

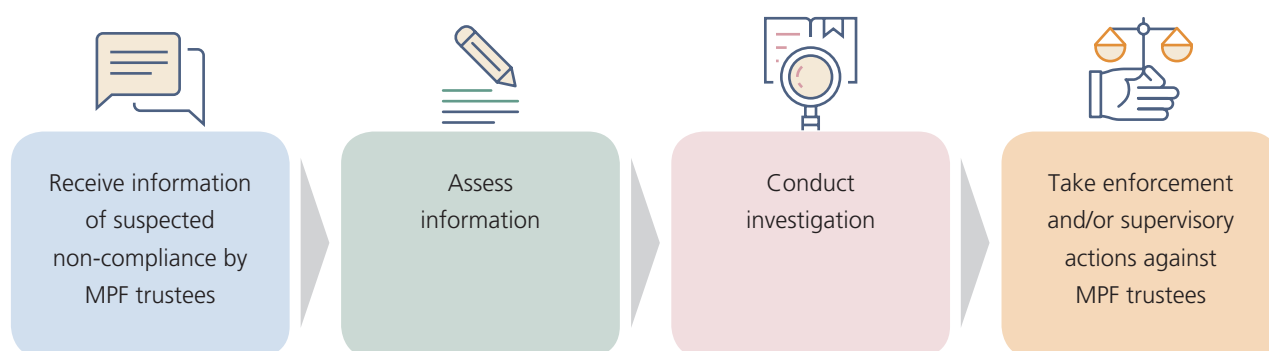
# MPF Industry Supervision and System Development

## MPF Trustees

MPFA has developed regulatory measures to supervise trustees, in developing good corporate governance, proper risk management and a strong compliance culture within their organizations.

## Surveillance and Monitoring

MPFA adopts a proactive and risk-based approach in monitoring and supervising MPF trustees. We assess and oversee trustees' compliance and detect potential weaknesses. In respect of areas of concern, circulars, newsletters and reminders are issued to trustees providing them with guidance, and enforcement and/or supervisory actions are taken as appropriate. We investigate suspected non-compliance cases and make regulatory responses having regard to the nature and scope of the cases.



## Supervisory and Enforcement Actions Against Trustees

	2022–23
Circulars issued in relation to regulatory and operational concerns	5
Reminders issued in relation to compliance, scheme administration and other MPF issues	4
Cases where supervisory compliance letters were issued in relation to internal controls, regulatory obligations, record keeping, investment compliance, scheme administration and onboarding to the eMPF Platform	91
Enquiries handled in relation to scheme administration, investment and fund operation	252
Complaints about service quality	498
Complaints about suspected non-compliance	70
Total complaints received	568
Investigation cases initiated	25
Financial penalty notices issued for non-compliance <sup>1</sup> related to scheme administration	28
Total amount fined	\$20,858,070
Trustees penalized	9
Independent review engaged by trustees	1 <sup>2</sup>

1 The non-compliances concerned: (i) processing of MPF benefits transfer/payment; (ii) statutory reporting or payment to MPFA; (iii) provision of information to scheme members; and (iv) allocation of MPF benefits into MPF funds.

2 An independent review conducted by a trustee to evaluate the internal control effectiveness on its practices and procedures for verification of claims for payment of MPF benefits on grounds of permanent departure from Hong Kong.

### Trustees' Governance

Good governance is an essential element of an efficient and effective pension system. Promoting a high standard of governance among MPF trustees has always been MPFA's key regulatory objective.

MPF trustees were required to provide MPFA with their business plans for 2022 on strategic objectives, governance and risk management, provision of enhanced services to employers and scheme members, and preparation work of transforming mode of operation under the eMPF Platform. This helped MPFA monitor trustees' measures in enhancing governance arrangements, scheme members' interests as well as their readiness for the eMPF Platform.

In August 2022, MPF trustees were required by MPFA to conduct a self-assessment to evaluate their progress of implementing the Governance Principles. It was observed from the assessment results that all trustees had implemented relevant measures to comply with the Governance Principles and taken efforts to continuously enhance their governance arrangements. However, some common issues across the MPF industry were identified. In response, a circular was issued in January 2023 requiring trustees to take prompt improvement measures on the following areas:

- long tenure of independent non-executive directors;
- low scheme members' digital take-up rate; and
- room for further fee reduction.

In the next financial year, MPFA will focus on monitoring trustees' progress in implementing the improvement measures.

