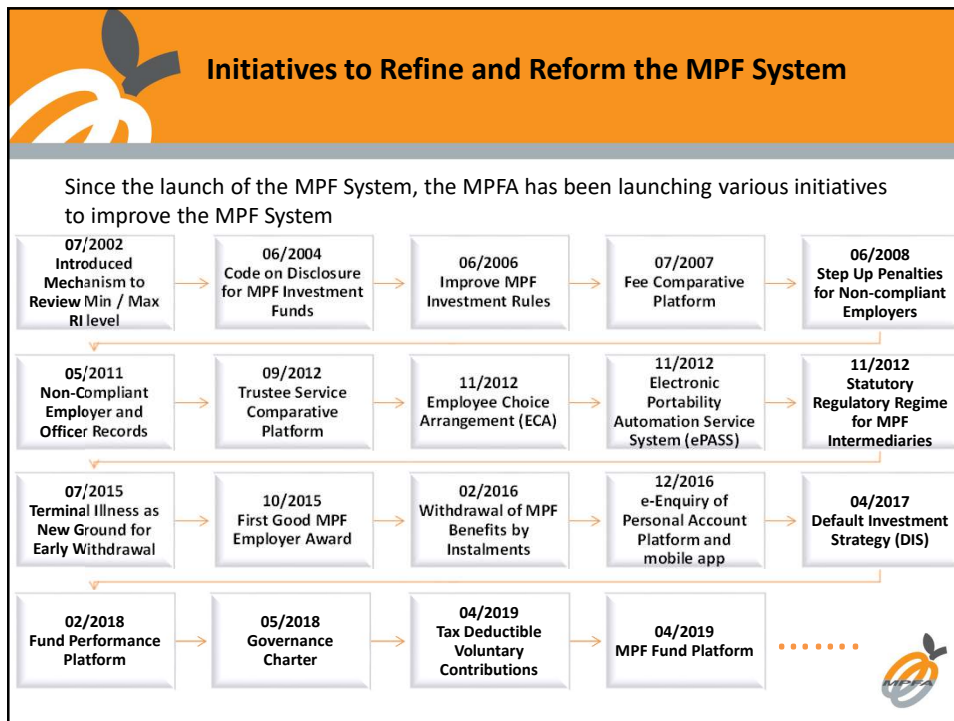


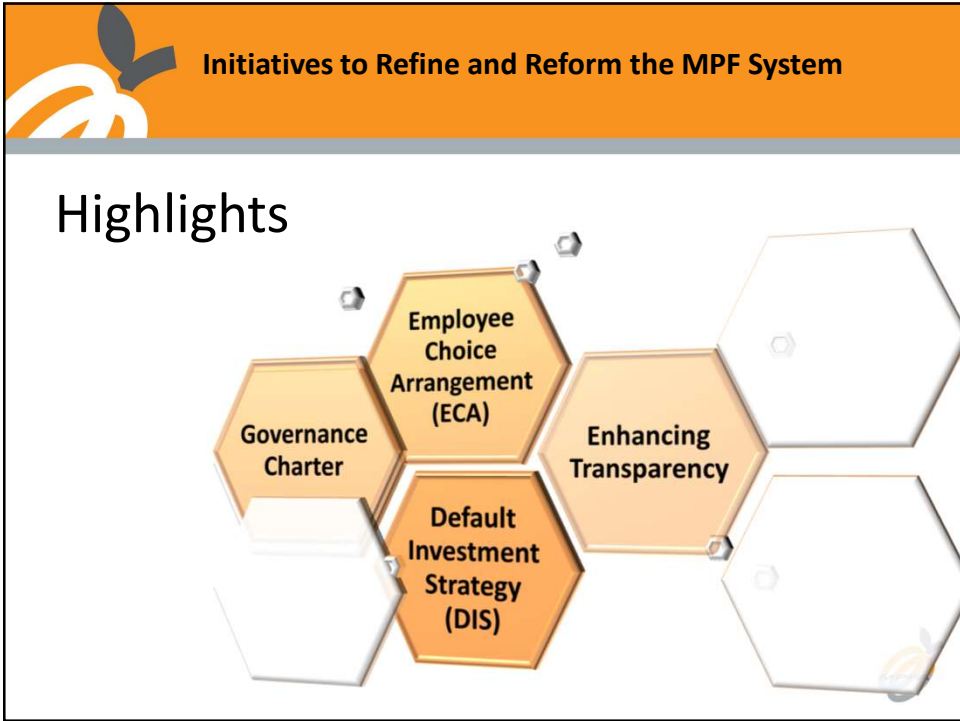
# Embracing a New Era of MPF

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

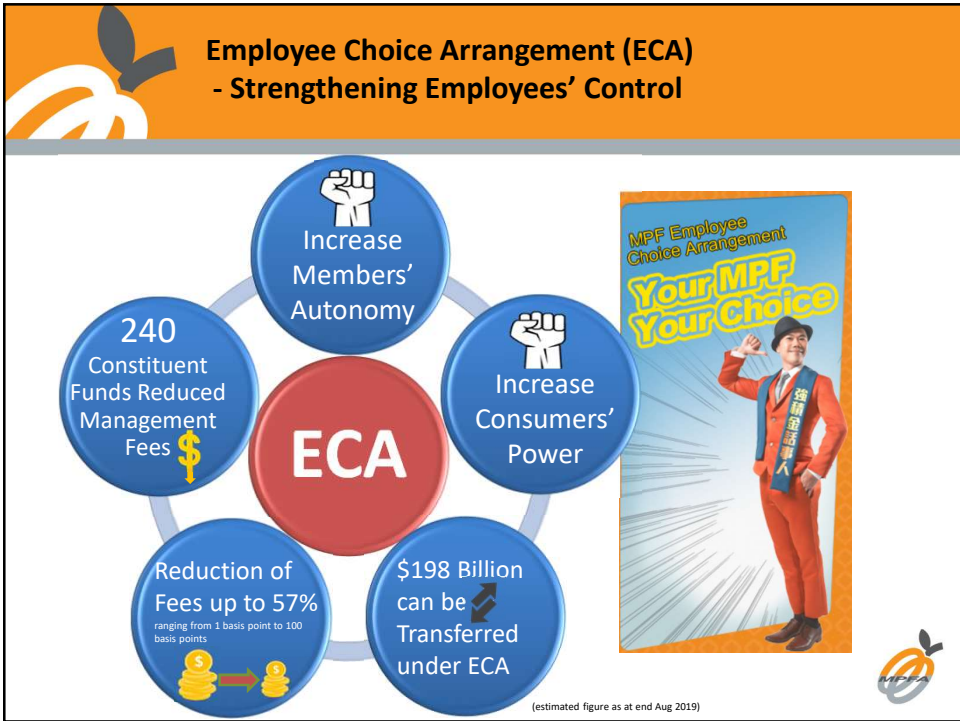
