

HKRSA Christmas Luncheon 2024

MPF System: Silver Jubilee on the Horizon

Cheng Yan-chee
Managing Director
Mandatory Provident Fund Schemes Authority



3 December 2024



MPF System

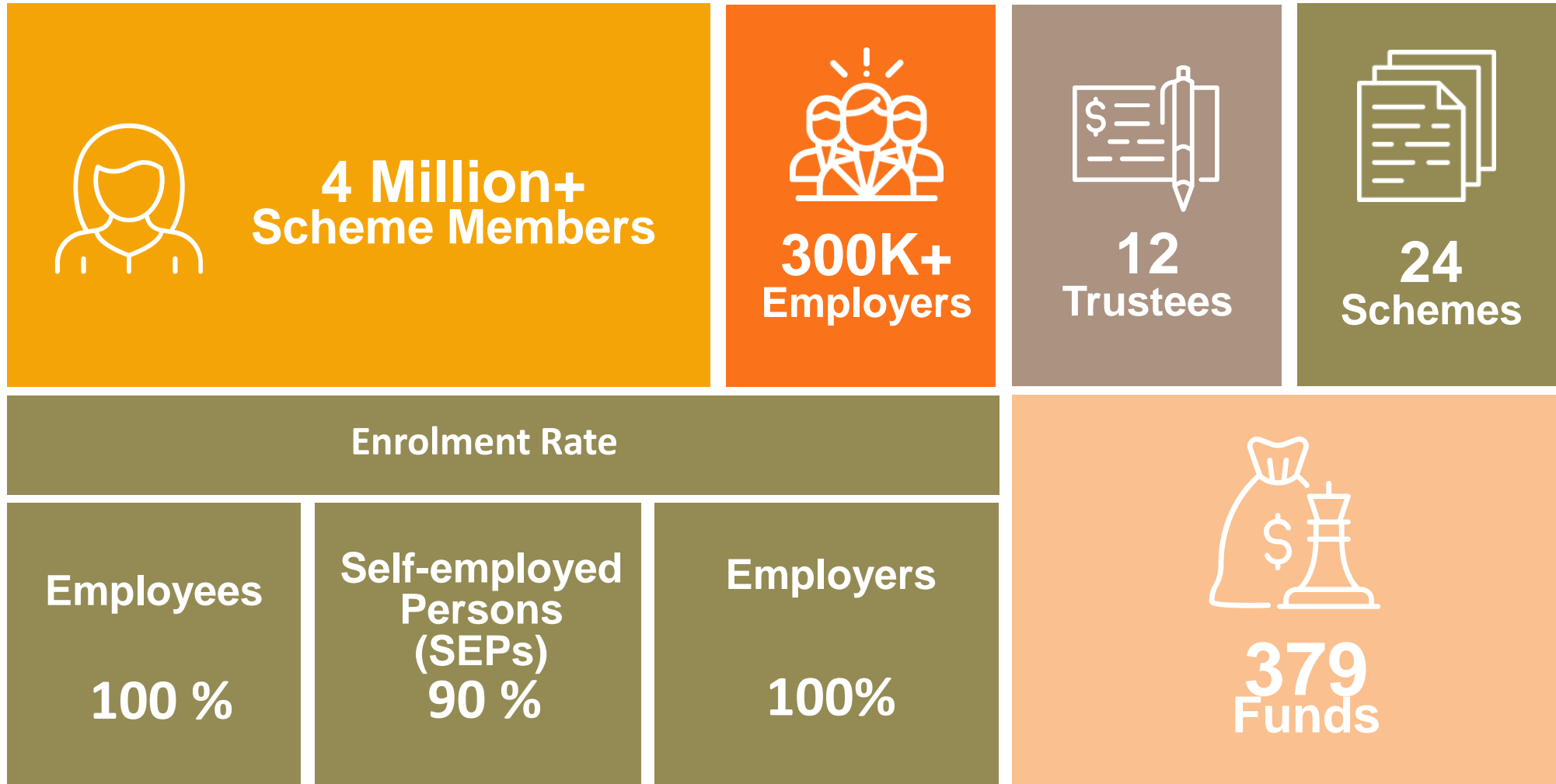
1 Dec 2024 :

- **Marks 24th Anniversary**
- **Enters 25th year of operation**





MPF System at a glance



(as at end Sep 2024)

