

“The MPF Awards” 2016
Opening Remarks by Guest of Honour
3 March 2016

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Francis, Lee Hock, distinguished guests, ladies and gentlemen, good evening.

Thank you for inviting me to this special occasion.

Let me first congratulate and commend all the award winners for your efforts to provide ever enhanced MPF products for the benefit of your scheme members.

As you may all know, the MPF System celebrated its 15th birthday last December and about a month ago, we took stock of how the System had performed during that period.

I could proudly say that, despite what many allege, the System is doing its job in helping the working population prepare for their retirement and accumulate wealth.

In the 15 years to November 30, 2015, the MPF System achieved an annualized return of 3.1%, exceeding the corresponding inflation rate of 1.8% over the same period.

In dollar terms, as at the end of November 2015, the System accumulated HK\$590 billion in total assets, including HK\$475 billion in MPF contributions (net of amounts withdrawn) and HK\$114 billion in investment returns, net of fees and charges.

There is no doubt that the System has added value to scheme members' retirement savings.

Looking ahead, 2016 will be another extremely challenging year for the financial markets and, on behalf of all our scheme members, we would like to count on your expertise more than ever to deliver good results for us.

The investment environment is unpredictable, but as a regulator, the MPFA is not sitting on our hands.

To best manage the long-term risks associated with investing retirement savings for some 40 years during which those savings will be exposed to multiple investment and market cycles, we have proposed mandating each MPF scheme to provide a Default Investment Strategy, or DIS in short.

It is designed to provide all scheme members with a simplified investment option that is consistent with the overall objectives of retirement savings.

We believe as our scheme members age, the automatic de-risking approach of the DIS along with a fee control of 0.75% will benefit scheme members, especially for those who find it difficult to make investment choices or simply don't have the time or do not want to do so.

We are hopeful that the DIS Bill will soon be passed by the Legislative Council and the initiative can be launched at the end of this year.

Whilst we are aware that investment returns are subject to the whims of the market, as far as scheme members are concerned, the lower the fees, the higher the net returns.

Over the past eight years, the average Fund Expense Ratio of MPF funds has dropped 24% to a record low of 1.59%. However, the drop has not gone far enough, and the community would like to see deeper and quicker fee reduction.

We know it is no easy task. Running an MPF scheme involves a lot of administrative work that goes far beyond simple investment management.

The MPF System is a savings scheme involving 4 million scheme members, close to 9 million accounts and millions of transactions a year. Its administration costs make up a significant portion of total fees and expenses.

At the MPFA, one of our long-term goals is to standardize, streamline and automate the administration of MPF schemes.

Our consultancy study has affirmed the viability of developing an electronic

platform to centralize scheme administration. We will move ahead in this direction with a view to making scheme administration simpler and less costly. We look forward to your continual support to bring this into fruition.

Low fees and satisfactory return aside, a quality MPF scheme ought to have other attributes.

We expect trustees to maintain a high standard of governance to ensure at the very least full compliance with the relevant rules and regulations.

We expect trustees to administer their schemes efficiently and provide good customer service.

We would like to see trustees use the latest technology to enhance user experience.

I am therefore glad to know that tonight, we also recognize the schemes that excel in these aspects.

The MPF System is still in its adolescence. Moving forward, we look forward to working closely with you, as we have in the past 15 years, to make the System simpler, less expensive to operate, more efficient, bringing greater ease and convenience to employers and scheme members in managing their MPF affairs, and providing better retirement protection for them all.

I was reminded that today is the 25th day of the Chinese New Year, and may I take the opportunity to wish you all health, wealth and happiness in the Year of the Monkey.

On that note, thank you once again for your invitation and I wish you all a very enjoyable evening.

Thank you.