



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY



Mrs Ayesha Macpherson Lau
Chairman

Chairman's Statement

"People's aspiration for a better life is what we are striving for. Currently, the biggest aspiration of Hong Kong people is to lead a better life, in which they will have ... better care in their twilight years. We should actively respond to such aspirations."¹

President Xi Jinping's above advice for Hong Kong is closely related to the work of MPFA in building a retirement savings system that is valued by Hong Kong people. MPFA colleagues have always striven to adhere to the people-based principle, putting scheme members' interests first. When formulating and implementing policies, the impact on scheme members is the most important consideration.

Reserves for Retirement

In the first place, the MPF System is a retirement savings system suitable for Hong Kong. It can fully capitalize on Hong Kong's robust legal system as well as the diverse financial products on offer here to help scheme members accumulate savings in a secure manner for basic retirement protection.

With contributions made by employers, employees and the self-employed, the MPF System is fully funded with assets dedicated to meeting current and future payment obligations for retirement benefits payable to scheme members. It is financially sustainable without having to place a burden on future generations.

An assessment of the design of the MPF System with reference to the Organisation for Economic Co-operation and Development (OECD)'s Recommendation for the Good Design of Defined Contribution Pension Plans reconfirms the appropriateness of key design aspects of the MPF System, showing that the design of the MPF System excels in many ways by international standards.

As the MPF System is suitable for long-term accumulation of retirement savings, it is in the interest of scheme members to contribute more on top of the mandatory portion. Indeed, total voluntary contributions to MPF schemes have grown by six times from \$2.3 billion in 2004 (when such data was first available) to \$16 billion in 2022.

Tax-deductible voluntary contributions (TVC) has offered an incentive to scheme members to save more for retirement protection while enjoying tax concessions. Since the introduction of TVC in April 2019, MPF scheme members have made contributions of \$8.59 billion under the arrangement. The number of TVC accounts has grown to 68 000 as at 31 March 2023.

I welcome the Financial Secretary's proposal in the 2023–24 Budget to increase tax deduction for MPF voluntary contributions made by employers for their employees aged 65 or above. This would provide extra tax incentives for employers who are willing to make voluntary contributions for employees, and thus help increase the retirement savings for the silver-haired working population. What's more, this would help release potential labour force and allow experienced workers to continue to contribute to economic growth.

At the time of writing this message, I am pleased to learn that the Government has announced 1 May 2025 as the effective date of abolishing the offsetting arrangement.² This would solidify the MPF System and strengthen the retirement reserves of the working population.

Continuous Improvement

To respond to people's aspirations for better retirement protection, continual reforms have been pursued so that the MPF System can better meet the expectations of scheme members and deliver better retirement outcomes for them.

1 Extract from President Xi Jinping's important speech at the meeting on 1 July 2022 celebrating the 25th anniversary of Hong Kong's return to the motherland and the inaugural ceremony of the sixth-term Government of the Hong Kong Special Administrative Region.

2 The arrangement for employers using the accrued benefits of MPF mandatory contributions made for employees to offset severance payments / long service payments under the Employment Ordinance.

Investment Framework

To enhance diversification for achieving better risk-adjusted returns of MPF funds, sustained efforts have been made to expand the MPF investment universe. Over the years, the scope of permissible investments has been broadened to include global listed real estate investment trusts and gold exchange traded funds, and more approved stock exchanges have been included.

Further developments on this front in 2022 include facilitating MPF investment in debt securities issued or unconditionally guaranteed by Central People's Government, People's Bank of China and the three Mainland policy banks, facilitating the wider use of index-tracking collective investment schemes as investments by MPF funds, and introduction of refined approval criteria for MPF constituent funds to facilitate the design of products that can better address the needs of scheme members in both the accumulation and post-retirement phases.

I am pleased to learn of the measure in the 2023–24 Budget to earmark a certain proportion of the future issuances of Government green bonds and infrastructure bonds for priority investment by MPF funds, thereby providing MPF scheme members an additional investment option.

At MPFA, we have embarked on a further review of the current framework of permissible investments to facilitate the development of more types of retirement solutions that could match scheme members' different outcome expectations and risk appetites.



Chairman at the MPF Symposium 2022

MPF Fees

Society at large has clear aspirations for MPF funds that offer stable returns at low fees. Following the instructions of the Financial Secretary, MPFA has commenced a study on this with the Hong Kong Monetary Authority.

Prior to this, initiatives to tackle fee levels have been pursued continuously in the past two decades. Measures facilitating the working of market forces, such as enhanced disclosure, the provision of online tools for fee comparison and the introduction of the Employee Choice Arrangement, have helped to bring down fees. The average fund expense ratio has come down by 37% from 2.10% in 2007 (when the said ratio was first introduced) to 1.33% as at 31 March 2023.