World Bank's outcome-based assessment framework for private pensions



Coverage



Sustainability



Security

Excellent Performance



Efficiency



Adequacy

Good Progress being Made

Roles of MPFA



**Industry
Regulator**



**Scheme
Members'
Protector**



**Law
Enforcer**



**Reforms
Advocate**



**eMPF
Platform
Overseer**



強積金 為民所有 為民所享

MPF of the People for the People





Initiatives to facilitate the growth of retirement savings

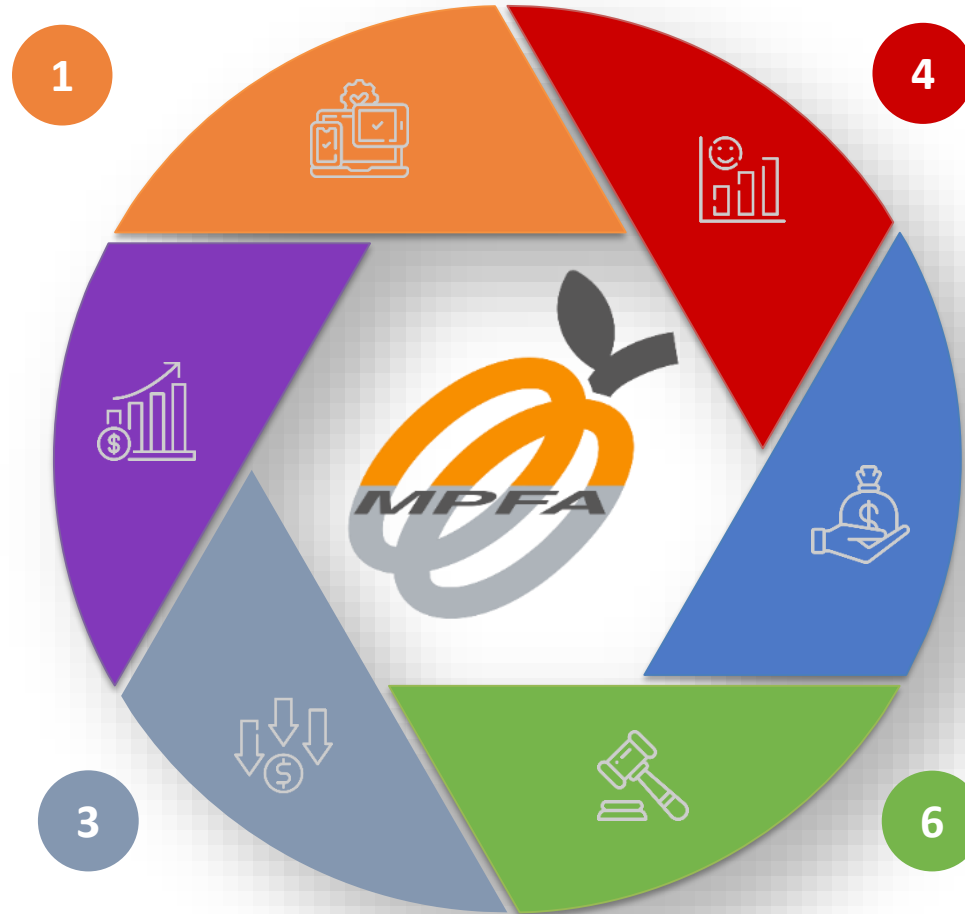


Six major initiatives to facilitate the growth of retirement savings

eMPF
積金易

2 Improving returns

3 Lowering fees



4 Reviewing Min/Max RI levels

5 Encouraging voluntary contributions

6 Abolition of MPF offsetting arrangement & implementation of “full portability”



1

e'MPF 積金易



eMPF Platform as a pioneer

A ground-breaking FinTech project in Hong Kong

One of the initiatives in the Smart City Blueprint for Hong Kong

A pioneer among privately managed pension schemes worldwide in digitalization of pension administration

A massive system with very limited experience to draw upon for its implementation



Greater Efficiency & Accuracy



Lower MPF Fees



Better User Experience



Greener Earth



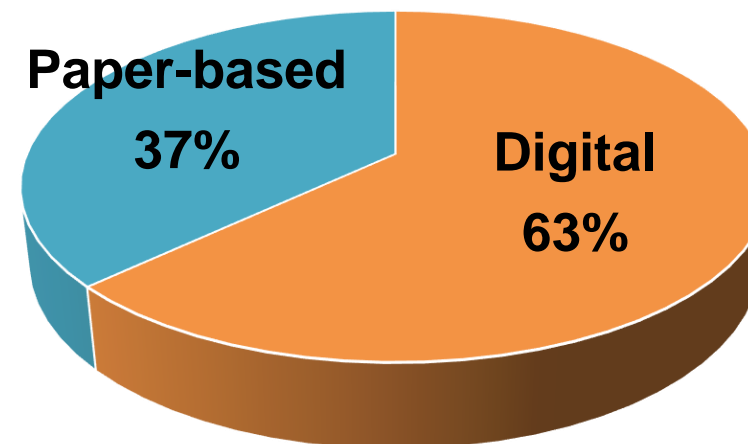
Current status of the eMPF Platform

✓ 5 MPF schemes have successfully migrated their MPF account data onto the eMPF Platform

Usage of the eMPF Platform in the first five months

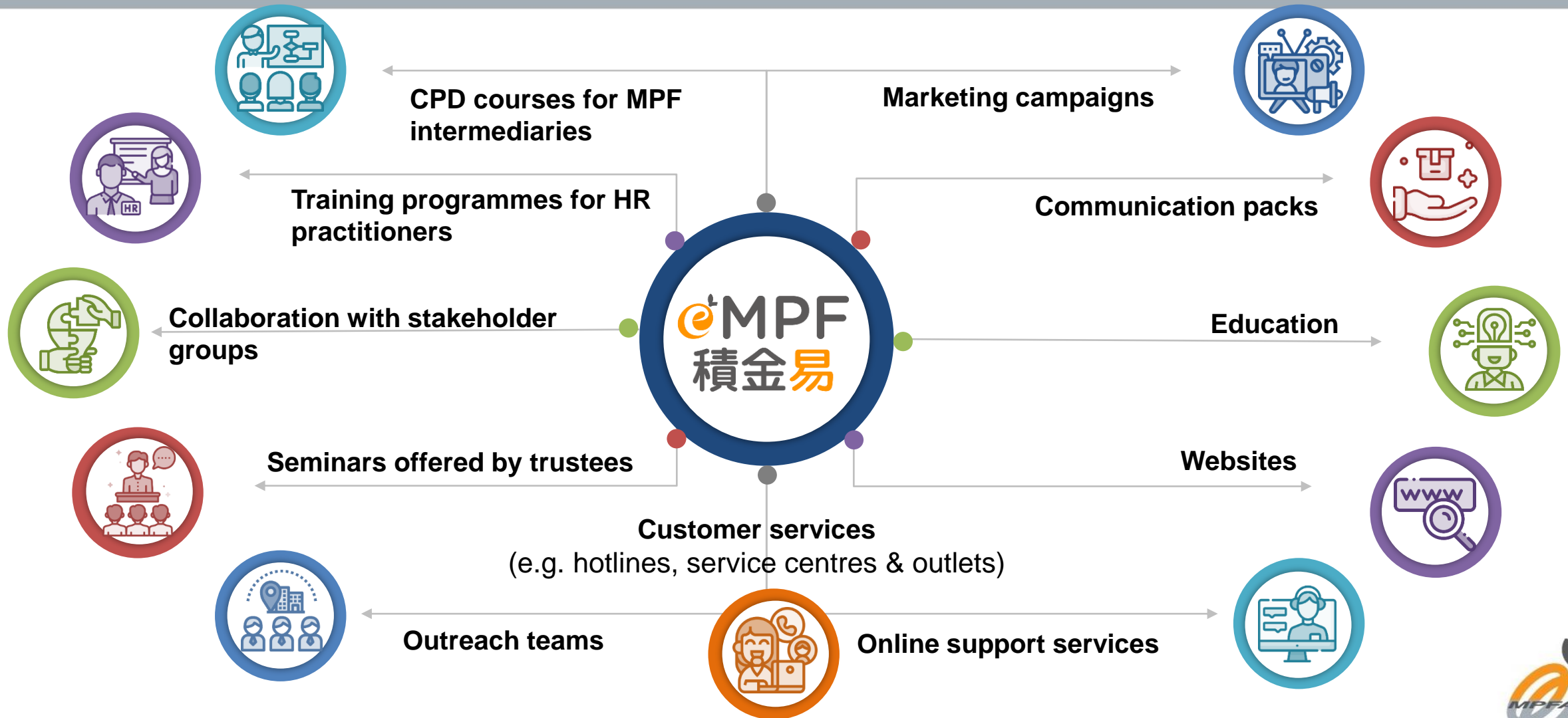
Cumulative downloads of the mobile app	>117,000
Number of registered users	>84,000
Cumulative number of logins	>187,000

