Mrs Ayesha Macpherson Lau

Chairman

Chairman's Statement

"We will continue to pursue economic development as our central task, with high-quality development as our main focus, reform and innovation as the fundamental driving force, meeting the people's ever-growing needs for a better life as our fundamental goal"[1] – the people-centric spirit at the heart of this guiding philosophy for economic and social development of our Nation in the 15th Five-Year Plan (2026-30) is fundamental to the work of the Mandatory Provident Fund Schemes Authority (MPFA). We have put in place a robust Mandatory Provident Fund (MPF) System for the working population in Hong Kong to accumulate savings for basic retirement protection and have been continuously pursuing reform and innovation to enhance the MPF System in the best interests of MPF scheme members.

Secure Retirement Reserves

After 25 years of operation of the MPF System, total MPF assets exceeded the $1.5 trillion milestone as at end March 2026, representing an increase of more than 150% over the past 10 years.

The annual total MPF contributions made in the 2025-26 financial year reached $91.23 billion, exceeding $90 billion for the second consecutive financial year. Voluntary contributions accounted for 26% of total MPF contributions. These figures are not only testament to the shared commitment of both employers and employees to enhancing retirement protection of the workforce, but also reflect growing public confidence in MPF as a tool for building retirement reserves.

The growth in total MPF assets is also closely related to investment returns. Between the inception of the MPF System in 2000 and end March 2026, all fund types had recorded positive average annualized investment returns. More specifically, Equity Fund and Mixed Assets Fund, which together accounted for 80% of total MPF assets, registered on average annualized net returns (net of fees and charges) of 4.8% and 4.4% respectively, exceeding the annualized inflation rate of 1.8% for the same period. Since the launch of the Default Investment Strategy (DIS) in 2017, the average annualized net returns of the Core Accumulation Fund and Age 65 Plus Fund were 6.4% and 2.3% respectively, also outpaced the 1.8% annualized inflation rate recorded in the same period.

As the regulator and overseer of the MPF System, MPFA takes forward initiatives to help scheme members further grow their retirement reserves with a view to realizing their aspirations for more secure retirement protection.

Financial Secretary Mr Paul Chan, MPFA Chairman and Managing Director join the ceremony marking the 25th anniversary of the MPF System

MPFA Chairman takes part in a TV programme interview sharing the latest updates on eMPF and the benefits it will bring to users

Chairman exchanges views with future financial leaders on the development of the MPF System

[1] "Outline of the 15th Five-Year Plan for National Economic and Social Development of the People's Republic of China", chapter 2.

Fee Reduction

An important factor affecting the growth of MPF savings is the level of costs and fees for MPF funds. As such, fee reduction has been one of MPFA's top priorities.

With all 24 MPF schemes already onboard the eMPF Platform (eMPF) by end April 2026, the common and integrated electronic platform is now handling scheme administration work for all MPF schemes previously handled separately by 12 MPF trustees on different scheme administration platforms. Thanks to the standardized, streamlined and automated design of eMPF and the non-profit-making operational model of eMPF Platform Company Limited[2] (eMPF Company), the MPF administration fee has reduced from an average of 58 basis points (0.58%) of the assets under management previously charged by trustees to a fee of 37 basis points (0.37%) for onboarded MPF schemes charged by eMPF since June 2024. The eMPF fee was further lowered to 29 basis points (0.29%) with effect from 1 April 2026, representing a reduction by half from the average level of MPF administration fee previously charged by trustees.

The digital usage rate of eMPF has also exceeded expectations. Instructions for about 78% of the transactions processed via eMPF since its launch in June 2024, including enrolment, payment of contributions, transfer of benefits, etc., were made by digital means. Together with the more significant economies of scale arising from the growth in MPF assets, this has accelerated both the scale and pace of fee reduction. Savings from lowered administration fees were originally estimated to be $30 billion to $40 billion over the first 10 years of eMPF's operation, but this estimate has now been increased to $50 billion, and the full amount is expected to realize in less than 10 years.

With efforts intensified to boost the digital usage rate, coupled with the eMPF Company's strict cost control, I am certain that more room will be created for further reduction in eMPF fee to benefit scheme members.

In respect of fee components other than administration fee, such as investment management fee and member servicing fee, etc., we have been following up with trustees on their fee reduction plans and have secured commitment to further reduce fees.

As part of a multi-pronged fee reduction strategy, we have started reviewing the fee control features of some fund types, such as the management fee cap imposed on funds under DIS, and will continue to explore further fee reduction measures.

Secretary for Financial Services and the Treasury Mr Christopher Hui, MPFA Chairman, Permanent Secretary for Labour and Welfare Ms Alice Lau, former Permanent Secretary for the Civil Service Mr Clement Leung, former Deputy Commissioner for Data Policy (Data Governance) Mr Donald Mak and MPFA Managing Director attend the opening event of the eMPF exhibition at the Central Government Offices

[2] Wholly owned subsidiary of MPFA responsible for developing and operating eMPF.

Chairman promotes MPF and eMPF to residents of a transitional housing estate operated by the Hong Kong Sheng Kung Hui Welfare Council

Chairman promotes the eMPF functions designed for Industry Schemes to a construction association

Refinement of Investment Regulation

Another important factor affecting the growth of retirement savings is investment management. To enable the industry to provide better and more diversified investment options for scheme members with a view to enhancing diversification of risks and providing better return potential, we have continually reviewed and refined the regulation of MPF investments and further expanded the scope of MPF permissible asset classes.