During the year, MPFA also required trustees to submit an annual governance report for each MPF scheme under their trusteeship for all financial years ending on or after 30 November 2022. The governance reports should provide

a description of trustees' governance framework, their assessment and resulting actions/changes in relation to value-for-money assessment, sustainable investing strategy and implementation progress, as well as other governance matters assessed by MPF trustees. This requirement serves to enhance transparency of the governance arrangements of MPF schemes and facilitates scheme members' better understanding of how MPF trustees have strived to bring better value for their MPF scheme members.

To facilitate accessibility, the governance reports, in bilingual version, of all MPF schemes will be made available on MPFA's and respective trustees' websites.

### Thematic Programmes

#### Trustees' Onboarding to the eMPF Platform

The onboarding of MPF schemes to the eMPF Platform will start once the eMPF Platform is ready for use. Preparation work for onboarding by the contractor and trustees had commenced in the first quarter of 2022. To ensure the onboarding is conducted in a timely and orderly manner, MPFA has developed a supervisory programme to monitor trustees' adherence to their individual onboarding plans and to oversee their procedures and systems for onboarding.

To facilitate MPFA's continuous monitoring and assessment of trustees' readiness, trustees are required to submit action plans and monthly reports to MPFA. Supervisory letters and written notices were issued requiring trustees to take necessary actions to facilitate data migration and the implementation of the eMPF Platform. In addition, dedicated teams are set up at MPFA to oversee progress and drive delivery. If any potential issues are identified in the weekly meetings between the contractor and trustees, MPFA will urge trustees to rectify (see Preparation for Onboarding on pages 58 to 59 for details).

## Revisions to MPF Guidelines

A number of existing MPF Guidelines need amendment to complement the implementation of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2021 (Amendment Ordinance 2021) and the eMPF Platform. MPFA has set up a working group with MPF trustees and the Hong Kong Trustees' Association (HKTA) to consult them on proposed amendments to the Guidelines.

During May to August 2022, three working group meetings were conducted to discuss the proposed amendments. Comments from trustees and HKTA were incorporated in the revised Guidelines where appropriate.

## Audit Arrangement for the Reference Ratio and Fund Expense Ratio

Pursuant to the regulation of fees relating to scheme administration for the implementation of the eMPF Platform, the reference ratio and Fund Expense Ratio (FER) of constituent funds are required to be audited by auditors of the registered MPF schemes. In this connection, MPFA coordinated with the Hong Kong Institute of Certified Public Accountants, auditors of the registered schemes and MPF trustees to discuss and standardize the audit arrangements. Procedures for trustees to submit the relevant information were also communicated with trustees.

## Claim for Payment of MPF Benefits on the Grounds of Permanent Departure

MPFA regularly reminds trustees to take prudent measures in handling withdrawal claim requests. A circular letter to trustees was issued in December 2022 to provide guidance on the handling of withdrawal claims on the grounds of permanent departure from Hong Kong. In the letter we reminded trustees to stay particularly vigilant to the use of suspected forged Residence Permit for Hong Kong, Macau and Taiwan Residents as supporting document of moving to Mainland China.

## Suspected Benefits Withdrawal Scam

In October 2022, at a Trustees Operations Liaison Group meeting, MPFA shared with MPF trustees features of suspected benefits withdrawal scams identified from complaint cases. Trustees were reminded to strengthen their controls to safeguard scheme members' benefits and stay alert to potential red flags when handling benefits withdrawal cases.

## Scam Calls

Some common features of scam calls include offering to help scheme members apply for early withdrawal of MPF and purporting to be a representative of an MPF trustee. A dedicated webpage "Beware of Scam Calls" was launched on the MPFA website in November 2022 to alert the public about scam calls and provide smart tips to protect scheme members' interests. Educational posts, alert messages, videos and media interviews are also disseminated via various channels such as MPFA website, Facebook, LinkedIn, the Anti-Deception Coordination Centre website of the Hong Kong Police Force, newspapers and TV.



