

The 11th Cross Straits Pension Forum



Pension experts from the Mainland China, Hong Kong, Taiwan and Macau exchanged views and shared best practices on pensions and retirement protection issues across the region at the 11th Annual Cross Strait Pension Forum hosted by the Macau Social Security Society.

Themed "Equitable, Efficiency and Governance" this year, the annual forum was held on 24 and 25 October 2019 in Macau, the Forum was attended by government officials, senior representatives from industry bodies and associations, asset managers, service providers and academia from the four regions.

Special thanks to Mr Caspar Tsui of the Labour and Welfare Bureau, Mr Paul Yu of the MPFA, Ms Fang Fang of PwC and Professor Wong Yu Cheung for representing Hong Kong to speak at the Forum; also thanks to Ms Ka Shi Lau, the Forum Convenor, for co-organising the forum this year.

The next Forum is scheduled to be held in Chongqing, China, in late October 2020. Details will be available later.

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Addressing Retirement Readiness from A U.S. Perspective



The development of the US pension market offers lessons for Hong Kong. With that in mind, HKRSA organised a seminar on September 6 that brought together stakeholders to discuss how Hong Kong's pension industry can leverage the US experience to address retirement readiness in the city.

In the first part of the seminar, Mary Beth Glotzbach, Vice President & Senior Institutional Defined-contribution Strategist at Franklin Templeton Institutional, gave participants an overview about the US system, which has three major components: a government sponsored pension scheme, an employer-sponsored DC plan, such as a 401(k), and individual savings.

Ms. Glotzbach said the DC plans and Individual Retirement Accounts (IRA) form the core of the US retirement system, with combined assets of around US\$17 trillion. An IRA is a standalone account that is often used to transfer the accumulated savings from a DC plan when participants change jobs, although this transfer is neither mandatory nor automatic. She described the implementation of the Pension Protection Act (PPA) in 2006 as a "landmark shift for the US retirement industry". She said the legislation "reshaped the retirement landscape" by introducing automation, both auto-enrollment and escalation, as well as diversified default investment option. These measures help increase retirement coverage, saving rates and improve asset allocation to help people maximise their long-term saving horizon, she said.

However, Ms. Glotzbach believes initiatives which worked in the past "will not be enough to ensure optimal retirement outcomes in the future". As such, she said the government and industry are taking steps to address growing demand for retirement savings from various perspectives, such as financial wellness, legislative and regulatory changes, and technological advances.

The US government is considering legislation under the SECURE Act, which includes 100+ provisions to bolster and expand the retirement system. Ms. Glotzbach said one provision of the legislation is to allow for multiple employers to operate a single retirement plan, which may decrease the number of individual plans and help reduce cost for small firms.

In the second part of the seminar, Mr. Stephen Tong, Client Portfolio Manager at Franklin Templeton Multi-Asset Solutions, discussed investment solutions for retirement.

According to Mr. Tong, global pension landscape has been changing the goal of their retirement plans from beating the benchmark to meeting their clients' specific retirement objectives, and adjusting the focus of investments from relative returns to absolute returns. He expects personalisation to become the next focus in the global pension industry.

"A scalable wealth solution that combines multi-asset portfolio construction expertise with robust user interface is important in the sense of delivering individualised portfolio pathways based upon each client's unique goals," he said.

After the speeches, the two speakers participated in a panel session moderated by Ms. Ka Shi Lau, an Executive Committee member of the HKRSA, who sought their views on how Hong Kong's pension industry can learn from the US to improve its retirement readiness.

Addressing Retirement Readiness from A U.S. Perspective



Ms. Glotzbach said some US managers are exploring opportunities to create customised portfolios by combining active and passive strategies in a move to lower management fees. She also noted that many IRAs operated by state governments can have sizeable, centralised pools of funds that can offer large institutional investors with better control of the fee structure.

Overall, Ms. Glotzbach believes active participation is very important for a retirement system. She said the US recently launched an initiative that utilises technology to make pension members more engaged in decision-making for their retirement.

Ms. Lau, who is also Managing Director & Chief Executive Officer of Hong Kong pension & asset servicing service provider BCT Group, pointed out that there are regulatory constraints for Hong Kong's pension trustees related to the number and types of fund offerings, so they cannot completely emulate the US system in providing a "fund-rich platform" for members.

According to Mr. Tong, trustees should be more selective in identifying their target member segment. Some members who are too busy or financially illiterate may prefer to opt for default funds instead of choosing their own, while sophisticated members who have the time and knowledge needed tend to customise their portfolios. Mr. Tong said trustees should focus on the middle group between these two types – the guided selectors, who are willing and able to make decisions if nudged but currently do not.



