



**Mr Cheng Yan-chee**  
*Managing Director*

# Managing Director's Review and Outlook

When I wrote about the review and outlook last year, Hong Kong was battling the fifth and worst wave of the COVID-19 pandemic. I wrote of the resilience and professionalism demonstrated by our colleagues during the difficult times to have achieved our business goals and quality outcome. This year, despite continuing challenging market conditions, I am proud to say that MPFA has made considerable achievements and is prepared to take on new challenges ahead.

I would like to highlight the major results of the year.

## Business Review

### eMPF Platform Project

Currently MPFA's top priority is the eMPF Platform project. Its objective is to facilitate effective management of MPF accounts through digital means, enhance user experience, and bring about fee reduction in MPF.

We have been putting in a substantial amount of time and effort to manage the construction of the Platform with a view to making it fully operational by 2025. By the end of March 2023, the production and back-up data centres have been in operation, the functional design of the Platform was completed, system development and testing was underway, and good progress has been made in the preparation for services, including the setting up of eMPF Platform Service Centres.

Project management measures, including co-location of staff at the contractor's office, were enhanced for closer monitoring of project progress.

On the regulatory front, MPF Guidelines have been reviewed/developed in consultation with the MPF industry to complement the implementation of the eMPF Platform. For robust governance, a framework for ongoing monitoring of the operation of the eMPF Platform Company Limited (eMPF Company) upon the launch of the Platform is being developed.

In addition, we frequently attend industry-wide meetings on the project with trustees and the contractor aiming to resolve issues and mitigate risks.

### Industry Supervision

MPF trustees are entrusted with the management of MPF accounts of millions of scheme members. We expect MPF trustees to maintain a high standard of governance to discharge their duties and act in the best interests of scheme members. We are glad to know from trustees' self-assessment results that they have positively responded to our calls by implementing measures to comply with the Governance Principles launched in 2018 and taken efforts to continuously enhance their governance arrangements. We have conveyed to the industry some common issues observed from the exercise and required them to take improvement measures for further enhancement.

A new regulatory initiative to further raise transparency and accountability of MPF schemes was put forward in August 2022 requiring trustees to submit an annual governance report on the MPF schemes under their trusteeship. The disclosure requirements in 2021 on schemes' sustainable investing strategy and implementation progress are required to be incorporated into the report for publishing on MPFA's and trustees' websites. The escalated level of transparency will help scheme members better understand whether their fund choice is worth their money.

With regard to the eMPF Platform project, a comprehensive supervisory programme is in place to ensure trustees have effective plans, procedures and systems to get onboard the eMPF Platform. Dedicated teams have been set up in our Supervision Division for each trustee to continuously monitor and assess trustees' progress on onboarding preparation throughout the onboarding journey. The teams have been participating in individual trustees' onboarding preparation discussions with the contractor and assessing the preparatory work on the basis of technical milestones set out in individual trustees' migration plans as well as requirements on governance, resources plan and incident management.

### MPF Investment Choices

We spare no efforts to expand investment options for scheme members. Further to the approval of legislative amendments in June 2022 that facilitates MPF investment in debt securities issued or unconditionally guaranteed by the Central People's Government, the People's Bank of China and the three Mainland policy banks, approval criteria were refined at MPFA in late 2022 to facilitate the provision of new constituent funds, such as China A share funds, to scheme members with different risk appetites and return expectations and to allow the wider use of index-tracking collective investment schemes (ITCISs) for MPF investments.

We have continued to promote sustainable investing of MPF funds to ensure that MPF trustees have taken actions to mitigate ESG<sup>1</sup> risks so as to protect MPF scheme members' interests. The number of ESG-themed ITCISs approved by MPFA increased from 16 in 2021–22 to 29 in 2022–23.

### MPF Fees

Fees impact investment returns for scheme members. Over the years, we have implemented multi-faceted initiatives to reduce MPF fund fees by enhancing funds transparency and promoting market competition, including the fee-controlled Default Investment Strategy in 2017 and the one-stop MPF Fund Platform in 2019. With our continuous joint-efforts with the MPF industry, the average fund expense ratio decreased by 37% from 2.10% in 2007 to 1.33% as at 31 March 2023. This is encouraging, but there is more room for fee reduction. Once the eMPF Platform becomes fully operational in 2025, the administration process of the MPF funds will be streamlined. We expect that there will be cumulative administration cost savings of \$30 billion to \$40 billion over a 10-year period, equivalent to 41% to 55% of the original administration fees over the same period.

### Member Protection

A landmark development in enhancing retirement protection for scheme members was the passage of a bill on 9 June 2022 that abolishes the MPF offsetting mechanism.<sup>2</sup> We had played a part by providing assistance to the Government in the legislative amendment process. With the removal of the mechanism, more money will stay in scheme members' accounts enhancing their retirement protection. We will continue to provide necessary support to the Government for implementing the abolition.