Methods of handling administrative instructions via the eMPF Platform



(as at 1 Dec 2024)

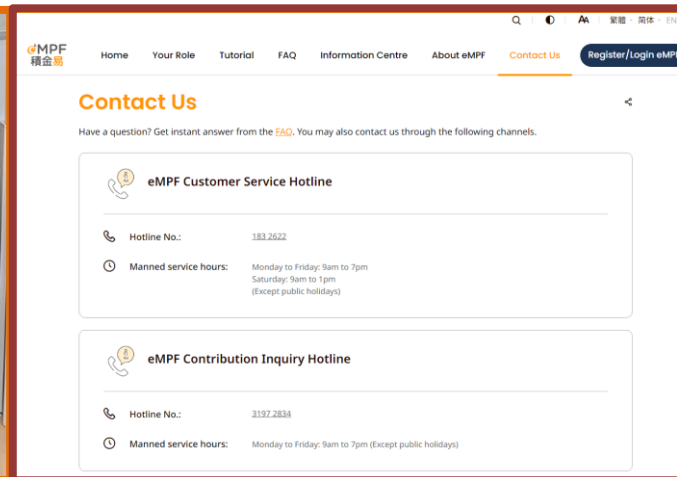
Publicity, education & stakeholder engagement campaigns



Various types of customer services



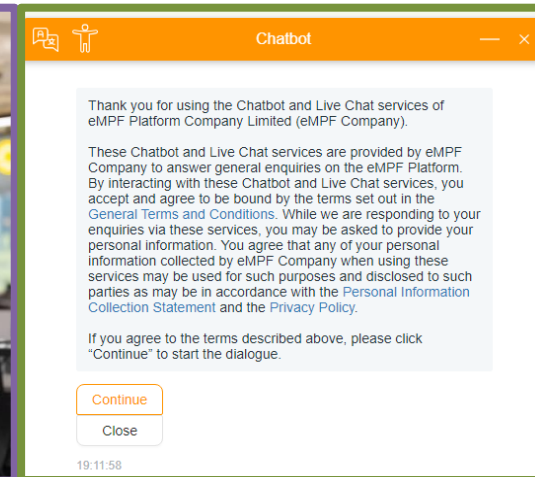
- **Service centres & outlets**



- **Customer services hotline**
- **Contribution inquiry hotline**



- **Outreach teams**



- **Online support services**



Collaboration with stakeholders



• Labour unions



• LegCo Members



• District bodies



• Ethnic minorities



• Employer groups



• Catering workers



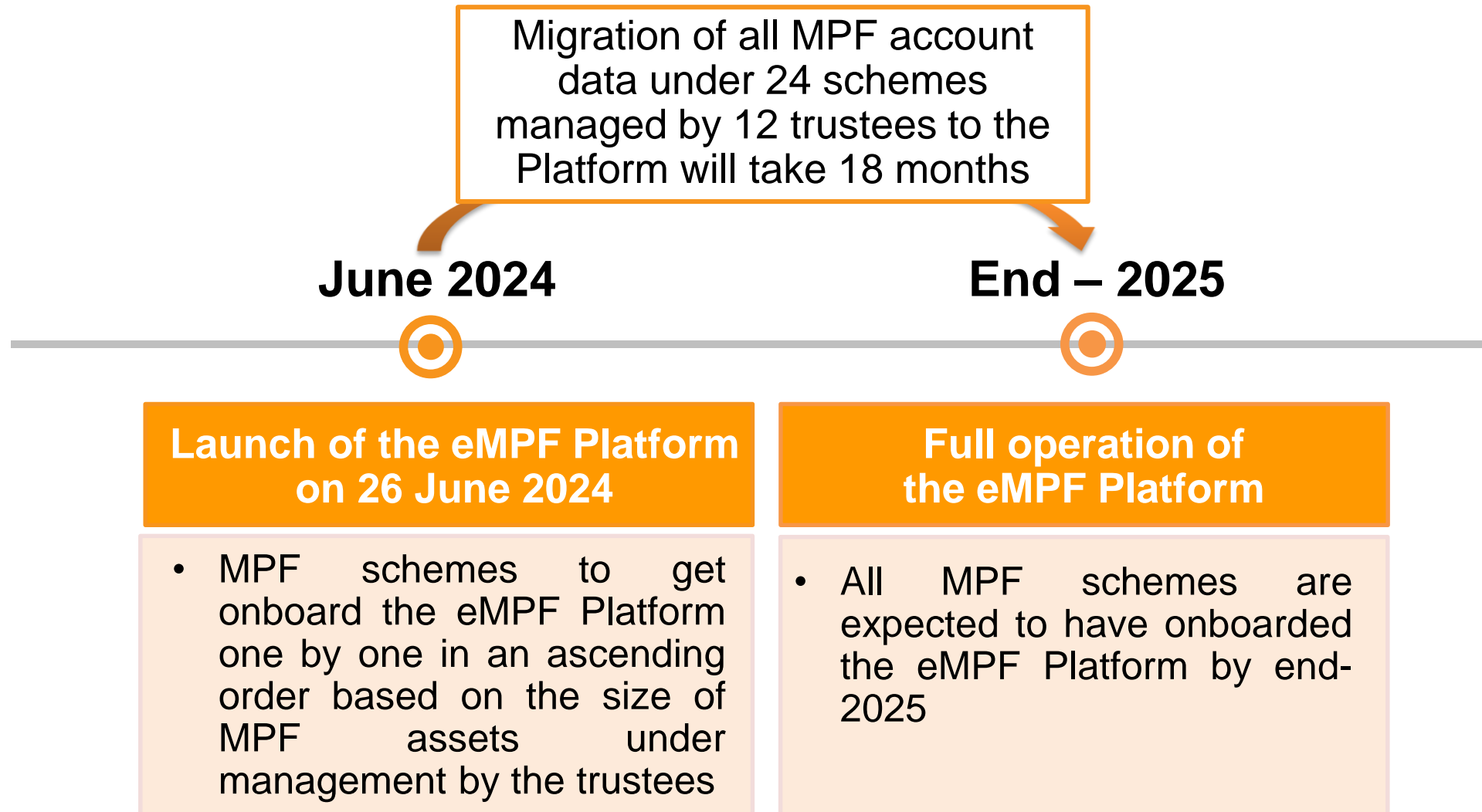
• Cleaning workers



• NGOs



Timeline of the eMPF Platform





2

Improving returns





Latest asset under management (AUM)

(as at end Sep 2024)

MPF Net Asset Value

\$1,327 billion

Over the past 10 years

143%

Net Asset Value

\$547 billion

(end Sep 2014)





MPF fund performance by fund types

(as at end Sep 2024)

Fund Type	Share of NAV (%)	Net Return	