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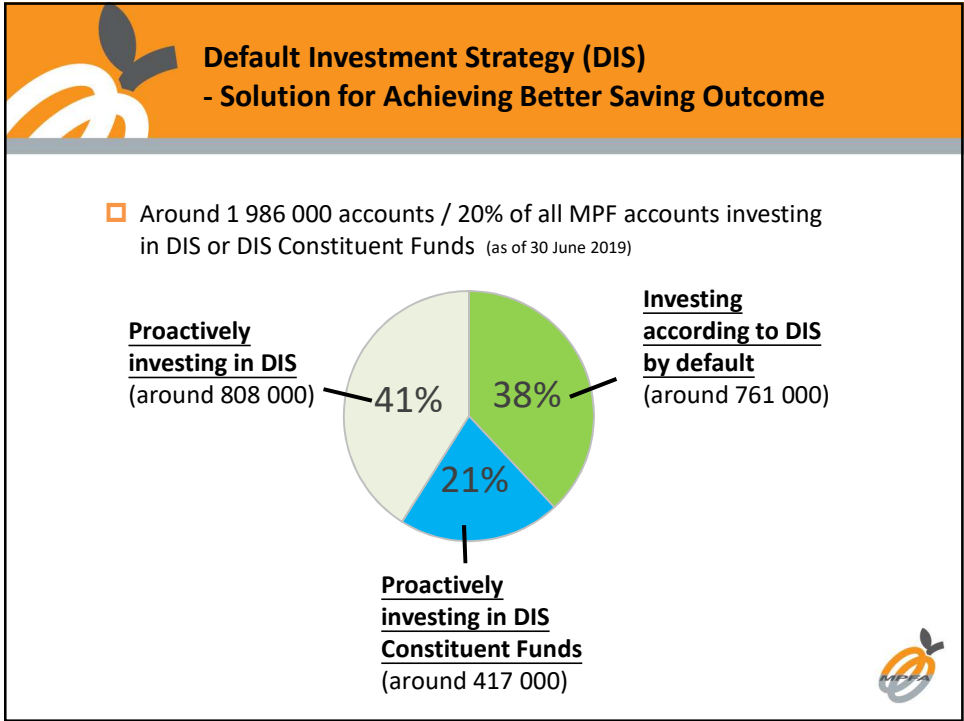
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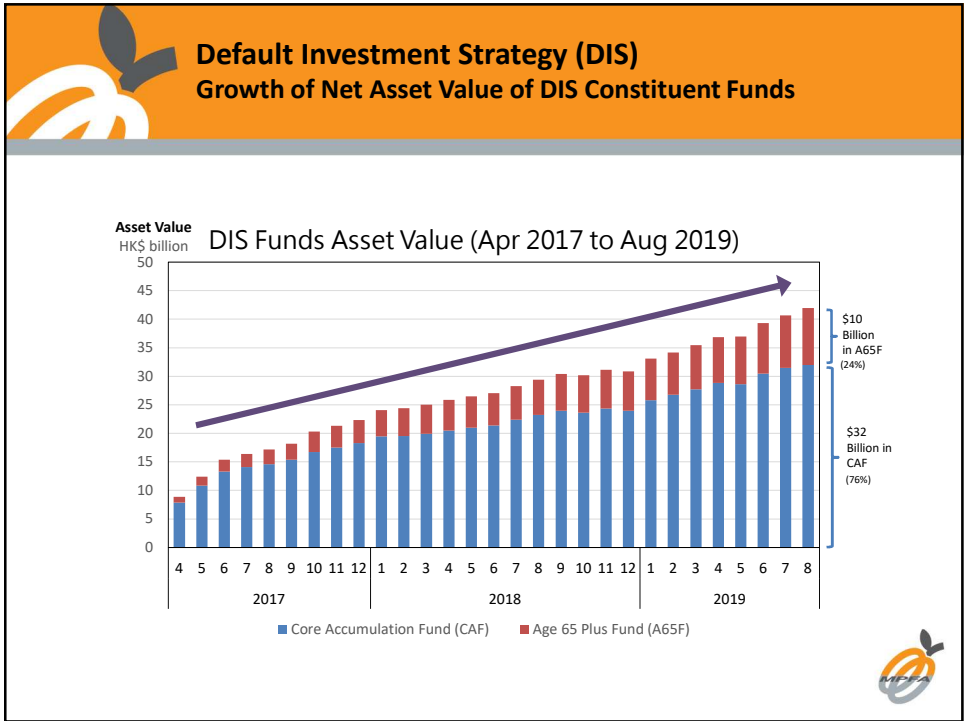
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6