The fee-controlled Default Investment Strategy (DIS) was launched in 2017 to address concerns about high fees of MPF funds and difficulty in making fund choices. A cap on the management fees and recurrent out of pocket expenses³ applicable to the constituent funds under DIS is imposed by legislation. Continuous effort will be made to promote DIS as a simple and low-fee option for scheme members who do not have the time or investment knowledge to manage their MPF.

³ The management fees and recurrent out of pocket expenses are capped at 0.75% and 0.2% per annum of the net asset value. The statutory cap of the out-of-pocket expenses will be lowered to 0.1% per annum of the net asset value after the migration of MPF trustees and schemes to the eMPF Platform.

eMPF Platform

Facilitating fee reduction is the core objective of the eMPF Platform project underway. By centralizing and digitalizing the administration procedures of all MPF schemes, the purpose is to simplify and automate administration and reduce operating costs, thereby allowing greater room for fee reduction. The MPF legislation requires “straight pass-on” of cost savings and corresponding fee reduction⁴ to directly benefit MPF scheme members when the eMPF Platform becomes operational.

To bring these benefits to reality, the key focus in the coming year would be to closely manage the contractor’s development of the eMPF Platform to ensure the timely delivery of quality deliverables. Trustees’ preparation for migrating scheme data to the eMPF Platform will also be closely supervised to ensure a smooth and orderly onboarding process.

As an innovative project of a centralized digital platform covering all participants of the MPF System and all administration functions, the eMPF Platform project has attracted great international interest. MPFA has been invited by OECD and the International Organisation of Pension Supervisors to share the development of the project at their meetings. This gives us further impetus to make the project a success story of Hong Kong.

Engagement with Stakeholders

In further refining and reforming the MPF System, it is important to get an accurate grasp of users’ needs. It is only by direct engagement with participants of the MPF System that we can get a better understanding of their needs and expectations.



Chairman meets with a catering industry union to exchange views on member protection issues (above) and distributes MPF souvenirs to workers in the catering industry (middle) and members of the Muslim community

⁴ The administration fee to be charged by trustees must not exceed the eMPF Platform fee, such that there can be “straight pass-on” of cost savings (being the difference between the existing administration fee charged by trustees on scheme members and the future eMPF Platform fee payable by trustees) to scheme members, and the overall fund expense ratio of MPF funds must fully reflect the cost savings to ensure that there is corresponding reduction in the overall fee level.

To listen to stakeholders' views, MPFA colleagues and I have been participating in engagement and outreach activities to meet with a wide spectrum of stakeholder groups, including labour unions, community organizations, non-governmental organizations, business chambers, employer associations, Executive Council and Legislative Council Members and MPF industry organizations. Apart from spreading MPF messages to them, we got to know the specific needs of different groups and offered relevant information and assistance to them. The views collected can also help us formulate policies that can address stakeholders' concerns.



Chairman engages with the Federation of Hong Kong & Kowloon Labour Unions (above) and the Hong Kong Society for the Deaf

Collaboration with the Mainland

With the national strategy to develop the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) and the Government's relevant initiatives, it is expected that more and more Hong Kong residents will seek employment opportunities in GBA. To support two-way mobility of talents between Hong Kong and the Mainland, MPFA has liaised with the Ministry of Human Resources and Social Security on certain policy details in relation to issues in the pension space.

In late 2022, we have taken measures to promote public understanding of the Interim Measures for Participation in Social Insurance by Hong Kong, Macao and Taiwan Residents in the Mainland, especially the exemption arrangement for Hong Kong residents from participation in pension insurance in the Mainland. We will continue to share experience in retirement protection with Mainland authorities and explore opportunities for better integration into national development.

Acknowledgements

In the past year, management of the eMPF Platform project and preparation for transformation to meet the evolving needs of society and the changing MPF ecosystem have been our top priority. I must thank my fellow Board Members who provide great insights on strategic issues, and Members of the MPF Schemes Advisory Committee and the MPF Industry Schemes Committee for their valuable advice.

My thanks also go to the Government for its good guidance and unwavering support, especially its policy support and financial commitment to the eMPF Platform project.

The MPF industry has partnered with MPFA to overcome the challenges and obstacles encountered in preparation for transition to the eMPF Platform. I would like to express my heartfelt appreciation for their dedication and support.

Our fellow financial regulators have collaborated closely with us in our supervisory work. Other partners, including labour unions, business chambers and employer bodies, have provided invaluable input to facilitate our work in better meeting the needs of scheme members. I am most grateful to them for their contributions.

Under the capable leadership of the Managing Director Mr Cheng Yan-chee, all divisions of MPFA have reviewed their transformation needs to support the launch of the eMPF Platform and improve service quality to better meet the needs and expectations of society. I would like to thank them for their proactiveness and continuous drive for improvement.



Ayesha Macpherson Lau
Chairman