		Past 1 year	Since 2000.12.01 (Annualized)
Equity Fund	45%	23.9%	4.4%
Mixed Assets Fund	34%	18.4%	4.2%
Bond Fund	4%	9.1%	2.0%
Guaranteed Fund	6%	4.6%	1.1%
Money Market Fund – MPF Conservative Fund	11%	3.9%	0.9%
Money Market Fund – Other than MPF Conservative Fund	<0.5%	5.0%	0.8%



Default investment strategy (DIS)

The DIS is required to be offered in every MPF scheme starting from 1 April 2017

A ready-made investment solution, made up of two mixed assets funds, namely the Core Accumulation Fund (CAF) and the Age 65 Plus Fund (A65F)

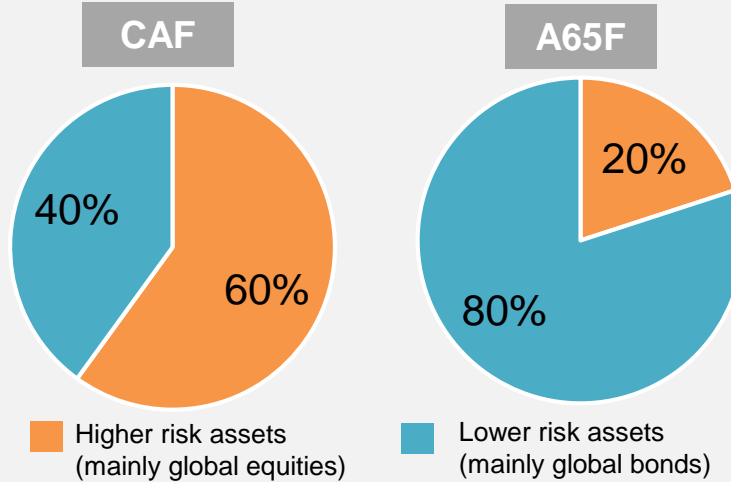
DIS represents a major reform of the MPF System

Addresses the concerns about the high fee levels of MPF funds and scheme members' difficulties in making fund choices

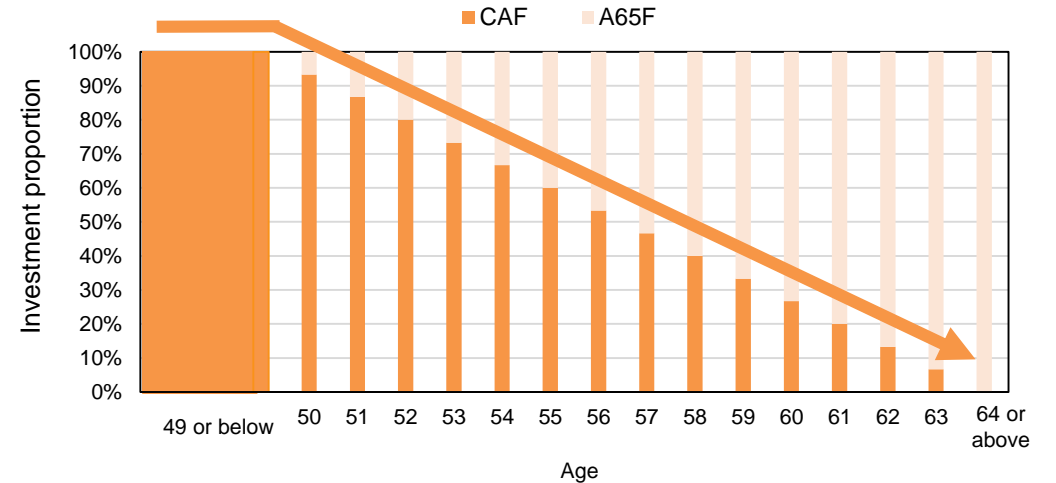
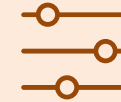
Developed with reference to the OECD researches on the default arrangements of pension systems in various jurisdictions and the analysis of data relating to the Hong Kong market

