



Fireside Chat with Mr Cheng Yan-chee

Cheng Yan-chee
Chief Corporate Affairs Officer and Executive Director
Mandatory Provident Fund Schemes Authority
3 September 2019

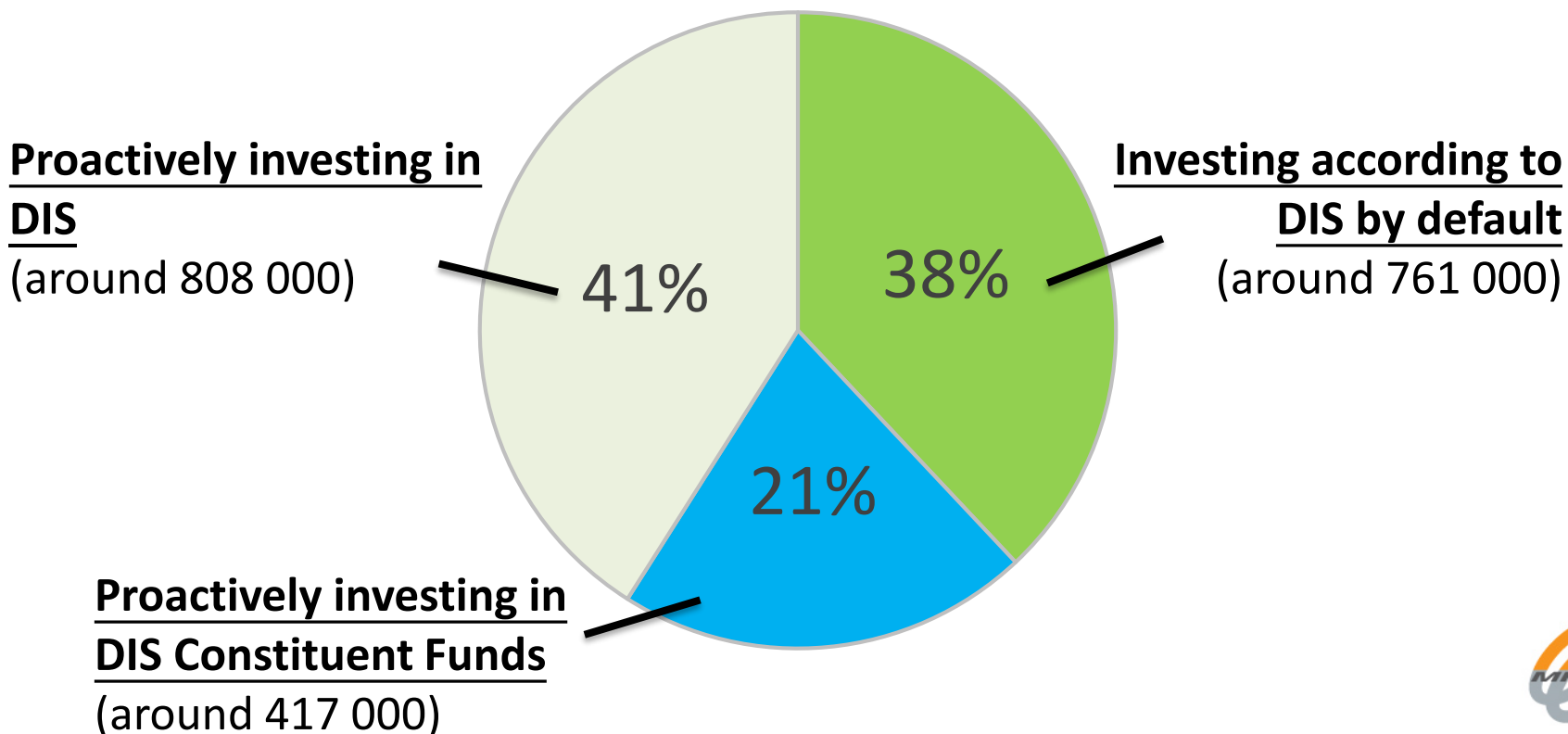


(1) Default Investment Strategy (DIS)

