

Pledging Ceremony of the Governance Charter for MPF Trustees
24 May 2018

Opening Address

Dr David Wong Yau-kar
Chairman

Mandatory Provident Fund Schemes Authority

The Honourable James Lau, distinguished guests, ladies and gentlemen,

Good afternoon.

2. On behalf of the Mandatory Provident Fund Schemes Authority (MPFA), I would like to express my warm welcome to all of you for coming to the Pledging Ceremony of the Governance Charter for MPF Trustees. I would also like to thank the distinguished speaker and panelists who will share with us their knowledge and precious experience on the topic of “Governance”. I hope that you feel as excited as I am to be part of this great moment.

3. Promoting a high standard of governance amongst all MPF trustees has always been a key regulatory objective of the MPFA. As you may recall, in October last year, the MPFA hosted the first workshop on governance of MPF trustees. The workshop received overwhelming support as evidenced by the participation of over 100 representatives, including directors of the management boards of the MPF trustees, other financial regulators and experts on risk management, pension design and governance. As Chairman of the MPFA, I received many encouraging remarks since last October that MPFA has embarked on a very important course to raise governance standards and competence of MPF trustees for better development of the MPF System.

4. Our efforts have gained traction amongst the MPF trustee industry and are in many ways reaping results. I am pleased to see that a number of MPF trustees have responded positively by incorporating “value for money” and “member-first” as core values in their business plans for the coming years. In

putting these values into action, I learnt that a number of trustees have started to refine their fund investment structures to achieve better cost-effectiveness, some have set aside significant budget to upgrade and revamp their MPF administration systems for greater efficiency and improved member experience. In addition, some trustees would make a wider use of e-communication channels to enhance communications with members.

5. I am delighted to note that one-third of MPF trustees have committed to reducing fees, improving e-services and increasing members' engagement through digital means. It is envisaged that the overall benefit to scheme members for the coming year would amount to at least \$200 million through these initiatives. The MPFA welcomes these moves by trustees and awaits more good news in the near future.

6. I am sure that all MPF trustees would agree that mere compliance of the rules and regulations is not sufficient to drive themselves or their service providers such as fund managers, administrators or custodians to deliver good services and discharge their fiduciary duties in a responsible manner. While regulators can provide guidelines or set directives for compliance by industry players, such rules are just the minimum standard that should be complied with by the industry. Commitment to good governance is far beyond the regulations and this largely comes from the heart of everyone in the MPF industry to adopt the right mindset and culture in managing the retirement benefits of MPF members, which have increased enormously over the years.

7. That is the reason why the MPFA has worked closely with MPF trustees in the past months to develop a "Governance Charter for MPF Trustees" (Charter). The Charter marks the recognition of the importance of good governance as well as a strong commitment by MPF trustees. It serves as a compass to guide MPF trustees board members when they are tasked with making strategic decisions for their MPF schemes. I am particularly impressed that a number of core values which are considered pivotal to the success of a privately managed pension system are enshrined in the Charter. They include:

- ✧ Acting in the best interests of scheme members;
- ✧ Delivering good value-for-money MPF schemes and services to scheme members; and

- ✧ Enhancing transparency of MPF schemes and communication with members.

8. Today, I am very pleased to let you know that the Charter, being voluntary in nature, has received endorsement from all 14 MPF trustees. The MPFA would like to take this opportunity to thank MPF trustees for providing their full support and celebrating this meaningful event as it marks the commitment of the MPF trustees to promote stronger trustee governance culture and continued delivery of better value-for-money to scheme members.

9. I believe that the endorsement of the Charter would raise public awareness that MPF trustees are committed to promoting good governance and in turn further enhancing public confidence and trust in the MPF System.

10. I would like to take this opportunity to thank the industry for its hard work during the past 17 years, such that the MPF System could continue to add value to scheme members' retirement benefits. As at end March 2018, the total MPF assets was HK\$857 billion. This includes an investment return of HK\$268 billion, net of fees and expenses, or 31% of the total assets. The annualized rate of return since inception of the MPF System is 4.7%, significantly higher than the corresponding inflation rate of 1.8% over the same period.

11. Today, it is our great pleasure to have the Secretary for Financial Services and the Treasury, Mr James Lau as the Guest of Honour of this pledging ceremony. Mr Lau's presence marks the great importance the HKSAR Government accords to the MPF System and the high expectation of the Hong Kong working population that their MPF savings will be protected and enhanced through trustees' good governance.

12. Please join me in welcoming the Secretary for Financial Services and the Treasury, Mr James Lau.