Major features of DIS

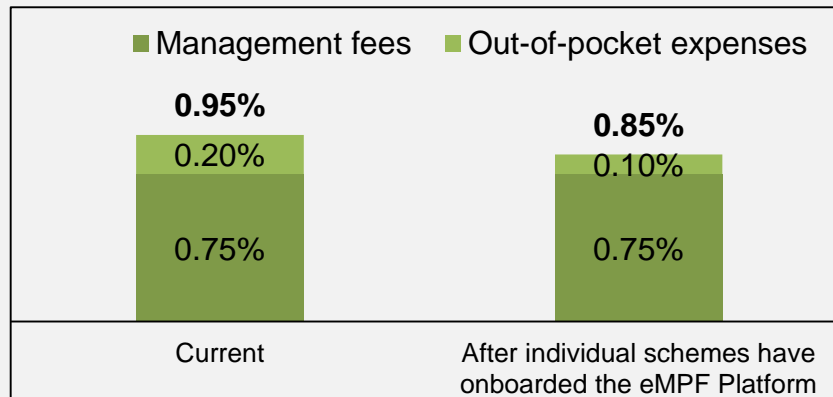
Globally diversified investment



Automatic de-risking mechanism*



Fee caps



* If a scheme member chooses CAF and/or A65F as a standalone fund choice, the automatic de-risking mechanism will not apply.

Achievement of DIS

Decent performance

Annualized Net Return for the Period from 1 April 2017 to 30 September 2024	
CAF [^]	6.4%
A65F	2.3%
Consumer Price Index % Change	1.9%

Low-fee investment option

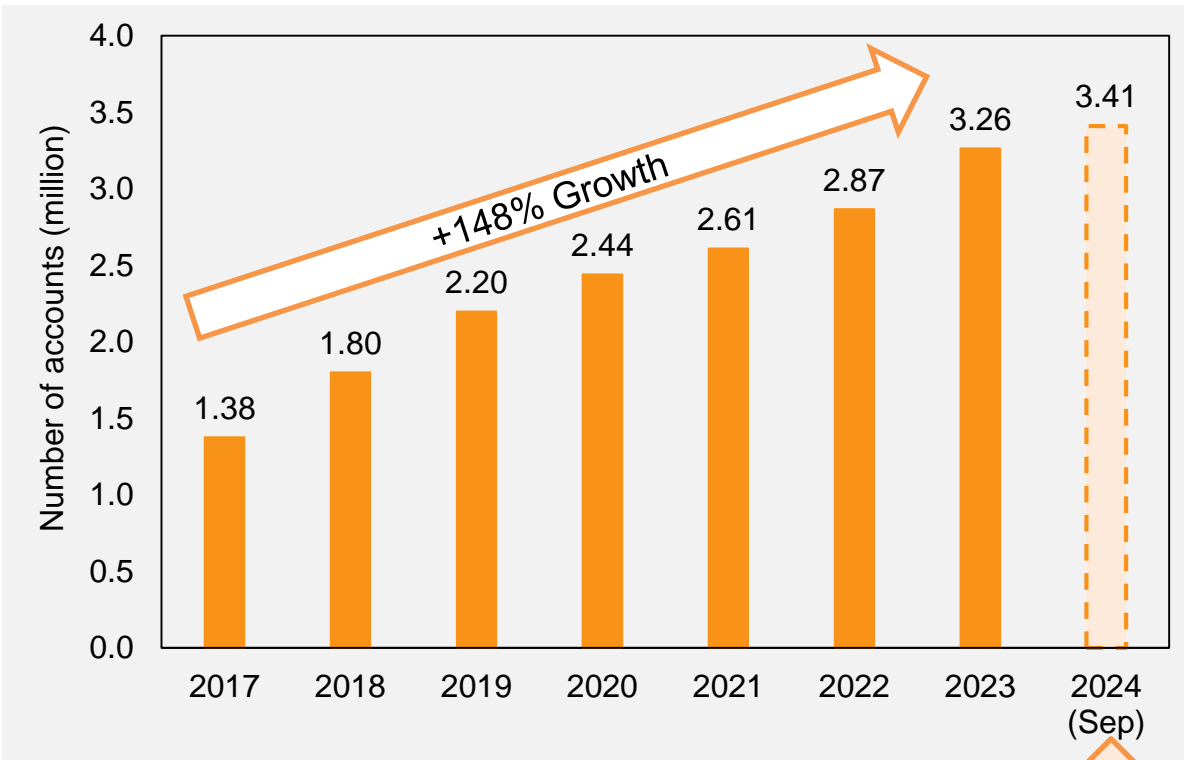
Average Fund Expense Ratio	March 2017	September 2024	Change	% Change
All Mixed Assets Funds	1.73%	1.33%	↓ 40 basis points (bps)	↓ 23%
Non-DIS Funds	1.73%	1.56%	↓ 17 bps	↓ 10 %
DIS Funds		0.77%		
- CAF		0.77%		
- A65F		0.78%		

Subject to statutory fee caps (0.95%)

[^] MPF investment in CAF accounts for around 75% of all asset under DIS Funds.