Number of Accounts Investing in DIS or DIS Constituent Funds

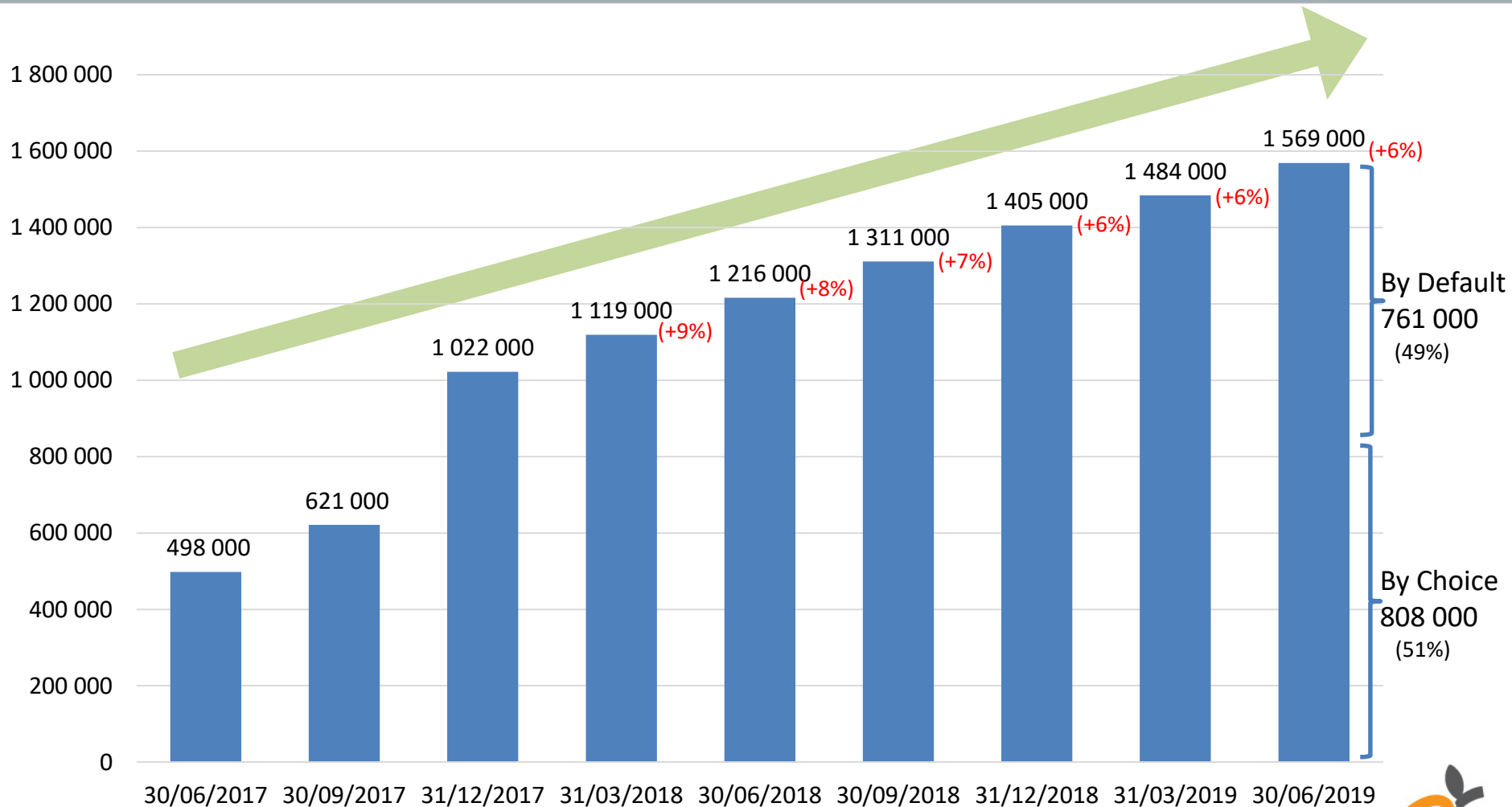
(as of 30 June 2019)

- around 1 986 000 accounts / 20% of all MPF accounts



(1) Default Investment Strategy (DIS)

