



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

電話號碼 Tel. No. : 2292 1016
傳真號碼 Fax. No. : 2259 8825
電郵地址 Email :
本局檔號 Our Ref. : MPFA/S/TR/91/6 (C)
來函檔號 Your Ref.:

By Email

8 December 2016

Circular Letter: SU/CTR/2016/009

To All Approved Trustees of MPF Schemes

Dear Sirs,

Implementation of Default Investment Strategy

The Default Investment Strategy ("DIS") will commence operations on 1 April 2017. On 23 August 2016, we wrote to the Chairman of your Board of Directors highlighting key operational areas that trustees have to pay attention to when preparing for the implementation of DIS. Now that all the DIS constituent funds have been approved, and trustees are about to dispatch the Pre-implementation Notice in December 2016, I would like to draw your attention to a number of issues relating to the implementation of DIS.

Under the DIS, a new set of default investment logic that impacts on existing and future members' benefits and contributions as well as a standardized investment strategy for default arrangements will be introduced. The Authority expects trustees to devote sufficient efforts and resources to ensure that the legislative amendments are smoothly implemented and the relevant trustees' obligations are dutifully discharged. Trustees must, at all times, have regard to their fiduciary duties including their responsibility to act in scheme members' best interests in implementing the DIS.

To increase awareness and understanding of DIS so that scheme members are aware of the impact of the new DIS legislation on MPF accounts, the Authority will launch a large scale publicity campaign soon. To kick off the campaign, a media briefing will be held on 12 December 2016 to announce the introduction of the DIS.

Resourcing and Overall Capacity of Trustees and their Service Providers

As our publicity programmes continue to roll out, it is anticipated that there will be an increase in the number of enquiries and requests for clarifying and updating different aspects of scheme members' MPF accounts (e.g. address, investment instructions, etc.). The volume of enquiries and requests is hard to predict but the industry should not underestimate the potential volume as many scheme members' existing and future benefits and contributions may be affected by the introduction of DIS. In this regard, trustees and their service providers (including scheme administrators) should gear up with a dynamic and comprehensive contingency plan to cope with sudden surge in requests from scheme members for different services. These are not only just limited to enquiries and complaints, but also requests for switching, consolidation of personal accounts, transfers, etc. Trustees are reminded that in processing those requests, they should comply with the relevant statutory requirements and handle the requests in a timely manner and in accordance with their service pledges. If there is any sudden influx of enquiries and requests, trustees should alert the Authority as soon as practicable by communicating with your case officers at the Authority.

Trustees must ensure that all relevant parties (e.g. frontline staff, back office operational staff, MPF intermediaries, etc.) are well equipped with knowledge in respect of the legislation, regulations, trustees' implementation plan, implication to scheme members, etc. They must also have strong operational capability to handle all members' enquiries, complaints and requests. As mentioned in our previous letter dated 23 August 2016, all DIS-related enquiries should be handled promptly and dealt with or resolved satisfactorily at trustees' end. Amongst other things, frontline staff should be able to readily identify the scheme members' background and account nature, so that timely and personalized response can be provided. To facilitate their staff in handling DIS-related enquiries, trustees should develop and put in place a set of frequently asked questions relating to DIS, and update them as and when necessary.

The Authority has asked individual trustees to nominate a contact person for handling escalated DIS-related complaints and for communicating with the Authority. Trustees should ensure that the person be reachable at all times.

Trustee's Support to Participating Employers and Scheme Members

The new DIS legislation may create different outcome for different members' accounts, thereby affecting not only future contributions or transfers, but also certain existing scheme members' benefits. Trustees therefore need to deploy all practicable methods to make sure that clear messages are communicated to scheme members about the consequences of different types of transactions or instructions that scheme members may wish to effect to their accounts. Trustees should ensure that scheme members are made fully aware of the impact of the DIS and, where appropriate, take measures to effectively mitigate any risks that might arise from the implementation of the DIS.

For example, in respect of the default investment arrangement account holders, if they switch out part of their benefits from the existing default fund to other investment funds after the implementation of DIS, their remaining benefits in the existing default fund may be switched to DIS immediately (without them realizing such consequences) before completion of the transitional arrangement. Scheme members would reasonably expect that trustees have measures (e.g. add alert message to the website and instruction forms) to draw their attention about the consequences before the trustees execute their fund switching requests.

In addition, we note that various trustees have embarked on campaigns to reach out to scheme members for verification of personal contact details and other information about their accounts. To prevent scheme members being deceived by scam callers, trustees should put in place appropriate verification processes to enable members to verify the identity of the caller by dialing a designated hotline of the trustee where scheme members are suspicious about the identity of the caller.

Many employee members may seek help or obtain DIS-related information directly from their employers. In addition to communicating with scheme members, trustees should also communicate with their participating employers to raise their awareness on the impact of the DIS and to assist them in understanding

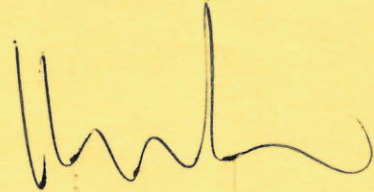
the features of DIS.

Communication amongst Trustees

The Authority considers that many DIS practical issues may not be just encountered by a single trustee in isolation. Trustees may consider setting up an industry forum to discuss those common operational issues and problems relating to the implementation of DIS so that all the trustees can make better preparation to handle those issues in a timely manner.

Should you have any queries on the above, please do not hesitate to contact your case officer at the Authority.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Joseph Lee', with a stylized, flowing script.

Joseph Lee
Head
Supervision Division