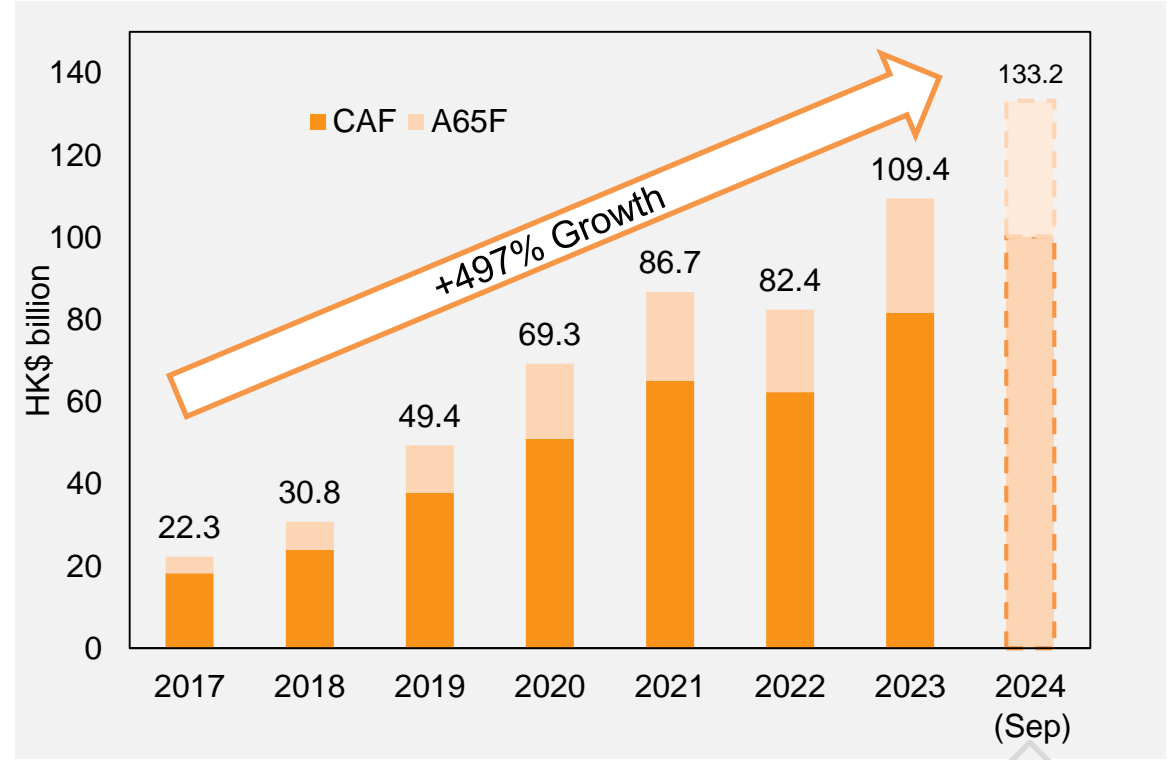
Considerable growth in popularity since its inception

Number of MPF accounts with investments in DIS Funds (year-end)



Three in every 10 MPF accounts are investing in DIS and its funds

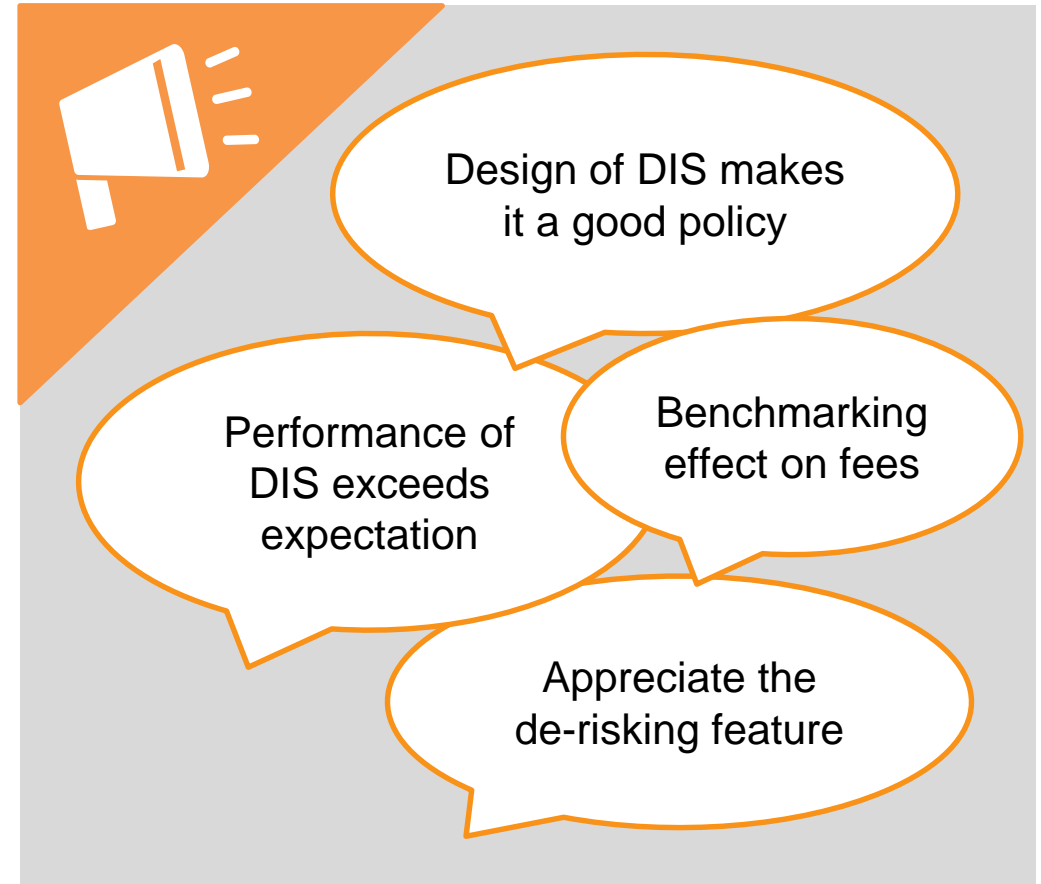
Total assets invested in DIS Funds (year-end)