Growth of Accounts Investing in DIS

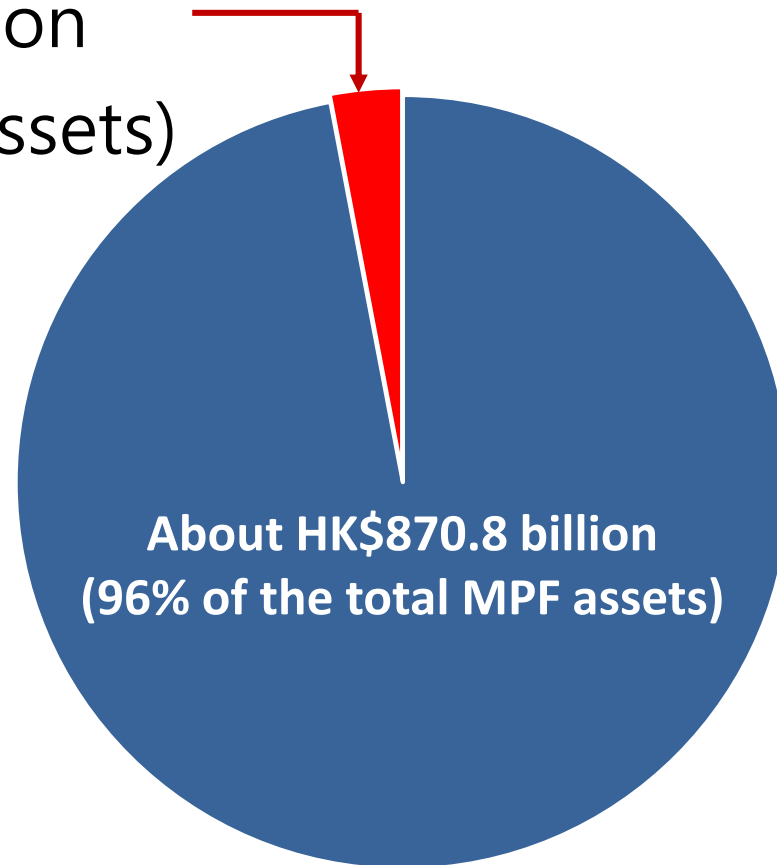


(1) Default Investment Strategy (DIS) As a Percentage of Aggregate Net Asset Value of All Constituent Funds

As of 30 June 2019

DIS Constituent Funds

- About HK\$39.3 billion
(4% of the total MPF assets)

