

Private and Confidential

26 September 2014

Mr Darren McShane
Chief Regulation and Policy Officer & Executive Director
The Mandatory Provident Fund Schemes Authority
Level 16, International Commerce Centre
1 Austin Road West
Kowloon

Dear Mr McShane,

With reference to MPFA's consultation on its proposed Core Fund, the (Group) would like to provide comments which incorporate opinion from the Group's MPF members and employers.

In view of the importance and impact of MPFA's proposal, the Group has conducted internal surveys to collect MPF members' and employers' views. Our survey results reveal that both the MPF members and employers support the establishment of a Core Fund as a standardized and low fee default fund for all MPF schemes. The survey results are summarized below.

Establishment of the Core Fund

Our Group agrees, in principle, to:

- (1) the introduction of a Core Fund,
- (2) have the same default fund in all MPF schemes,
- (3) have the Core Fund to be based on the standardized default fund,
- (4) use target-date-approach or life-cycle-approach,
- (5) keep the fee at or below 0.75%,
- (6) keep the Fund Expense Ratio ("FER") at or below 1%,
- (7) standardize the name of the Core Fund/default fund in all MPF schemes, while "MPF Default Investment Fund" is the preferred name due to its self-explanatory and easy-to-understand nature.

Nevertheless, both our MPF members and employers clearly express that the fee should ideally be set at or below 0.5% at the initial stage and should be trimmed further in the future upon regular reviews; while FER should be lower than 1%.

Consistency in all aspects of the default fund, including investment arrangement and fund name, in all schemes is no doubt very important to provide clarity to members.

Investment of the Core Fund

Regarding detailed investment strategies and fund design, the majority of our MPF members and employers find these matters technical which are beyond their ability to comment. They therefore do not have views on paragraph 48 and other investment centric paragraphs of the Consultation Paper.

Target-date-approach or life-cycle-approach

Members who invest in the Core Fund should be given the choice to opt out from the pre-set de-risking scale and to choose their preferred age-related asset allocation, regardless of their actual age seniority simply because of the Core Fund's cost effectiveness. For example, a 60-year old member could choose to have the asset allocation set for a 40-year old member, as per his risk appetite and decision.

Implementation/transition

Our Group agrees with the proposal in paragraphs 78, 79 and 81 of the Consultation Paper.

Ownership of the Core Fund

Most importantly, in order to be impartial to all stakeholders, the Core Fund should be established and managed by a non-profit making governmental organization, such as the Hong Kong Monetary Authority which has the expertise and experience in asset management.

We hope the above would be taken into account in the establishment of the Core Fund.

Should you have any questions, please do not hesitate to contact me.

Yours sincerely,