## Default Investment Strategy (DIS) Reduction of Management Fees


Since the passage of the DIS legislation in May 2016:

- management fees of 140 constituent funds have been reduced
- reduction of fees up to 55% ranging from 1 basis point to 91 basis points

(as at 30 September 2019)




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## Governance of MPF Trustees

- **Objective**
  - Promote a high standard of governance amongst all the MPF trustees with a view to delivering a better value for money MPF system to all its members
- **Fiduciary obligation of MPF trustees**
  - Putting members' interest first
  - Exercise due care, skill, diligence and prudence
  - Diversified investments and avoidance of losses
  - Exercise proper control over all service providers appointed



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## Governance Charter for MPF Trustees

Pledging by all MPF trustees on 24 May 2018



- **V**alue for money MPF schemes and services
- **A**ct in the best interests of members
- **L**ift governance standards
- **U**nderstand and respond to members' needs
- **E**ngage members through transparency and communications
- **S**erve with honesty and integrity



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## Enhancing Transparency

- **Code on Disclosure for MPF Investment Funds was issued in 2004**
  - increase transparency and facilitate comparison of fees charged by different MPF funds
  - standardized fee tables and disclosure of fees, charges and performance
- **A Fund Expense Ratio (FER) was launched in 2007**
  - a comparable measure of the total level of expenses incurred in investing through a fund, including the costs incurred at the lower level collective investment schemes

**Members can make better informed choices**



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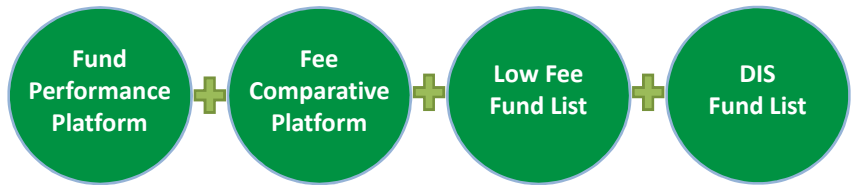
# Enhancing Transparency (Con't)

Launched in April 2019



11

# One-stop MPF Fund Platform



MPF Fund Platform

**Fund Information Table** - This table allows you to view the key information of MPF funds at a glance.

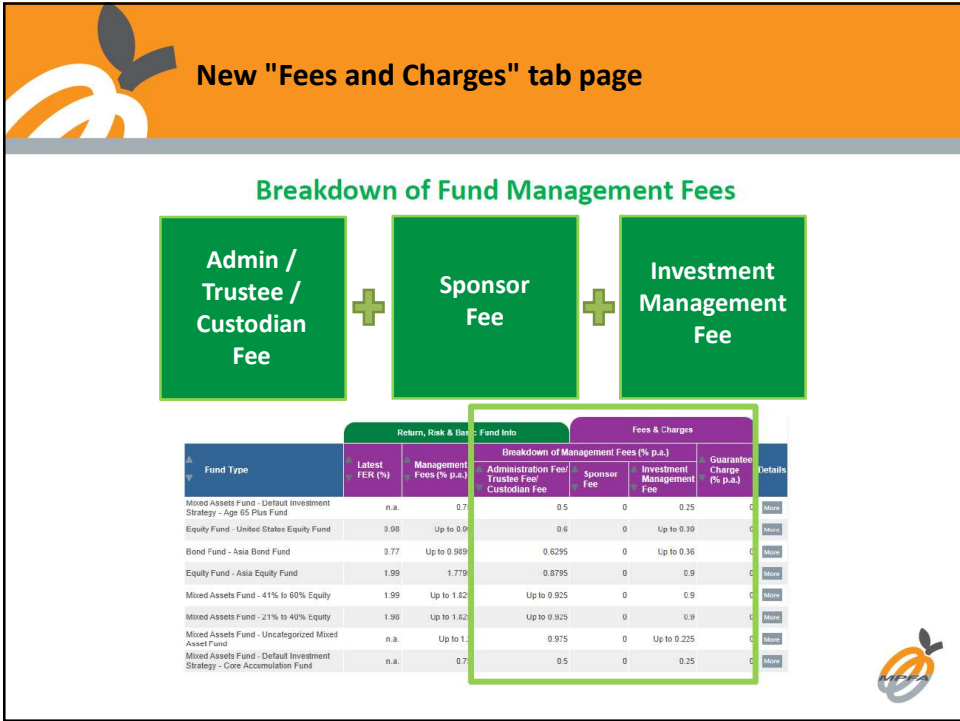
Filter options: Fund Type, Fund Category, Trustees, Schemes.