Enforcement alerts are regularly posted on the MPFA website

## Communication with Trustees

MPFA maintains regular dialogues with trustees on MPF-related issues and works closely with them to pursue initiatives to enhance the MPF System. Activities during the year are as follows:

Communication Groups/ Channels	Participants	Number of Meetings Held	Topics Covered
Chairman's meeting with trustees	Chairman and Managing Director of MPFA, Chairmen and CEOs of trustees	2	<ul style="list-style-type: none"> <li>eMPF Platform project</li> </ul>
Roundtable discussion	Managing Director of MPFA and CEOs of trustees	1	<ul style="list-style-type: none"> <li>eMPF Platform project and other upcoming MPFA's initiatives involving trustees</li> </ul>
Trustees Operations Liaison Group	Representatives of MPFA and trustees	1	<ul style="list-style-type: none"> <li>MPF scheme operation</li> </ul>
Education Liaison Group	Representatives of MPFA and trustees	Ongoing liaison	<ul style="list-style-type: none"> <li>Publicity of the MPF System and MPF investment education</li> </ul>
Supervisory meetings	Representatives of MPFA and senior management of individual trustees	8	<ul style="list-style-type: none"> <li>Assessment of trustees' preparatory work for onboarding, and supervisory directives to trustees for resolving any issues identified</li> <li>Operational arrangements in relation to the acquisition of a trustee's business</li> </ul>
Working group meetings	Representatives of MPFA and trustees	9	<ul style="list-style-type: none"> <li>Amendments to MPF Guidelines and issuance of new Guidelines for the enactment of the Amendment Ordinance 2021</li> <li>Refinement of MPF Investment Restrictions</li> <li>Guidelines amendments for launch of the eMPF Platform</li> </ul>
Frequently asked questions maintained on the MPFA website	MPFA and trustees	Ongoing liaison	<ul style="list-style-type: none"> <li>Common issues encountered by the MPF industry in the investment compliance monitoring process</li> </ul>

## MPF Intermediaries

### Registration

MPFA processes 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 public register on the MPFA website or hotline.

### Supervision

MPF intermediaries are required to submit annual returns<sup>3</sup> to MPFA within one month after the end of a calendar year.

An eService system is provided by MPFA for MPF intermediaries to submit annual returns, view their registration details, pay annual fees, notify information changes, and receive statutory notifications and circulars.

MPFA communicates regularly with MPF intermediaries on regulatory requirements and legislative changes that impact on them. In 2022–23, five circulars were issued in relation to regulatory and administration issues, covering conduct issues, findings of Mystery Shopping Programme (details on page 67) and enhanced functionalities of eService.

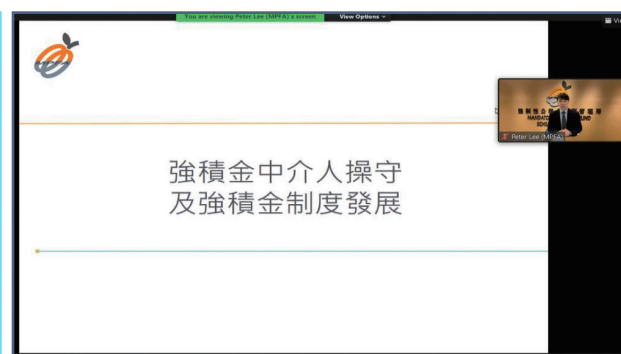
## Training

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

Core CPD training for MPF intermediaries is offered by industry associations and training institutions. MPFA conducts quality assurance checks on these core CPD activities to confirm their standard.

In 2022–23, a total of 15 core CPD training courses were provided by MPFA at CPD training institutions' invitation and 15 train-the-trainer workshops and industry briefings were organized for MPF intermediaries.

To ensure MPF intermediaries have the knowledge to assist employers and scheme members to use the eMPF Platform, MPFA will arrange training for the intermediaries in due course.