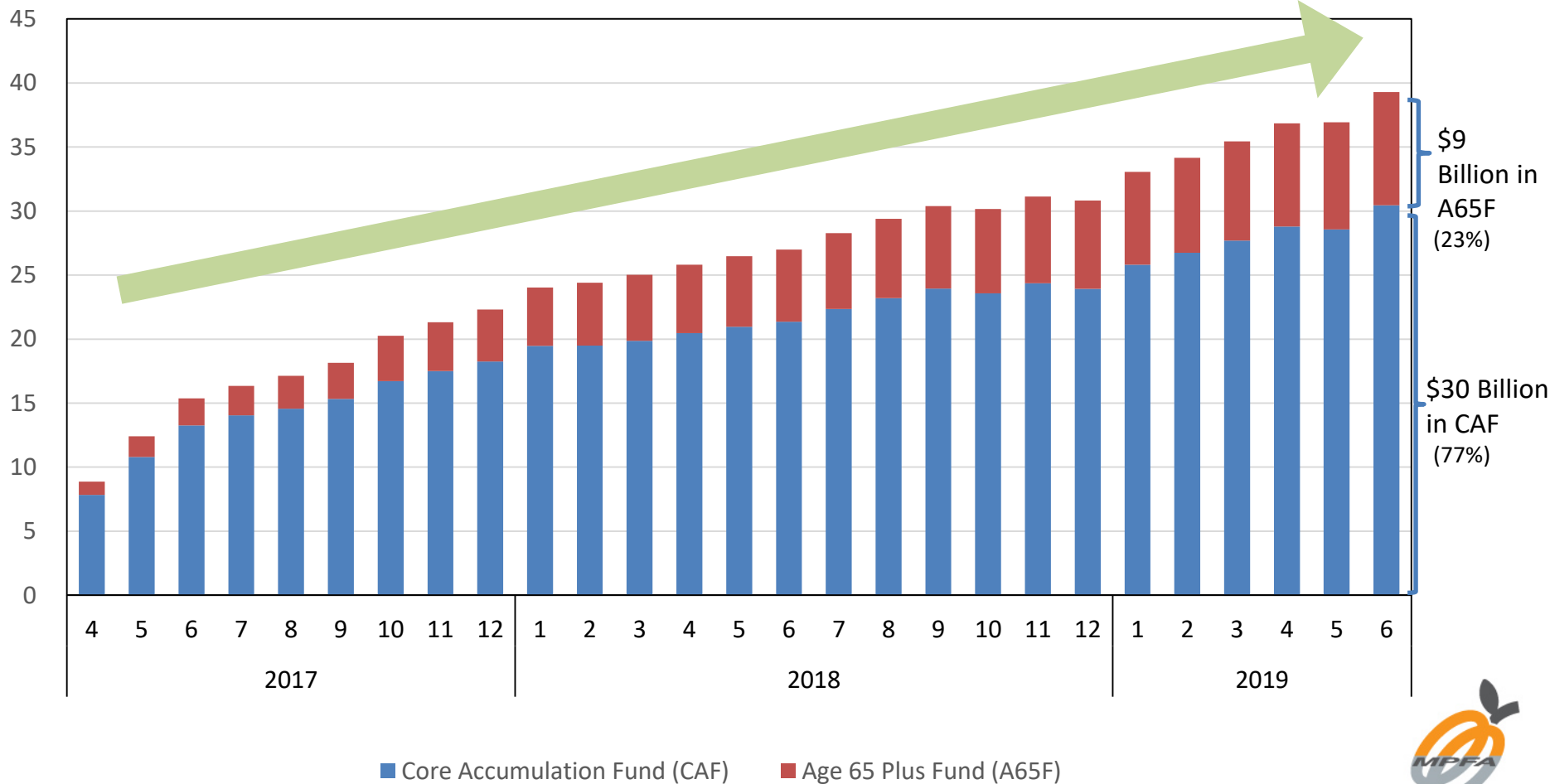


(1) Default Investment Strategy (DIS)

Growth of Net Asset Value of DIS Constituent Funds

Asset Value
HK\$ billion

DIS Funds Asset Value (Apr 2017 to Jun 2019)





(1) Default Investment Strategy (DIS)

Performance of DIS Funds

(1 Apr 2017 – 30 Jun 2019)

Annualized Return of DIS Funds		Annualized Return of Mixed Assets Funds
Core Accumulation Fund	5.8%	5.5% (with 61% - 80% equity)
		5.1% (with 41% - 60% equity)
Age 65 Plus Fund	3.9%	4% (with 21% to 40% equity)





(2) Post-retirement Products

- MPFA is looking to the fund industry to develop solutions for the accumulation and de-cumulation phases
- Phased withdrawal implemented, yet there is no investment product or strategy in the market
- Government initiatives : life annuity, tax deduction for MPF voluntary contributions (TVC) and qualified deferred annuities





(2) Post-retirement Products

- Industry working group to discuss the framework of development of retirement solutions
- MPFA to issue high level principles on the development of retirement solutions
- Investment Solutions Lab - for solution developer to submit proposal to the MPFA and receive feedback from the MPFA at an early stage of development
- Target to approve the 1st product by end of Q1 2020



(3) Review of Investment Restrictions

- ❑ The MPF investment regulation regime has been reviewed and updated regularly
- ❑ A major review was conducted in 2006 leading to a number of legislative changes
- ❑ Other changes : the introduction of DIS, the approval of index funds, REITS, new approved stock exchanges
- ❑ Many of the investment requirements are prescribed in the MPF legislation and changing those requirements mean changing the law – long process / require strong justifications





(3) Review of Investment Restrictions

- ❑ The current direction of MPFA is to focus more on the retirement outcomes and consider how the investment regulation regime may be changed to facilitate the achievement of those outcomes
- ❑ Investment Solutions Lab to work with the industry to consider products that may better meet the retirement outcomes desired by scheme members
- ❑ Some of the products may need to be supported by changes to the investment regulation regime and MPFA is prepared to consider the necessary legislative amendments



(4) Solve for Today, Plan for Tomorrow

Solve for Today

- The World Bank's Outcomes Based Assessment Framework for Private Pensions
 - ✓ MPF System is doing quite well on coverage, security, and sustainability
 - ✓ Adequacy and efficiency require catching-up



(4) Solve for Today, Plan for Tomorrow

Solve for Today

- Initiatives have been implemented to improve adequacy and efficiency:
 - ✓ streamlining and simplifying MPF scheme administration (e.g. simplified contribution calculation for Industry Schemes)
 - ✓ enhancing disclosure (e.g. offering document showing fee breakdown)
 - ✓ providing decision-making tools for scheme members to increase market competition (e.g. online MPF Fund Platform & Employee Choice Arrangement)
 - ✓ launching better solutions for retirement savings purposes (e.g. DIS)
 - ✓ working with trustees to merge less efficient schemes and funds (38 schemes were merged into 14 schemes)
 - ✓ encouraging the making of voluntary contributions by scheme members (e.g. TVC)
 - Over 15,500 TVC accounts have been opened (as at 31 July 2019);
 - \$274 million of TVC received, equivalent to 1.1% of total contributions received in 2019-20 (as at 31 July 2019)





(4) Solve for Today, Plan for Tomorrow

Plan for Tomorrow

- eMPF platform will be our key focus area in the next few years, with the following impacts:
 - ✓ Higher operational efficiency and lower overhead costs for trustees
 - ✓ Level the playing field for current and prospective fund managers who wish to sponsor and launch cost-efficient MPF schemes
 - ✓ Greater transparency of MPF, greater competition and ultimately fee reduction
 - ✓ Better user experience, and more active management of MPF accounts by members
 - ✓ Pave way for future reforms of MPF System



(4) Solve for Today, Plan for Tomorrow

MPFA's Vision

**“To build a retirement savings system that is valued
by Hong Kong people”**