Total number of constituent funds selected: 429 (comprising of 514 fund classes) / Average FEE = 1.52% / Median risk indicator = 8.93%

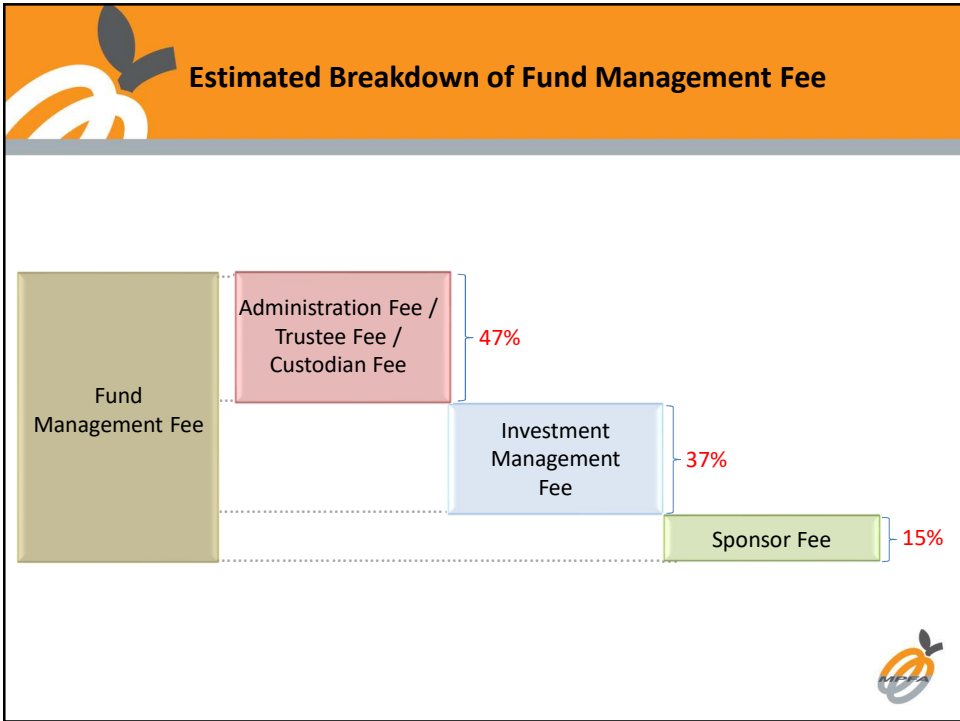
Latest information as of 31 Mar 2019

Scheme	Constituent Fund	MPF Trustee	Fund Type	Returns, Risk & Fees Fund Info			Fees & Charges				Details	
				Latest Date	Fund Size (HK\$ M)	Latest Risk Indicator (%)	Latest FEE (%)	1 Year	5 Year	10 Year		Max Accumulation (p.a.)
ASIA MPF - PruAm Value Choice	Age 65 Plan Fund	AIA	Mixed Assets Fund - Default Investment Strategy - Age 65 Plan Fund	01-04-2017	523.97	6.4	6.4	2.35	6.4	6.4	2.35	View
ASIA MPF - PruAm Value Choice	American Fund	AIA	Equity Fund - United States Equity Fund	23-09-2011	564.57	11.40	8.85	3.32	7.40	6.4	9.40	View
ASIA MPF - PruAm Value Choice	Asian Bond Fund	AIA	Bond Fund - Asia Bond Fund	23-09-2011	1,082.22	4.03	6.77	1.74	1.59	6.4	1.40	View
ASIA MPF - PruAm Value Choice	Asian Equity Fund	AIA	Equity Fund - Asia Equity Fund	01-10-2004	4,100.06	15.20	1.95	-0.94	2.45	6.36	6.94	View
ASIA MPF - PruAm Value Choice	Balanced Portfolio	AIA	Mixed Assets Fund - 40% to 60% Equity	01-10-2009	5,700.05	8.00	6.99	-2.91	2.31	6.23	4.11	View

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# Overall Performance of MPF System




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## Performance of MPF System against International Benchmark

World Bank's Outcome-Based Assessment Framework (2016)	Performance of MPF System
Coverage	
Sustainability	
Security	
Adequacy	
Efficiency	


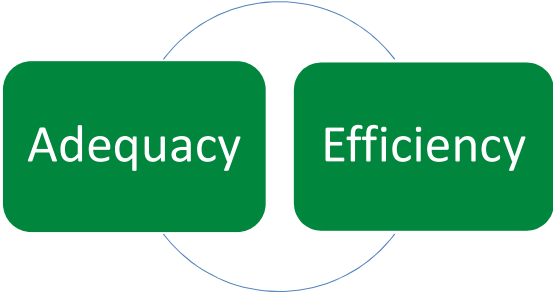


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## Major Challenges of MPF System



The slide features an orange header with a stylized orange logo on the left. The main content area is white and contains two green rounded rectangular boxes, one labeled 'Adequacy' and one labeled 'Efficiency', positioned side-by-side. A thin blue circle is drawn around both boxes, connecting them. In the bottom right corner, there is a small version of the stylized orange logo.