Protecting scheme members' interests is a key obligation of MPFA. We closely monitor various parties' compliance with the MPF legislation, handle complaints promptly, and take appropriate enforcement actions. During the year, a total of 929 employment establishments were inspected, 346 700 payment notices were issued in respect of default contributions (DC), and \$145 million of DC were recovered for 96 600 employees. Collaboration with labour unions has been strengthened in light of high-profile business closure cases arising from the fifth wave of the pandemic. With the help of labour unions, we promptly got in touch with affected employees to offer assistance and explain to them their MPF rights.

<sup>1</sup> Standing for environmental, social and governance.

<sup>2</sup> When the passed bill takes effect on 1 May in 2025, employers can no longer use MPF benefits of mandatory contributions made for their employees to offset employees' severance payments or long service payments for the employment period starting from that day.



Managing Director delivers a keynote speech on retirement protection at an industry event

We respond swiftly to the community's concerns to protect scheme members' interests. For example, we reminded trustees to stay alert in light of suspected MPF benefits withdrawal scams and appealed to the public to beware of MPF-related scam calls and launched a webpage offering anti-fraud tips. In anticipation of the closer ties between the Mainland and Hong Kong, we have established liaison with the Ministry of Human Resources and Social Security and exchanged information regarding policy issues on pension to assist scheme members working in the Mainland or Mainlanders working in Hong Kong.

## Education, Publicity and Engagement

We organized extensive public education, publicity and engagement activities in the year to continue to spread various important MPF messages to the community. Close to 130 sessions of customized MPF education programmes were held. Chairman and I together with other colleagues attended around 150 sessions of engagement activities with different stakeholder groups. In the Stakeholder Consultation Exercise that was completed in mid-July 2022, a total of 104 consultations were organized to collect opinions on the front-end portal design of the eMPF Platform. A record high of 1 903 employers receiving the 2021–22 Good MPF Employer Award and a full spectrum of stakeholders drawn to the annual MPF Symposium affirm that our work in promoting retirement protection and disseminating MPF knowledge is recognized by employers and the industry.

In 2023, preparations for large-scale awareness and publicity campaigns will be made to promote the eMPF Platform. We also see the campaigns a good opportunity to project the positive values of MPF to garner further support of the MPF System from the public.



### Corporate Sustainability

While focusing on refining the MPF System, we have not lost sight of the need of MPFA's own growth and development. On the home front, we have launched a number of initiatives to enhance corporate sustainability. The most significant one is the reshaping of the organization culture. During the process, desired qualities for staff were identified, cultural statements were drawn up, and clear descriptions of existing corporate core values were provided. The exercise is conducive to building a strong sense of identity among colleagues and reinforcing the desired culture and values that are important in supporting business goals.

Among various knowledge sharing programmes, an online National Studies Programme was implemented to enrich colleagues' understanding of the affairs and developments in the Mainland.

In the space of sustainability, Key Performance Indicators (KPIs) are an important measure that allows corporate to track progress and identify room for improvement. A review of the corporate and departmental KPIs was conducted with the aim of striving for better services. The new KPIs will come into effect in the 2023–24 financial year.

To increase the efficiency and effectiveness of MPFA's operations, we have identified a total of 82 transformation initiatives ranging from development and enhancement of IT application systems to streamlining and automation of operations. As at end of March 2023, 21 (26%) of these initiatives have been completed producing good outcomes, 48 (59%) were in progress, and 13 (16%) were set to start.

The two MPFA offices in Kwai Hing and Kwun Tong were relocated to a new premises in Kwun Tong in April 2023. Colleagues from MPFA and eMPF Company are now working in a single office, which can better achieve rental savings, enhance operational efficiency and facilitate communication.

### Outlook

The supervision of MPF trustees, expansion of investment choices, efforts to reduce fees, enhanced member protection measures, and more importantly, the construction of the eMPF Platform, are all steps in providing better retirement protection for the working population in Hong Kong.

Meanwhile, there are more challenges ahead. We will continue to devote great efforts to manage the eMPF Platform project, and at the same time conduct reviews of other reform areas, taking into account the views and suggestions of stakeholders and anticipating the evolving needs of scheme members. We will render full support to the Government in formulating action plans to pursue its initiatives on retirement protection, such as making MPF contributions for low-income persons who are exempt from paying MPF contributions and launching MPF funds that offer stable returns at low fees.

Within MPFA, we will continue to strengthen the organization's capability to deliver our mission amidst an evolving operating landscape.

## Vote of Thanks

I would like to extend my deep appreciation to our Chairman Mrs Ayesha Macpherson Lau for her bold vision in taking forward various programmes and tireless efforts in strengthening collaboration with different stakeholder groups.

I would also like to thank Members of the Management Board, committees and working groups for their valuable guidance and unwavering support of our work throughout the year. My heartfelt thanks go to the Government, MPF trustees and all business partners. I value our frequent communication and frank exchange which allow us to continuously improve.

2022–23 has been an intense year with a high workload for our colleagues amidst high staff turnover. I must thank them for their resilience, strong contribution and dedication to further develop MPFA and the MPF System.



**Cheng Yan-chee**

*Managing Director*