From 1 November 2012, you will have a choice!

Points to note when making a transfer under ECA

Four factors to consider when choosing trustees and schemes

Employees should carefully consider the following four major factors before deciding to transfer their accrued benefits under ECA:

1 Products (Scheme and fund)

Consider the range of fund products offered by schemes, whether the funds meet your needs, and fund features, risk level and performance.

Note: A scheme with more choices of fund products may not be the best one for you. Employees should choose a scheme with funds that can meet their personal needs. Also, the past performance of an MPF fund can serve only as a reference and may not reflect its future performance.

2 Services

Check whether the information on MPF funds under MPF schemes offered by the trustees is comprehensive and easy to understand; whether the channels for disclosing information are convenient and efficient; how many benefit statements are issued to scheme members a year; and how many times scheme members can switch funds every year for free.

3 Fees and charges

When comparing funds, be sure to compare funds of the same type.

4 Personal factors

Consider your personal investment objectives, current life stage (including years to retirement), and risk tolerance level.

Be aware of investment risks

Investment market trends are unpredictable

The investment market fluctuates all the time, making it difficult or impossible to accurately predict trends. Since the MPF is a long term investment, **employees should not make hasty transfer decisions based on short-term market fluctuations**.

The time lag may result in a "sell low, buy high" situation

The transfer of accrued benefits from one scheme to another normally takes 6 to 8 weeks. Employees' accrued benefits are first cashed out by the original trustee and then transferred to the new trustee for fund re-investment. In other words, **there will be a short time lag during which their redeemed accrued benefits will not be invested in any fund**. During this period, fund prices may change due to market fluctuations, and there is a chance of a "sell low, buy high" scenario occurring. Therefore, employees should be mindful of this risk before making a transfer.

The price of a fund cannot be specified

Like retail funds, MPF funds are traded on a "forward pricing" basis. This means that the execution price of a fund is calculated on the basis of its net asset value after the market closes on the relevant trading day. As the buying and selling of MPF funds is different from stock trading, employees cannot specify the price of a fund when buying or selling fund units.

Entitlement to the relevant guarantee of a guaranteed fund may be lost

If employees are currently investing in MPF guaranteed funds, they should check whether the transfer would violate certain guarantee conditions, thus disqualifying them from entitlement to the relevant guarantee.

Employee Choice Arrangement (ECA)

will commence on 1 November 2012. Under ECA, employees will be allowed to transfer their accrued benefits, i.e. the accumulated contributions and investment returns from the employee mandatory contributions made during their current employment to another MPF trustee and scheme of their own choice once every calendar year#; or not to make any change by retaining the accrued benefits in the MPF scheme they are currently enrolled in. As only the employee's portion is transferrable and not the employer's, the arrangement is also known as "MPF Semi-Portability".

Friendly reminder: To Transfer? Not to Transfer?

Although employees have a new right under ECA, this does not imply that it is "compulsory" to make a transfer or they should make a transfer immediately after the commencement. MPF is a long-term investment, so employees should consider their own needs, rather than "switching for the sake of switching" or "just following the crowd" when deciding whether to transfer or not.

Every calendar year means the period from 1 January to 31 December in any given year.

Coming up next:
Three major steps in transferring benefits

MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

Your MPF. Your Choice.

Website: www.mpfa.org.hk Hotline: 2918 0102