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## A New Era of MPF to Address the Major Challenges




The slide features an orange header with a stylized orange logo on the left. The main content area is white and contains the text 'A New Era of MPF' in bold black font, followed by 'to Address the Major Challenges' in bold blue font. In the bottom right corner, there is a small version of the stylized orange logo.


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## (I) Tax Deductible Voluntary Contributions (TVC)




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### TVC - 3 Major Features

Encourage more contributions on a voluntary basis **effective** from assessment year **2019-20**

- 1 Convenient**  
Open a TVC account in any MPF scheme which offers TVC  
Trustees will provide contribution summaries to facilitate filing of tax returns
- 2 Flexible**  
No fixed frequency or fixed amount of contributions
- 3 Simple**  
TVC account holders can transfer balance to another TVC account of an MPF scheme at any time




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## TVC - How it works

<b>Benefits</b>	TVC are <b>tax-deductible</b> , cap <b>\$60,000</b> per year Applies to <b>salaries tax</b> and personal assessment (aggregate limit for TVC and deferred annuity policies)
<b>Who can make TVC</b>	Members of <b>MPF</b> schemes and <b>MPF exempted ORSO</b> schemes
<b>How to make TVC</b>	Open a <b>TVC account</b> in an MPF scheme that offers TVC Make contributions directly to the TVC account (instead of contribution or personal account)
<b>Investment</b>	<b>Same fund choices</b> offered by the scheme Invest in DIS if no investment instruction given
<b>Withdrawal</b>	TVC can only be withdrawn at <b>age 65</b> (or on other statutory grounds)

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## TVC - Some Statistics

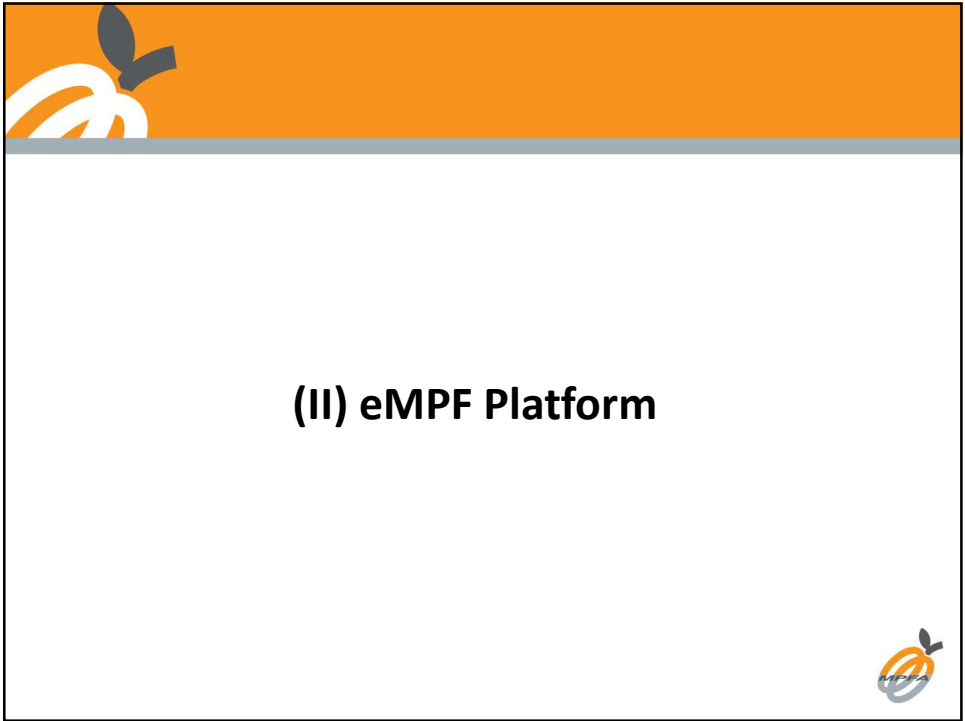
	Number of TVC accounts as at end of the month (cumulative)	Amount of TVC received in 2019-20 (HK\$ million) (cumulative)
April 2019	3 428	\$19.27
August 2019	17 436 ( ↑ 4 times)	\$372.07* ( ↑ 18 times)

(as at 31 August 2019)

