media organizations with a view to enhancing public understanding of and support to the MPF System through the mass media, which is also in line with our open and transparent corporate governance principle.

Media Events

- Apr to Jun 2020
 - Media interviews on local media and international media to introduce the principles for developing retirement solutions under the MPF System and elaborate on the trend in post-retirement market for MPF products

- Jun 2020
 - Media briefing to introduce the figures of TVC for the year 2019-20
 - Media publicity on the passage of the ORSO (Amendment) Bill which aims to improve the governance of ORSO schemes

- Aug 2020
 - Interviews on local media on the latest development of MPFA including the development of the eMPF Platform and the roadmap of expanding the investment universe of MPF products

Aug to Oct 2020



- Representatives from MPFA spoke on a local radio programme series to review the major MPF reforms over the years, and elaborate on the importance of starting early for long-term retirement planning and other related topics

Sep 2020

- A media briefing held to introduce the three-step approach initiatives to enhance the transparency of fund information and to release the latest statistical analysis of MPF benefits of scheme members, and interview by a local TV finance programme on the same topic



Nov to Dec 2020



- Media interviews, press materials and articles on the 20th Anniversary of the MPF System to recap the thematic webinar, review the major development of the MPF System and its future development roadmap

BUSINESS OPERATIONS

Feb 2021

- Interviews by local media on reviewing the work of MPFA and investment performance of MPF in 2020 and introducing the work foci in 2021, including the expansion of the investment universe and the enhancement of digital capability of MPFA
- Dr David Wong met with major local media to review the major development of the MPF System during his six-year tenure as MPFA Chairman



Throughout the year

- 9 blog posts of Chairman published on the MPFA website to increase public understanding of the latest developments of the MPF System and the work of MPFA
- Collaboration with media outlets on articles to increase public understanding and knowledge of the MPF System
- Contribution of articles to local media to address misunderstandings about the MPF System, including an article detailing the requirements of early withdrawal on the grounds of permanent departure from Hong Kong

Special publicity during COVID-19 outbreak

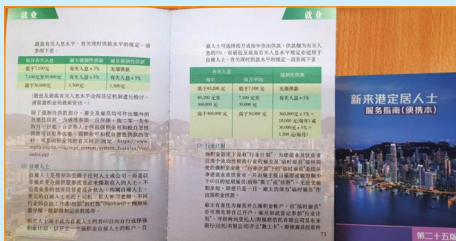
- Press releases to update the public on MPFA's latest arrangements of its services, remind employers to make timely contributions in light of limited services provided by MPF trustees, and encourage scheme members to use digital means provided by trustees and MPFA to manage their MPF to tie in with the social distancing appeal by the Government



Networking and Engagement

Collaboration with Government Departments

We have incorporated MPF information for the first time in the “Service Handbook for New Arrivals” published by the Home Affairs Department with a view to providing useful tips to new arrivals on their MPF rights.

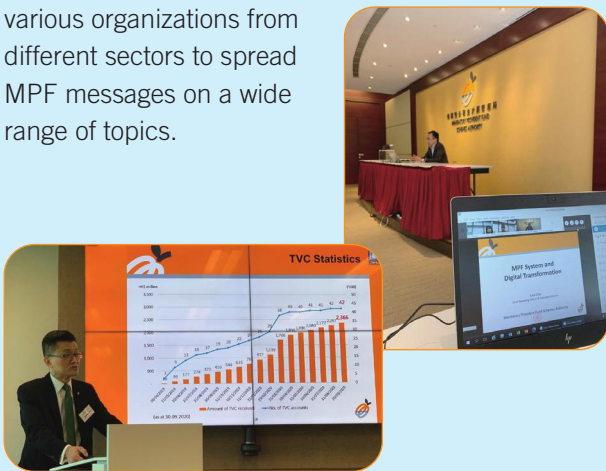


To support the Government's measures to create job opportunities, over 10 full-time fresh graduates of post-secondary institutes were recruited as Young Engagement Ambassadors (YEA) for a period of nine months. The YEA programme aimed to help young people accumulate work experience and broaden their horizons as well as nurturing talent for the MPF industry.

Stakeholder Relations Activities

We strive to maintain close relationship and penetrating engagement with our stakeholders with a view to enhancing their understanding of the MPF System and updating them on our latest initiatives.

Despite the COVID-19 pandemic during the year, MPFA’s Chairman and senior executives participated in over 20 seminars, conferences and panel discussions, mostly in virtual format, organized by various organizations from different sectors to spread MPF messages on a wide range of topics.



Separately, about 20 sessions of talks were given to scheme members in collaboration with various stakeholder groups. The participants included industry scheme members, young SEPs, civil servants, labour relations officers and trainees who may join the construction industry.



Meanwhile, Managing Director of MPFA gave an interview to Hong Kong Institute of Certified Public Accountants (HKICPA)’s monthly magazine “A Plus” and the Institute of Financial Planners of Hong Kong (IFPHK)’s bi-annual

publication “Advisors Today”, sharing her views on corporate governance, the eMPF Platform project and other major reform measures of the MPF System.

International Engagement

International Organisation of Pension Supervisors (IOPS)

The IOPS is an international standard-setting body for pension supervisory issues with the objective of improving the quality and effectiveness of the supervision of private pension systems around the world. MPFA is a member of the IOPS and has been serving on its Executive Committee for a term of two years since 1 January 2020.

With 90 members and observers from 79 jurisdictions and territories, the IOPS co-operates closely with other international organizations involved in pension supervision, policy development and dialogue, such as the Organisation for Economic Co-operation and Development (OECD) and the World Bank. We regularly take part in the development of global thinking on private pensions through exchange of experience with IOPS members. Owing to the COVID-19 pandemic, all IOPS conferences and meetings have been conducted virtually since mid-2020.

During the year, we engaged in the drafting of good practices and working papers on pension regulation and supervision for the IOPS, including issues related to the impact of the COVID-19 pandemic on private pension systems. The IOPS platform keeps us abreast of the latest developments of private pension systems all over the world and the insights gained through our participation assisted us in undertaking on-going reforms of the MPF System and enhancing the supervisory framework of MPF schemes.

BUSINESS OPERATIONS

Highlights of Participation in International Conferences

During the year, our representatives participated in international conferences and meetings to foster collaboration with overseas organizations, including IOPS, and exchange views and share experience for enhancing and promoting the MPF System. Affected by the pandemic, our participation had shifted to the format of recorded videos or online broadcast.

Highlights of international activities participated by MPFA during the year are given below.

- Jun 2020
- International Pension Research Conference of OECD
 - IOPS Virtual Committee Meetings jointly with the OECD Working Party on Private Pensions
- Sep 2020
- OECD Insurance and Retirement Savings Roundtable webinar - Impact of COVID-19
 - Beijing International Finance Expo (FINEXPO), hosted by the Finance Bureau of Beijing Municipal Government

Managing Director of MPFA delivered a speech on MPFA's regulatory experience and latest initiatives to investment experts and business leaders as well as government officials in the Mainland



- Nov 2020
- The Investment Company Institute (ICI) Global Asia Regulated Funds Committee Meeting
- Managing Director of MPFA shared the latest progress of the eMPF Platform project and MPFA's efforts to expand the universe of MPF investments with fund management industry practitioners in the Asia-Pacific Region
- Virtual IOPS Committee Meetings and Annual General Meeting
- Mar 2021
- IOPS Executive Committee Meeting
 - IOPS Technical Committee Meeting