Train-the-trainer webinar for CPD training providers

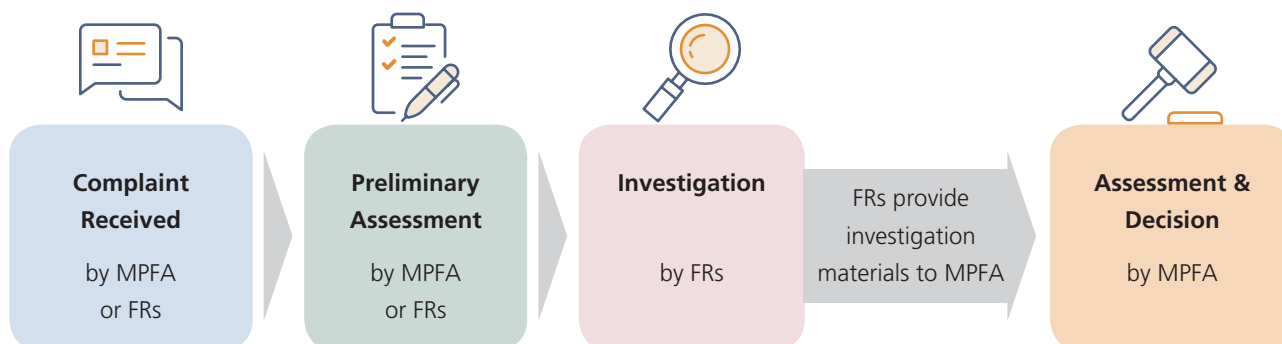
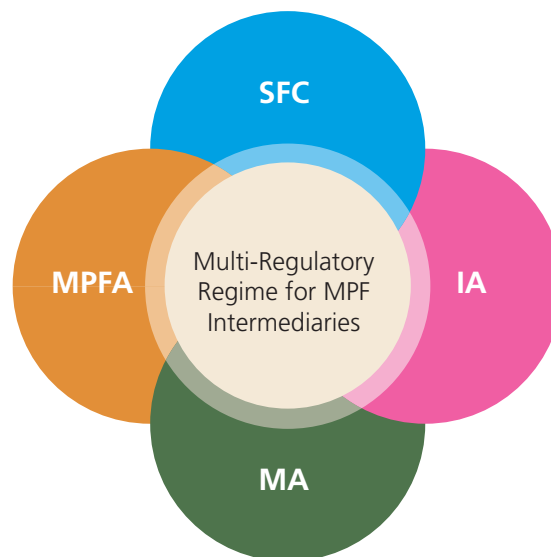
<sup>3</sup> Principal intermediaries' annual returns cover business statistics on MPF sales and marketing activities conducted during the year of reporting. Subsidiary intermediaries' annual returns cover the number of hours of core and non-core Continuing Professional Development activities on MPF they attended during the year in report.

## Enforcement

### Multi-Regulatory Regime

MPFA adopts a multi-regulatory regime for the regulation of MPF intermediaries. Under this regime, frontline regulators (FRs), namely the Monetary Authority (MA), the Insurance Authority (IA) and the Securities and Futures Commission (SFC) are responsible for the day-to-day supervision as well as the investigation of complaints made against registered MPF intermediaries who are also their regulatees.

MPFA is the sole authority to register MPF intermediaries, provide compliance guidelines, and determine and take disciplinary or enforcement actions against non-compliant MPF intermediaries. Upon completion of investigation of suspected misconduct of MPF intermediaries or unlicensed persons, the relevant FRs will pass the investigation findings to MPFA for assessment and decision of any disciplinary actions or other enforcement actions as appropriate.



### Enforcement Actions

During the year, MPFA received 18 complaints and referral cases mainly concerning suspected misconduct of MPF intermediaries not complying with the statutory conduct requirements. A total of 22 compliance advice letters were issued to principal or subsidiary intermediaries in 18 cases. Four disciplinary orders were imposed on four subsidiary intermediaries respectively for breaching the statutory conduct requirements and the Conduct Guidelines. The

registrations of three of the four subsidiary intermediaries as an MPF intermediary were suspended for 6 months, 7 months and 32 months respectively whilst the remaining subsidiary intermediary upon appeal was ordered by the Mandatory Provident Fund Schemes Appeal Board that his registration be suspended for 20 months and that he be publicly reprimanded.

Meanwhile, the FRs conducted 12 on-site inspections on MPF intermediaries.

## Liaison with Frontline Regulators

MPFA maintains close communication with the FRs through holding liaison meetings regularly. During 2022–23, two MPF Intermediaries Regulation Committee meetings were held with the FRs for sharing regulatory experience and issues, as well as the latest development under the respective regimes.

MPFA also held two meetings with IA for mutual progress updates of cases including cases referred by MPFA to IA and others received by IA. At the meetings, MPFA and IA also had extensive discussion and exploration of the methods to enhance communication, procedures and case handling.

## Mystery Shopping Programme in Respect of Intermediaries

IA, Hong Kong Monetary Authority (HKMA) and MPFA jointly conducted a mystery shopping programme (MSP) in 2022 to understand the selling practices of Qualifying Deferred Annuity Policies and Tax-deductible Voluntary Contributions (TVC) by intermediaries.

According to the MSP findings, the intermediaries were generally in compliance with the relevant regulatory requirements. A circular was jointly issued by IA, HKMA and MPFA to the industry on 23 December 2022 to share with them the key findings. MPFA issued another circular on 3 February 2023 to provide guidance to all MPF intermediaries relating to the sales and marketing of TVC. MPFA also worked with the relevant FRs to follow up with the MPF intermediaries concerned and require them to take action as appropriate to address the issues noted.