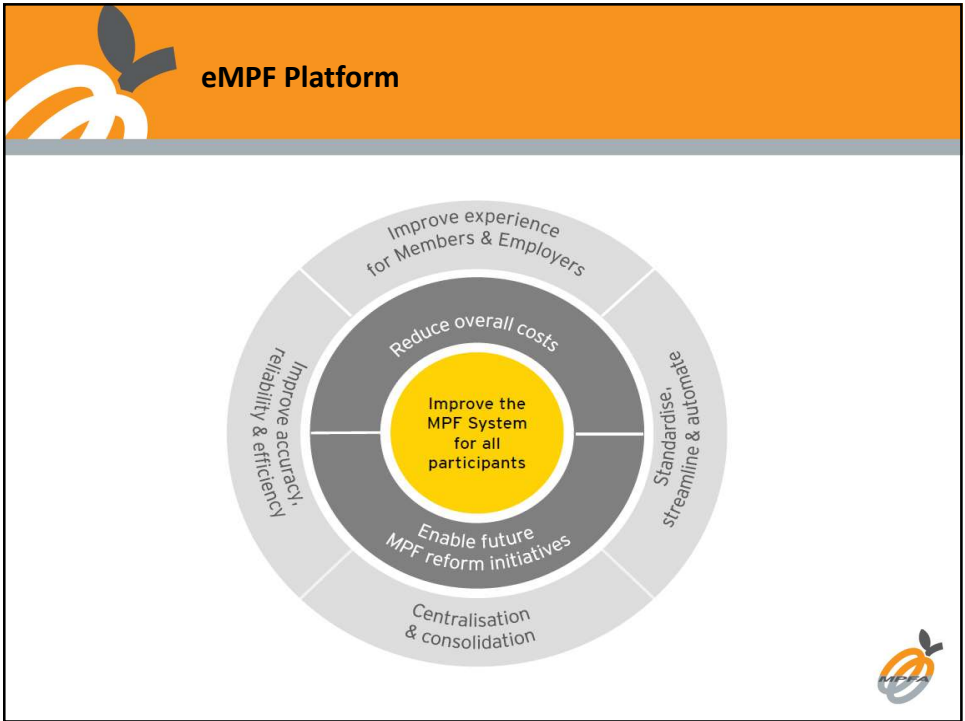
\*HK \$372 million of TVC received is equivalent to 1.2% of total contributions received in 2019-20 as at 31 August 2019