Accounting for **over 10%** of Net Asset Value of the MPF System

DIS has been well received in the community

Enhancing public awareness through



Measures to broaden investment universe



Expansion of investment in Real Estate Investment Trusts (REITs)



Refined approval criteria for constituent funds



Facilitated MPF investment in A-shares



Encouraging more retirement & ESG products



Facilitated MPF investment in Mainland bonds



Fine-tuned the minimum credit rating requirements for bonds



3

Lowering fees





Fund expense ratio (FER)

Fund Type	FER		
	Average	Lowest	Highest
Equity Fund	1.48%	0.61%	2.10%
Mixed Assets Fund	1.33%	0.61%	1.89%
Bond Fund	1.23%	0.78%	1.82%
Guaranteed Fund	1.81%	1.56%	3.37%
Money Market Fund – MPF Conservative Fund	1.06%	0.78%	1.69%
Money Market Fund – Other than MPF Conservative Fund	0.90%	0.30%	1.24%

(as at end Sep 2024)

Driving fee reduction

1) Launch DIS & eMPF Platform

3) Identify room for further fee reduction



2) Enhance transparency to foster market competition

4) Conduct value-for-money assessment



4

Reviewing minimum and maximum relevant income levels (Min/Max RI) for MPF contributions





Statutory review mechanism

Statutory review mechanism

MPF legislation

- MPFA to review Min/Max RI at least once every 4 years beginning in Jul 2002

Setting Min/Max RI

Legislative intent

- Min RI: Lessen financial burden of MPF contributions on lower-paid employees/self-employed persons
- Max RI: The MPF System mandates savings for basic retirement only

Current level

Min/Max RI

- Min RI: \$7,100/month (effective from 1 Nov 2013)
- Max RI: \$30,000/month (effective from 1 Jun 2014)

Contribution Requirement

Employee (EE)/Self-employed person (SEP)
mandatory contribution (MC)

Employer MC

EE/SEP's RI

- | | | |
|------------------------|---------|--------------|
| • < Min RI | ✗ | EE's RI x 5% |
| • Between Min & Max RI | RI x 5% | EE's RI x 5% |
| • Portion > Max RI | ✗ | ✗ |



Development of statutory review in last decade

Review cycle	Outcome
2014-2018	NO CHANGE
2018-2022	NO CHANGE
2022-2026 <i>(Current review)</i>	MPFA is conducting the current review and will put forth recommendation to the Government in due course



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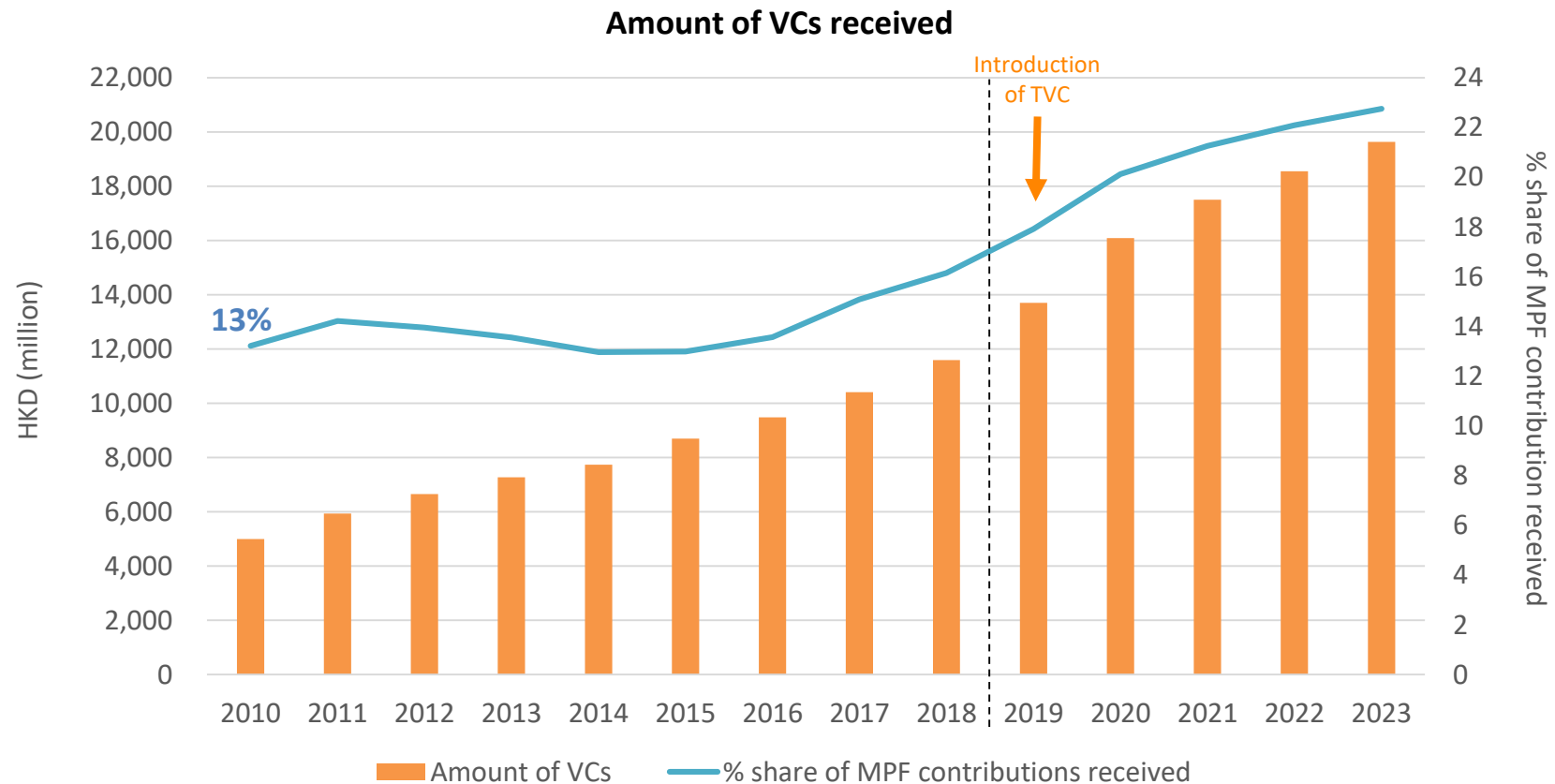
Encouraging voluntary contributions