## Enforcement Actions Against Intermediaries (2022–23)

By MPFA		
<b>18</b> Complaints and referral cases received	<b>22</b> Compliance advice letters issued	<b>4</b> Disciplinary orders imposed
By FRs		
<b>12</b> On-site inspections conducted	<b>5</b> Investigation cases initiated	

## MPF Schemes and Funds

### Product Approval

MPFA has issued guidelines relating to the application for registration of MPF schemes and the application for approval of funds. Upon receipt of the application for registration of MPF schemes and approval of funds, MPFA will conduct a detailed review to ensure that they comply with the MPF legislation and that the interests of MPF scheme members are protected.

During the year:

- 2 CFs<sup>#</sup>, 3 APIFs<sup>^</sup> and 26 ITCISs<sup>\*</sup> were approved;
- the approval status of 1 CF and 9 ITCISs was cancelled;
- 14 CFs reduced fees; and
- the approved status of 1 overseas bank was withdrawn.

<sup>#</sup> constituent funds

<sup>^</sup> approved pooled investment funds

<sup>\*</sup> index-tracking collective investment schemes

### Default Investment Strategy

The Default Investment Strategy (DIS) is a highly standardized and fee-controlled MPF investment strategy designed to address the problems of high fees and difficulty in making investment choices for some MPF scheme members. As at 31 March 2023, around 2.9 million MPF accounts (about 26.8% of the total number of 10.9 million MPF accounts) were partly or fully invested according to DIS or were invested in the two constituent funds of DIS, involving \$89.44 billion of MPF benefits (around 8.1% of the total net asset value of the MPF System).

### Fees and Charges

Lower fees can have a significant contribution to long-term investment return. Since the passage of the legislation on DIS in May 2016 and up to 31 March 2023, 189 MPF funds have reduced their fees (biggest reduction up to 55%).

## Enhancing MPF Investment Choices

The Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2022 was approved by the Legislative Council (LegCo) on 1 June 2022 to facilitate investment of MPF funds in debt securities issued or unconditionally guaranteed by the Central People's Government, the People's Bank of China and the three policy banks in the Mainland, namely Agricultural Development Bank of China, China Development Bank and The Export-Import Bank of China. The legislative amendment provides MPF scheme members with more diversified options of investment and enables them to leverage the opportunities brought by the development of the Mainland bond market.

In December 2022, MPFA issued a revised version of the Guidelines on Index-Tracking Collective Investment Schemes to set out the refined criteria for approval of ITCISs to facilitate the wider use of ITCISs as investments by MPF funds.

As the Hong Kong population is rapidly aging and the financial markets are becoming more volatile, MPFA sees the need to ensure the range of CFs in an MPF scheme is sufficiently diverse to address the needs of scheme members with different investment outcome expectations and risk appetites, not just in the accumulation phase, but also the post-retirement phase.

In this connection, MPFA issued a circular on the refined approval criteria for CFs in November 2022 to provide guidance to the MPF industry on the provision of a suitable array of investment choices offered to scheme members. Under the refined criteria, MPF trustees are required to review whether the addition of a new CF could enhance the diversity of the existing range of CFs in an MPF scheme to meet the needs of scheme members with different outcome expectations and risk appetites. In addition, new types of CFs including China A-shares funds, single country funds in respect of countries with significant stock market capitalisations and specialty funds (e.g. Environmental, Social and Governance (ESG)-themed funds and sector funds) meeting certain conditions could be allowed.



It is MPFA's belief that the refined criteria will facilitate MPF trustees in designing products that can better address the needs of scheme members in both the accumulation and post-retirement phases.

## Sustainable Investing of MPF Funds

During the year, MPFA continued its efforts to promote sustainable investing of MPF funds through various means/channels.

## Cross-Agency Collaboration

MPFA continued to participate in the Green and Sustainable Finance Cross-agency Steering Group (Steering Group), co-chaired by HKMA and SFC, to examine policy and regulatory issues in green and sustainable finance.

MPFA supported the Steering Group's internship programme announced in October 2022 to create and promote local internship opportunities in green and sustainable finance for university students to gain practical work experience and general understanding of MPFA's policies in sustainable investing. MPFA also issued a letter to MPF trustees in the same month to invite them to provide relevant internship opportunities.