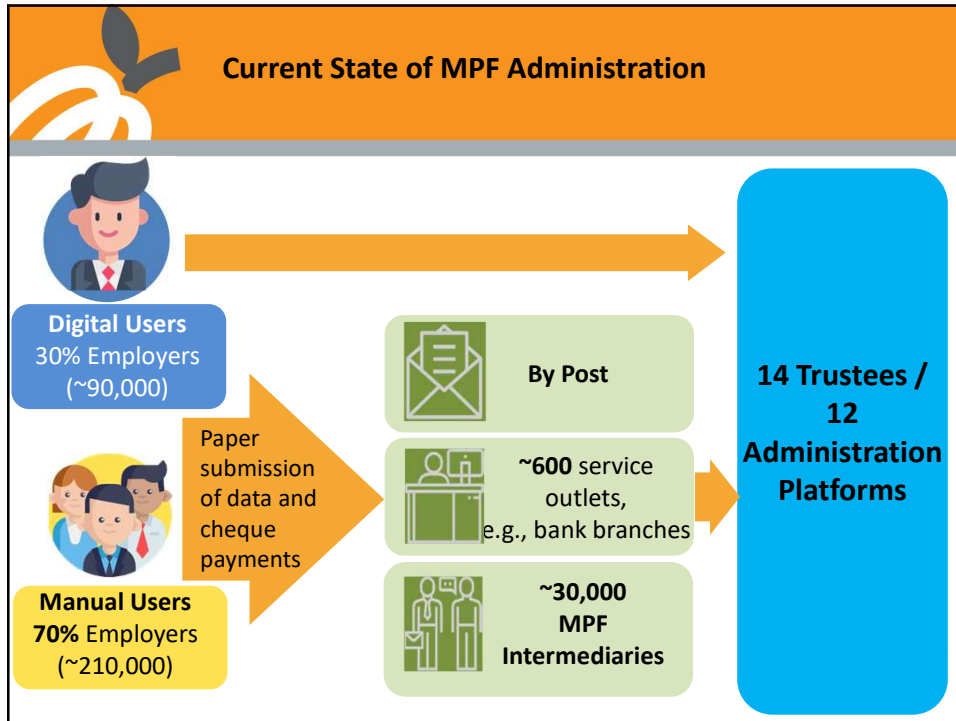
22



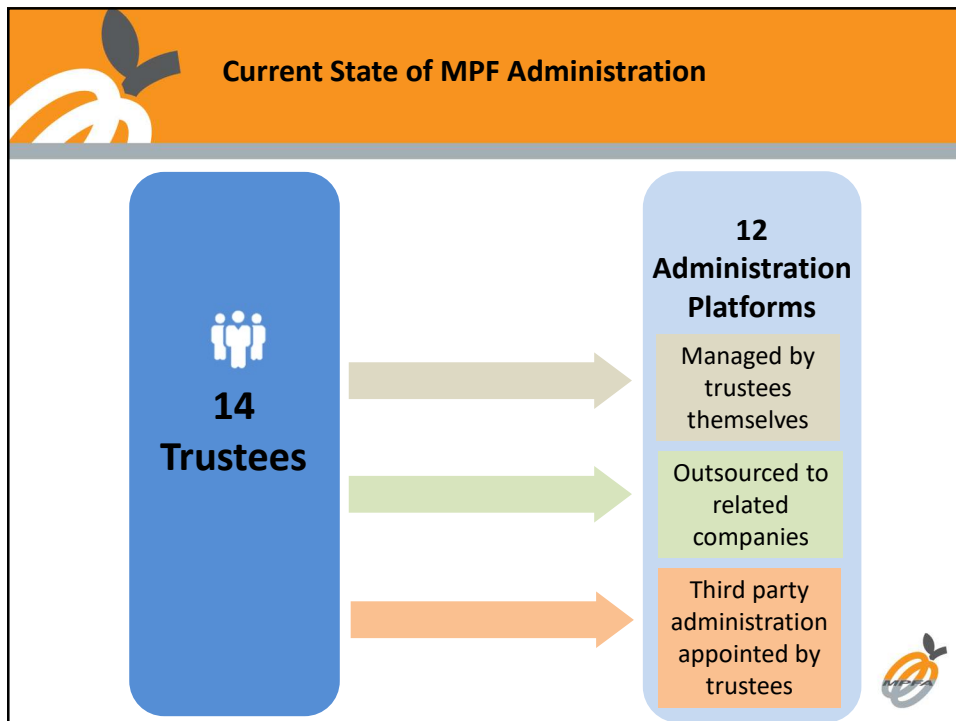
23



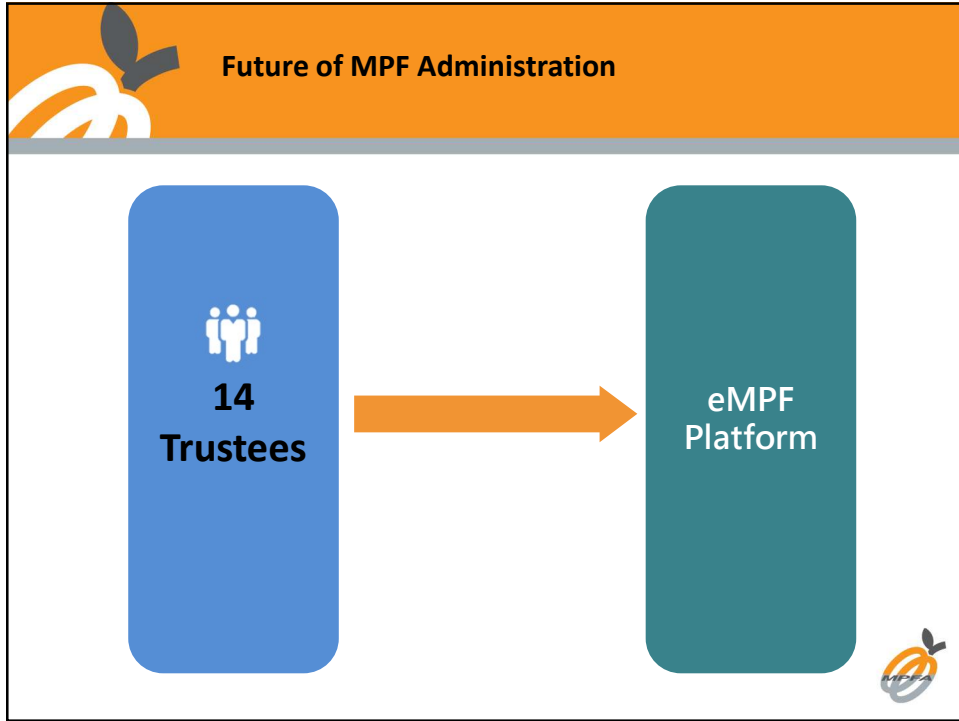
24



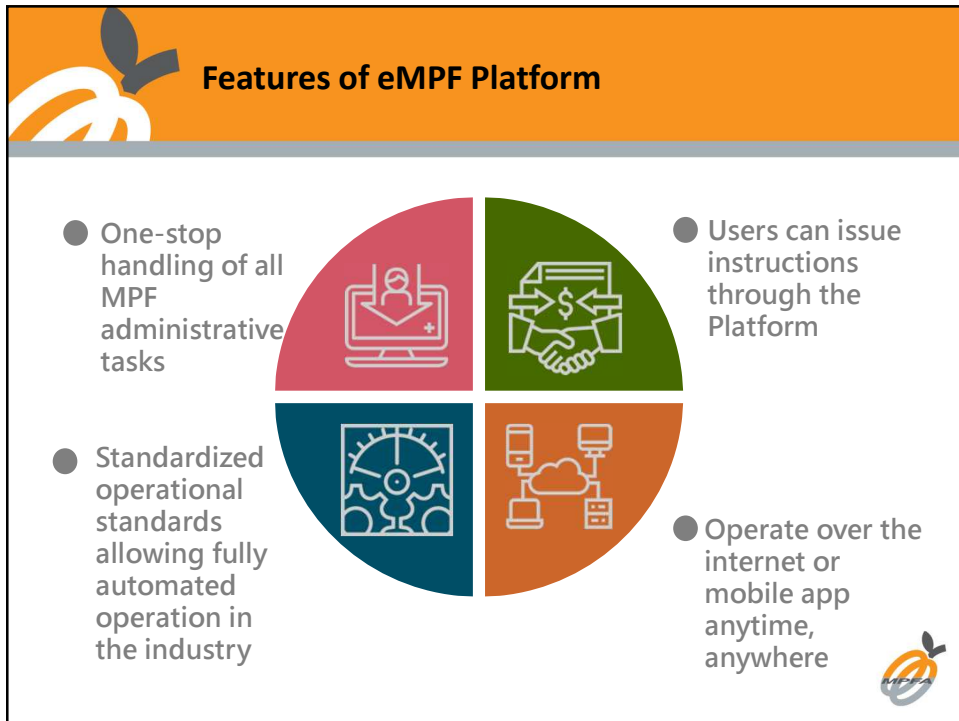
25



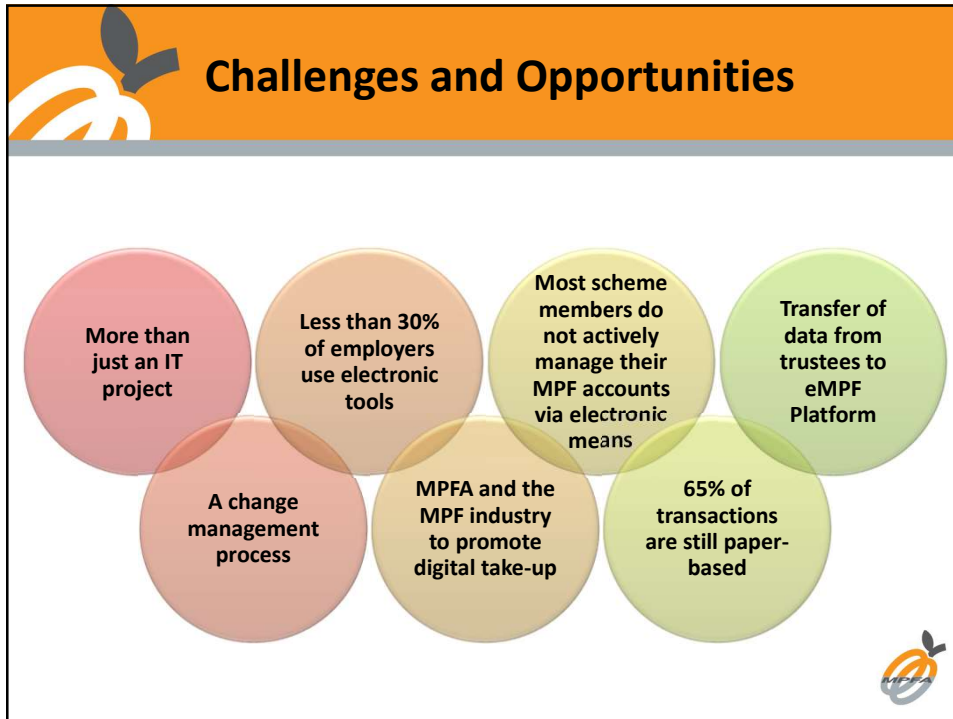
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**Development Roadmap**

Year	Milestone
2019	Request for proposal, tendering exercise
2020	Tender award System design and development
2021	Submission of legislative amendment proposal to LegCo to streamline administration workflows and reduce regulatory burden, etc.
2022	Completion of eMPF Platform


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## (III) Fees & Performance




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Fees

- To review DIS fee caps




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## Retirement Solutions