Encouraging voluntary contributions (VCs)

Encourage employees, self-employed persons and employers to make VCs on top of mandatory contributions



Tax-deductible voluntary contributions (TVC)

Introduced on 1 Apr 2019

Benefits:



Extra savings for retirement



Enjoy tax deduction



Flexible
(No fixed frequency/amount)

As at Sep 2024



79,000
TVC accounts

over HKD 11 billion
cumulative TVC made





6

Abolition of MPF offsetting arrangement & implementation of “full portability”

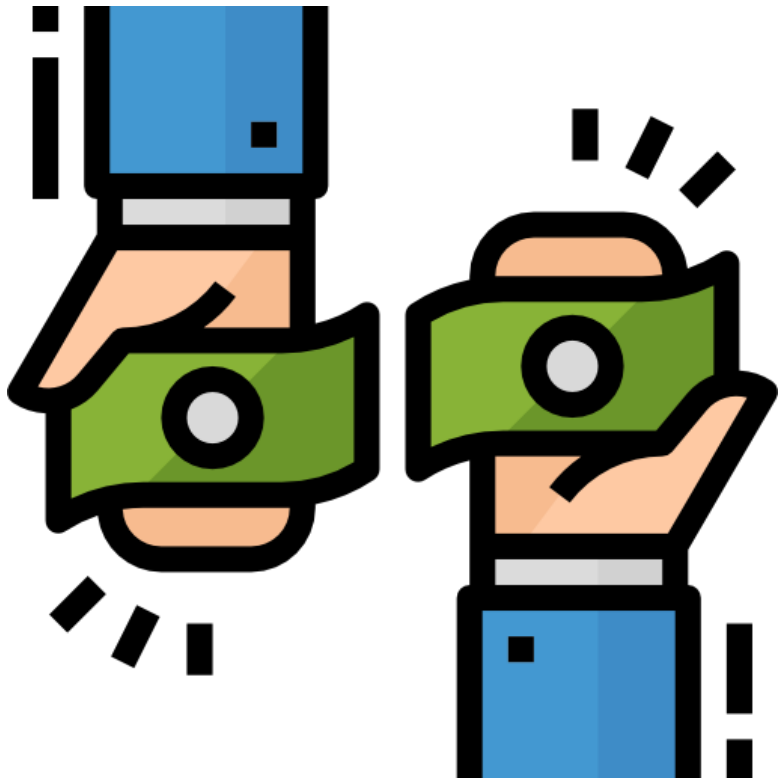


Abolition of MPF offsetting arrangement



- The legislation for abolishing the MPF offsetting arrangement passed by the Legislative Council (LegCo) in 2022
- The Government announced that **1 May 2025** will be the effective date of the abolition of the offsetting arrangement
- The funding for Government's subsidies to employers for abolishing offsetting was recently approved by the LegCo
- A significant step forward in strengthening the retirement reserves of the working population

“Full portability” of MPF benefits



- Chief Executive announced the implementation of “full portability” of MPF benefits in the 2024 Policy Address
- MPFA fully supports the Government in working out the implementation details of “full portability” of MPF benefits
 - ✓ Enhance employees’ autonomy in transferring accrued benefits derived from their employers’ mandatory contributions to a scheme of their choice, and support the working population to more actively manage their MPF investment
 - ✓ Foster more competition in the MPF market, driving MPF trustees to reduce fees further
 - ✓ Enhance fund performance and service quality to provide better retirement protection for the working population



To tell good stories of MPF



Pulling out all the stops to tell good stories of MPF

In 2024

- > Over **160** engagement sessions
- > Over **70** public speaking opportunities
- > **19** international/regional visits/events



Collaboration with Mainland counterparts & welcoming visiting guests



Meeting with Monetary Authority of Macao (AMCM) and Social Security Fund of Macao (FSS) in Macao



Visit from Minister of Human Resources and Social Security (MoHRSS)



Visit from the Thailand Association of Provident Funds



Signing of Memorandum of Understanding for Cooperation on Exemption of HK Residents from Participation in Basic Pension Insurance with the Administration of Social Insurance Fund of Guangdong (ASIFGD)



Meeting with MoHRSS in Beijing



Tripartite exchanges with ASIFGD and FSS in Hong Kong



Visit from Unified Accumulative Pension Fund of Kazakhstan



Visit from Minister of Family, Labour and Social Protection of Mongolia

International Organisation of Pension Supervisors (IOPS)



IOPS Annual General Meeting, Committee Meetings and Global Forum on Private Pensions in Hong Kong in 2026



Stay tuned



積金局 MPFA



MPFA



Friends of MPF
(積金之友)



**Merry Christmas
&
Happy New Year**