## ESG Product Development

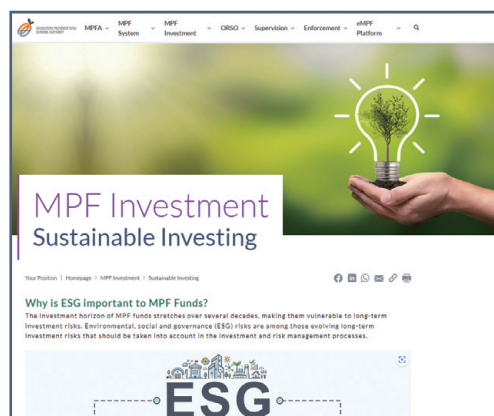
In 2020, MPFA approved the first ESG-themed index tracking collective investment scheme tracking the performance of the top 50 securities with the highest ESG scores among constituent securities of the Hang Seng Composite Index. So far 29 such schemes have been approved for MPF constituent funds to invest in.

## ESG Integration

Following the release of a set of guiding principles in 2021 to assist MPF trustees in integrating ESG factors into the investment and risk management of MPF funds and making relevant disclosure to MPF scheme members, in 2022, MPFA required trustees to report their sustainable investing strategies and implementation progress in the annual governance reports of each MPF scheme (see Trustees' Governance on page 62 for details).

## Information Disclosure

In January 2023, a new webpage was launched on the MPFA website for accessing information on relevant sustainable investing initiatives for MPF funds including circular letters issued by MPFA and press releases issued by the Steering Group.



## Award for ESG Achievement

In March 2023, MPFA was awarded an ESG certificate by the Chinese Manufacturers' Association of Hong Kong and the Hong Kong Brand Development Council in recognition of MPFA's continuous efforts in practicing and promoting ESG.

## MPF Information Transparency

MPFA is committed to improving the presentation and disclosure of MPF information to facilitate scheme members' planning for retirement protection and decision-making in MPF investment. In addition to the annualized and cumulative returns of MPF funds, during the year, the following information is made available at the MPF Fund Platform to enhance transparency of fund performance for MPF scheme members:

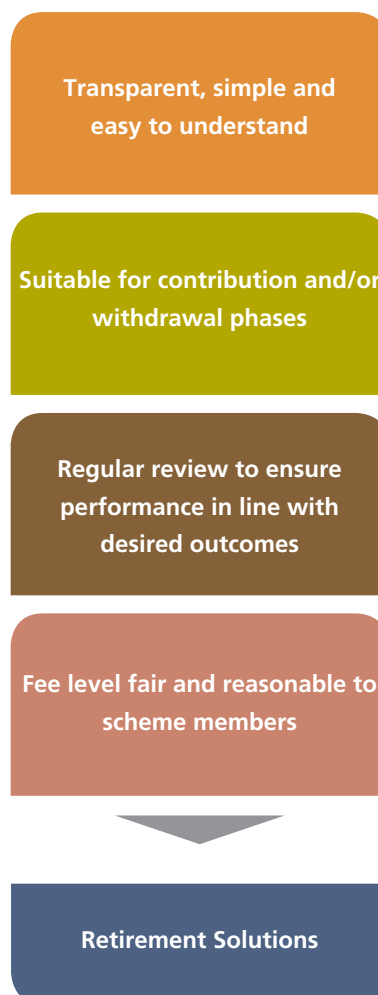
- Calendar year returns for the preceding five calendar years of MPF funds; and
- Three new customized reports showing frequently viewed information on MPF funds:
  - the 10 funds with the lowest five-year cumulative return;
  - the 10 funds with the highest FER; and
  - MPF schemes by asset size.

## Developing Retirement Solutions

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 that would cater for the investment needs of scheme members in contribution and withdrawal phases. Since the issuance of the Principles for Developing Retirement Solutions in April 2020, four retirement solutions have been launched.

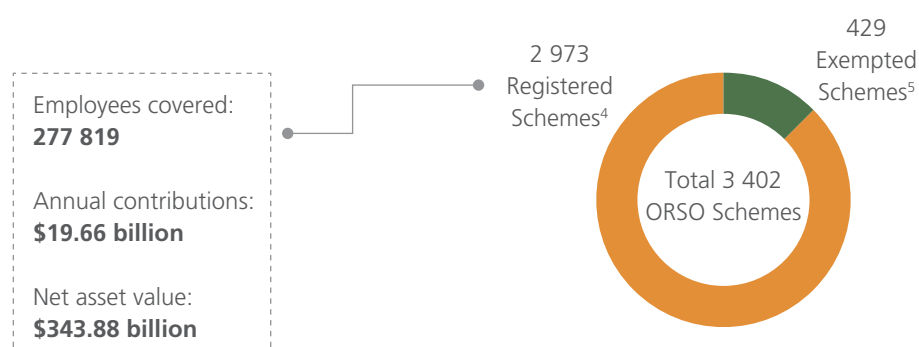
## Principles for Developing Retirement Solutions