- ❑ MPFA is looking to the 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




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## Investment Solutions Lab


- ❑ 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 1<sup>st</sup> product by Q1 2020



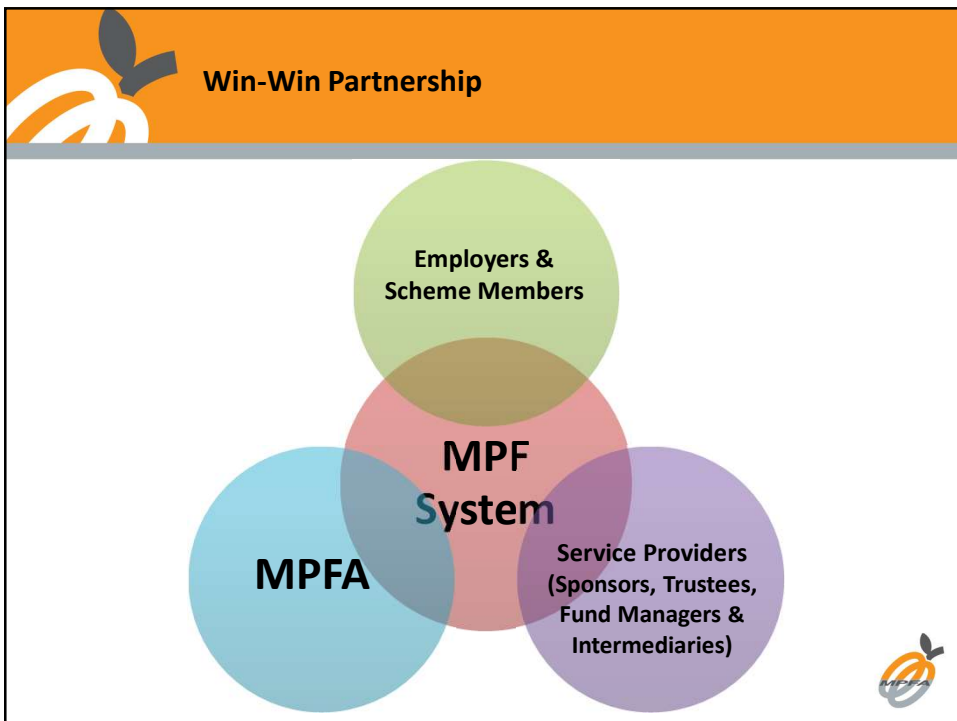
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 **Transparency**


- Standardized dashboard on account information
- Improve readability of annual benefit statement
- Present annual cost in dollar amount
- Simplify disclosure at enrolment



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## MPFA's Vision

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



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## MPFA Facebook Corporate Fan Page



<http://www.facebook.com/mpfa.hk>



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