

**“2019 MPF Awards” Dinner
Keynote Address**

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Francis, distinguished guests, ladies and gentlemen, good evening!

Thank you for inviting me to “The 2019 MPF Awards” Dinner. First of all, let me congratulate all the award winners. Your exceptional effort in different aspects of running MPF schemes are being recognized tonight.

Together, you have added value to scheme members’ accounts. The MPF System has just past its 18th birthday. And it had helped members to accumulate net assets of \$813 billion as at the end of last year. This is equivalent to 31% of Hong Kong’s GDP in 2017 and about a quarter of these assets were investment returns.

It is important for the MPF System to keep evolving to better meet the needs of scheme members. For example, some members find it difficult to decide on which constituent funds to invest in. In 2017, the Default Investment Strategy (DIS) was introduced. The DIS funds are also subject to fee controls. With the benchmarking effect, since the passage of the DIS legislation, the management fee of over 130 constituent funds have been reduced. Scheme members, investing in DIS funds or not, can benefit from the reduced fees.

I am responsible for the policy desk at the MPFA. A large part of my work is related to the MPF legislation, because in order to refine and reform the MPF System, we usually have to amend the legislation. Since System launch, we have amended the MPF legislation 16 times.

Awards can be a form of report cards. There are also report cards for pension systems.

The World Bank has an Outcomes Based Assessment Framework for Private Pensions. It uses five outcomes to assess private pension systems. The MPF System does quite well for three outcomes - coverage, security, and sustainability.

The two outcomes that require catching up are adequacy and efficiency. We have implemented various initiatives in the past, but tonight I will only talk about a couple that we are focusing on right now.

The first one is Adequacy. The MPF mandatory contribution rates are set at a relatively low level. Contributions are further subject to the minimum and maximum relevant income levels. With these parameters, the MPF System is designed to provide basic retirement protection. MPFA encourages scheme members to make voluntary contributions for better retirement protection. To enhance the adequacy of the MPF System, an initiative in the pipeline is the provision of tax incentives for voluntary contributions. This was announced in the Budget Speech last year. The industry and MPFA have been working very closely in the past 12 months in this regard. Very soon, targeting 1 April, we hope the arrangements for tax deductible voluntary contributions will be implemented. This will be a positive development to encourage scheme members to save more for retirement, thus helping to strengthen the adequacy of the MPF System.

The second outcome we are seeking to improve is Efficiency. This is where eMPF will come into play. You probably know better than many others that the MPF System involves over 4 million scheme members. There are over 9 million MPF accounts and most transactions are paper-based. This large amount of manually-processed scheme administration work impacts on efficiency as well as the fee level of the MPF System.

To enhance the efficiency of the MPF System on this front, MPFA has been working closely with trustees over the past year or two on the eMPF project. eMPF will continue to be our key focus area in the next few years. eMPF will be a centralized platform that will reform the existing mode of MPF operations. We will apply the concept of smart administration to enable employers and scheme members to better manage their MPF at one stop. Enhanced user

experience will incentivize members to pay more attention to their MPF, thus promoting market competition. eMPF can also pave way for future reforms.

I have only highlighted two initiatives above. There are and will be many more in the years to come. As always, the success of the MPF System relies on the active involvement of all our stakeholders. To this end, I would like to call on your continued support and partnership. Let's keep working together to make the MPF System a retirement savings system that is valued by the people of Hong Kong.

On that note, I conclude my speech and wish you all a very enjoyable evening!

Thank you.