## Occupational Retirement Schemes (ORSO Schemes)

ORSO schemes and MPF schemes are both retirement protection schemes set up for employees in Hong Kong, but their operations are different (details are available on the MPFA website [please click [here](#)]). Since the launch of the MPF System, MPFA has exempted a number of ORSO schemes that meet certain criteria from following MPF regulations.

### Key Figures on ORSO Schemes (31.3.2023)



### Work of Registrar of ORSO Schemes

MPFA assumes the role of the Registrar of ORSO schemes. Work in this area includes the following:

- Processing various changes and applications in relation to ORSO schemes;
- Ensuring compliance of all exempted schemes and registered schemes; and
- Liaising with professional and industry bodies.

### Key Activities of the Registrar in 2022–23

Approved	<ul style="list-style-type: none"> <li>• 27 applications for registration of ORSO schemes</li> <li>• MPF exemption<sup>6</sup> in respect of two ORSO registered schemes</li> <li>• the withdrawal of MPF exemption in respect of 145 ORSO registered schemes and nine ORSO exempted schemes</li> <li>• 29 applications for change of trustees for MPF exempted ORSO registered schemes</li> </ul>
Processed	<ul style="list-style-type: none"> <li>• 437 notifications of changes in relation to name, administrator, employer and address of ORSO schemes</li> <li>• 3 694 annual returns and financial statements of ORSO registered schemes and 415 annual returns of ORSO exempted schemes</li> <li>• 14 overseas compliance certificates and 360 membership statements of ORSO exempted schemes</li> <li>• annual written statements on ongoing compliance with employment based criterion of 2 642 ORSO registered schemes and 373 ORSO exempted schemes</li> <li>• notices of termination given by 176 ORSO registered schemes and 25 ORSO exempted schemes</li> </ul>

<sup>4</sup> An ORSO registered scheme refers to one registered under section 18 of the Occupational Retirement Schemes Ordinance (ORSO).

<sup>5</sup> An ORSO exempted scheme refers to one in respect of which an exemption certificate has been issued under section 7 of the ORSO and any withdrawal under section 12 of the ORSO has not come into effect; or an ORSO scheme within the meaning of the ORSO where the employer of the scheme is the government of a place outside Hong Kong or an agency or undertaking of or by such a government which is not operated for the purpose of gain.

<sup>6</sup> MPF exemption refers to an exemption under section 5 of the Mandatory Provident Fund Schemes Ordinance (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.

## Key Activities of the Registrar in 2022–23 (continued)

Cancelled	<ul style="list-style-type: none"> <li>the registration of two ORSO registered scheme</li> </ul>
Withdrawn	<ul style="list-style-type: none"> <li>the exemption certificate of three ORSO exempted schemes</li> </ul>
Granted consent to	<ul style="list-style-type: none"> <li>18 ORSO registered schemes for cessation of application of pooling agreements to the schemes</li> <li>90 applications for consent for disclosure of information in compliance with the Foreign Account Tax Compliance Act of the United States</li> </ul>
Handled	<ul style="list-style-type: none"> <li>three reportable events reported by administrators and/or employers</li> </ul>
Conducted	<ul style="list-style-type: none"> <li>one on-site visit to an ORSO administrator</li> </ul>
Issued	<ul style="list-style-type: none"> <li>three circular letters to ORSO administrators and employers encouraging them to use the eORSO Portal to submit returns to the Registrar and reminding them of certain legislative requirements and administrative matters</li> </ul>

## 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<sup>7</sup>, actuarial certificates must be supplied by designated persons at least once every three years.

According to the relevant reports received up to 31 March 2023, four (about 2%) out of 164 defined benefit ORSO schemes were under-funded, covering around 160 scheme members. The total asset size of these under-funded schemes amounted to \$301 million. The total shortfall of these under-funded schemes was \$111 million (about 37% of their total assets). The shortfall was caused by (i) investment loss and/or salary increase higher than the assumption used by actuaries; or (ii) withdrawal of one of the group employers from an ORSO scheme for a group of companies.<sup>8</sup>

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 are 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 2022–23, 154 MPF exempted ORSO schemes covering 1 000 members of ORSO registered schemes relinquished their exemption status. The employers subsequently terminated these schemes and enrolled the employees into MPF schemes or other MPF exempted ORSO schemes.