During the year, we have allowed MPF to invest in private equity funds listed in Hong Kong subject to individual approval by MPFA and investment limit. We have also included active exchange-traded funds that meet certain criteria as MPF permissible investment.

We have started a holistic review of DIS, covering its salient features, including management fee cap as mentioned above, aiming to explore how this investment solution would better meet the needs of scheme members. This review is targeted for completion by end 2026.

As announced in the Government's 2026-27 Budget, MPFA is working with the Government on legislative proposals to enhance the flexibility of trustees and relevant service providers in managing MPF investment. Proposed measures include allowing more flexible fund structures and expansion of arrangements for delegation of investment management functions. Subject to the passage of legislative amendments slated for introduction into the Legislative Council in late 2026, these measures are expected to help enhance risk diversification for MPF and market competition.

Leveraging Market Forces

Market competition, especially in the eMPF era, could drive the development of better products and create room for fee reduction. We saw developments in 2025-26 that further facilitated the working of market forces.

After the introduction of the Employee Choice Arrangement, commonly known as MPF semi-portability, in 2012, employees could transfer the entire amount of the employee mandatory contributions in their contribution accounts from the MPF schemes participated by their employers to a scheme of their choice once a year. This encourages them to select an MPF scheme that best suits their needs.

Building on this foundation and leveraging the opportunities provided by eMPF, MPF full portability further expands the transferable portion of MPF during current employment to include employer mandatory contributions.

In September 2025, the Legislative Council approved legislative amendments giving statutory backing to the implementation of the phase one proposal of MPF full portability to benefit employees whose current employments commenced on or after 1 May 2025. eMPF system enhancement is in progress to support the implementation of the phase one proposal by end 2026. I look forward to the completion of the legislative process for the phase two proposal, which will extend the option of MPF full portability transfers to all other employees. This important reform will enable the working population to manage their MPF with greater autonomy.

Showcasing MPF to the World

After 25 years of implementing MPF, MPFA has accumulated considerable experience in regulating and supervising a privately managed retirement savings system. Continuing their efforts over the years, MPFA executives spoke at international forums and met regulatory counterparts in other jurisdictions during the year to share the latest developments of the MPF System and exchange views on pension related subjects. We also held bilateral discussions with the pension regulators of several Belt and Road countries on their invitation to introduce our MPF System and eMPF. In particular, MPFA’s experience in implementing eMPF, DIS and MPF full portability attracted much attention and interest among global pension regulators.

As an Executive Committee member of the International Organisation of Pension Supervisors (IOPS), MPFA has been contributing to the work of this standard setting international body in improving the quality and effectiveness of the supervision of private pension systems around the world.

In the coming December, MPFA will jointly organize the annual global forum on private pensions with the Organisation for Economic Co-operation and Development and IOPS in Hong Kong. It will provide a vibrant platform for regulators, experts and industry participants around the world to discuss the current development, opportunities and challenges for private pension systems. It will also provide a unique opportunity to showcase the strengths of Hong Kong as an international financial centre, a vibrant city, and a platform for fostering international exchange and co-operation as envisaged in the National 15th Five-Year Plan.

The Road Ahead

As the driving force behind our work, reforms and innovation will never stop. To shed light on our path of development in the medium term, MPFA developed in 2025 its inaugural Five-Year Plan as a guiding framework for future annual corporate plans.

As we are moving into the new MPF era following the full operation of eMPF, the Five-Year Plan sets out MPFA's medium-term strategic direction for a new era of the MPF System, aiming to achieve better focus, resource prioritization and capability development. Affirming the principles of enhancing value, strengthening MPF protection and safeguarding scheme members' interests, the Five-Year Plan presents MPFA's coming priorities in driving efficiency, advocating innovation and reforms, regulating the industry and engaging the community. We will align MPFA's Five-Year Plan with the National 15th Five-Year Plan as well as the HKSAR Five-Year Plan being formulated, and continue to update our Five-Year Plan to cater for new developments in future.

Acknowledgements

After the onboarding of all MPF schemes, eMPF finally came into full operation. Other reforms are also on course to enhance the value of scheme members' retirement savings. These would not have been possible without the dedication and wise counsel of my fellow Board Members. I would also like to thank Members of the MPF Schemes Advisory Committee and the MPF Industry Schemes Committee for their valuable advice and support.

My thanks also go to the Government for its guidance and unwavering support, including policy support and financial commitment to the eMPF project as well as support for significant reforms such as MPF full portability.

The MPF industry has continued to work closely with MPFA in the process of transitioning to eMPF, participating actively in system testing, data migration preparation and resolving post-onboarding issues. I would like to express my heartfelt appreciation for their strenuous efforts and significant contributions.

Various stakeholders, including labour unions, business chambers and employer bodies, have provided input and perspectives 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, the MPFA team has accomplished major achievements while exercising strict financial discipline. I must thank all MPFA colleagues, who have put in another year of dedicated hard work and relentless efforts.

Ayesha Macpherson Lau
Chairman