Innovation in Retirement Solutions



As financial technology becomes increasingly popular in the global pension industry, robo-advisory services are starting to play a key role in helping pension members to save for retirement. This seminar brought together stakeholders to discuss the advantages and obstacles posed by robo-advisory services for pension members.

In the first part of the October 28 seminar, Mr. Patrick Tissot-Favre, French Asset Manager Amundi's Head of International Business Development for Employee Savings and Retirement Business Line, gave an overview of how robo advisers help to address challenges as France's pension system undergoes reform. He said many people are unable to choose appropriate investment plans because they lack the financial knowledge, especially when the responsibility for retirement saving is shifting from government and employers to employees. Amundi introduced France's first robo adviser for retirement saving in 2017. According to Mr. Tissot-Favre, it has been successful in helping pension members select plans that match their risk tolerance and investment horizon.

In the second presentation, Mr. Neil Macdonald, Head of the Wealth and Asset Management Centre of Excellence at KPMG China, said robo-advisory services are becoming popular in the asset management industry because the fees are affordable and **minimum investments are low**. They also offer simple solutions, making it easier for people to understand what they are buying. China and Hong Kong are among the fastest growing robo-advisory markets in the world.

According to Mr. Macdonald, China's robo-advisory assets are expected to soar from US\$179 billion currently to around US\$1 trillion by 2023. In Hong Kong, he said robo-advisory assets are expected to grow to over US\$5 billion in four years from US\$366 million now. But he said the projected average robo-advisory portfolio in 2023 of US\$19,970 will be nowhere near adequate, in conjunction with projected levels of MPF savings, to fund HK citizens' retirement needs. To facilitate higher levels of pension adequacy, he suggests integrating a robo-like front-end with the electronic Mandatory Provident Fund when the centralised digital platform of Hong Kong's largest retirement saving plan is launched in 2022.

Investor education

The speeches were followed by a panel session moderated by Ms. Adeline Tan, Mercer's Wealth Business Leader for Hong Kong, who sought the panelists' views about the significance of robo-advisory services in pension asset management.

Ms. Hayly Leung, General Manager of Group Human Resources Services at Business Conglomerate Jardine Matheson, said the company, which has the largest private defined-benefit plan in Hong Kong, believes robo-advisory services will improve employee engagement and education on retirement planning. "For example, robo service helps pension members to have a better understanding on the fund choices best suited for their risk profiles," she said. According to Ms. Leung, robo-advisory services also encourage younger employees, especially millennials, to start retirement planning early in their careers.



Innovation in Retirement Solutions



From a machine learning perspective, it will be more "meaningful" for risk assessment if end-users provide more personal financial details, such as their daily spending, but many are unwilling to do so, according to Mr. Chow. But he believes the use of robo-advisory services will pick up in Hong Kong because of strong interest in technology, although the long-term success depends on the ongoing development of the underlying technologies.

According to Mr. Tissot-Favre, one of the major tasks for robo advisers is to help people better understand how much they need to save for retirement. As such, he said, it's important for fund managers to design questionnaires that can comprehensively assess the saving and spending behaviour of pension members.

However, she said it's still "very challenging" for Hong Kong asset owners to introduce robo-advisory services in their retirement plans. Older employees may have difficulty adapting to new technologies, while lack of historical track records means pension members cannot assess the performance of robo advisers. Security, privacy and regulatory support are other areas for employers to look into in deciding whether to include robo-advisory services in their corporate pensions, she said.

Mr. Macros Chow, Hong Kong Head of Technology Enablement at KPMG China, said cybersecurity is a major challenge in promoting robo-advisory services. Some companies are concerned that their technology vendors may leak or share employees' personal data. The amount of detail in personal data provided to robo advisers is also critical.



Christmas Luncheon 2019



Thank you Ms Alice Law, Deputy Chairman and Managing Director of the MPFA, honourable guests, members and friends to celebrate this festive season with us. Wish you all a great year ahead!



2020 HKRSA Membership Renewal

Thank you for your continual support to the HKRSA. We hope that you will take this time to renew your membership and remain a part of our community. Renewal package has been sent to all members. You could also complete and return the [membership application form](#) to us by email to info@hkrsa.org.hk no later than **Friday 17 January 2019***! Please click [here](#) for a [summary of our achievements in 2019](#), and [our 2020 year plan](#) so you could plan to join our events ahead.

* Upon receipt of your membership application form, we will email you the invoice for payment.

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You can also make enquiries with our Secretariat at info@hkrsa.org.hk or 2147-0090.

Upcoming HKRSA events

HKRSA Seminar – Exploring more about Post Retirement Solutions

Date & Time: 16 Jan 2020 (4:30pm –6:00pm)

Venue: 8/F KPMG Prince's Building, Central

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