<sup>7</sup> Defined benefit schemes are schemes under which the retirement benefits of scheme members are determined by taking into account the members' years of service and final salary.

<sup>8</sup> The shortfall was due to the withdrawal of one of the group employers from the group scheme, and the remaining assets were not sufficient to meet the liabilities of the members remaining in the scheme.

## Review and Reforms

### Minimum and Maximum Relevant Income Levels for MPF Contribution Purposes

The MPF legislation requires MPFA to, not less than once in every four years, conduct a review of the minimum and maximum relevant income levels to ascertain whether there are grounds to amend the levels. MPFA has duly completed the statutory review for the four-year cycle of 2018–2022. The findings and recommendations of the review were submitted to the Government in April 2022. The Government is studying MPFA's review report, and considering and assessing relevant factors, and will report to LegCo in due course.

### Government Paying MPF Contributions for Low-Income Persons

The measure of the Government paying 5% MPF contributions for low-income persons who are exempted from making mandatory contributions under the MPF legislation is one of the Government's initiatives announced in 2020 to benefit the livelihood of grassroots and underprivileged. It would strengthen the MPF retirement protection which forms part of the poverty alleviation strategies in the 2021 Policy Address. MPFA has been assisting the Government in taking forward the initiative, which will be implemented after the full operation of the eMPF Platform.

### Continual Review and Reform

MPFA is committed to pursuing continual reforms so that the MPF System can better meet the expectations of scheme members and deliver better retirement outcomes for them.

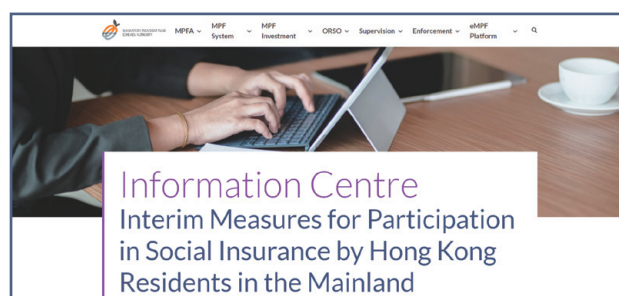
Apart from proactively anticipating needs for reviews, MPFA closely monitors views on reform issues collected from stakeholder engagement activities and expressed in the public. Key issues are continually identified for further study by MPFA and deliberation by the Working Group on MPF Reform Issues (details of the Working Group on page 42).

### Enhancing Member Protection on Default Contributions

MPFA has started to examine a series of improvement initiatives with reference to the default contribution recovery process with a view to formulating legislative proposals to enhance the effectiveness of our member protection work.

### Mainland Engagement and Cooperation

With the national strategy to develop the Guangdong-Hong Kong-Macao Greater Bay Area and the Government's relevant initiatives, it is expected that more and more Hong Kong residents will seek employment opportunities in the Greater Bay Area, especially after the resumption of cross-boundary travel between the Mainland and Hong Kong. MPFA is eager to contribute to the reduction of institutional barrier to cross-boundary labour mobility between the Mainland and Hong Kong. MPFA has analysed relevant issues in the pension space and liaised with the Ministry of Human Resources and Social Security on certain relevant policy details. On this basis, MPFA in December 2022 launched a series of measures to promote public understanding of the exemption arrangement provided under the Interim Measures for Participation in Social Insurance by Hong Kong Residents in the Mainland, including the launch of a webpage and inclusion of questions and answers in our chatbot and interactive voice response system.



### Assessment of the Design of the MPF System with Reference to the OECD<sup>9</sup> Recommendation

As an international city, it is important for Hong Kong to benchmark the MPF System against evolving international standards and best practices. In this connection, MPFA has assessed the design of the MPF System with reference to the OECD Recommendation of the Council for the Good Design of Defined Contribution Pension Plans.

The assessment reconfirmed the appropriateness of key design aspects of the MPF System and concluded that the MPF System excelled international standards on the design of defined contribution pension systems proposed by the OECD. It is also noted that the number of jurisdictions adopting pillar two retirement protection systems (i.e. mandatory defined contribution individual-account based system) has increased from 11 in 2000 to 39 in 2021 given the strength of such systems in terms of sustainability.

<sup>9</sup> Standing for Organisation for Economic Co-operation and Development