Hong Kong's Mandatory Provident Fund (MPF) System — Paving a visionary path forward

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香港退休計劃協會
The Hong Kong Retirement Schemes Association

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Introductory remarks

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Over the years, Hong Kong's Mandatory Provident Fund (MPF) System has undergone continuous enhancements and developments aiming to tackle a range of current challenges and address the future needs of Hong Kong's workforce. With the complex demographic and economic landscape, the importance of ensuring the system remains responsive, innovative and inclusive has become paramount in providing financial security for Hong Kong's retirees.

PwC has been an influential industry voice throughout the development of the MPF System, leveraging our expertise to analyse market trends and provide strategic guidance that drives industry advancement. Our broad range of subject-matter experts maintain extensive touchpoints across the industry value chain, including regulators, asset managers, sponsors, trustees, employees, employers, industry associations and academia. This enables us to capture the diverse perspectives of stakeholders and collectively pave the way for progress, wherever possible.

This publication, created in collaboration with the Hong Kong Retirement Schemes Association (HKRSA), seeks to ignite discussions on the future of Hong Kong's pension landscape. It draws upon roundtable discussions and qualitative interviews with market players, enriched by diverse experiences, insights and perspectives.

Janet Li

Chairman of the Hong Kong Retirement Schemes Association (HKRSA)

The HKRSA plays an essential role in advocating for policies and initiatives that enhance the overall quality of life for Hong Kong's retirees. Bringing together industry experts, policymakers and key stakeholders, we collectively identify innovative solutions that bolster the resilience and effectiveness of Hong Kong's retirement framework.

We are delighted to collaborate with PwC on this publication, offering comprehensive insights and ideas to reflect on the current status of the MPF System and envision the future trajectory of Hong Kong's broader retirement landscape.

From the Occupational Retirement Schemes Ordinance (ORSO) schemes, to the introduction of the MPF System, and further to the implementation of the eMPF Platform, numerous complex developments have shaped and continue to refine the pension systems. Hong Kong must stay vigilant and proactive in addressing the diverse needs of our retirees and soon-to-be retirees, especially when there is no one-size-fits-all solution.

Executive summary

December 2025 marks the 25th anniversary of the launch of the MPF System. Since its establishment, the MPF System has made significant strides in building structured and regulated retirement protection for Hong Kong's population. It plays a pivotal role in advancing the maturity of Hong Kong's USD 4 trillion asset and wealth management sector. With AUM reaching USD 170 billion, the MPF System not only anchors long-term capital but also fosters financial inclusion across the various demographics in Hong Kong.

Building on many milestones already achieved, the journey toward an ever-improving pension system continues to be shaped by the interplay of system design, demographic trends, economic conditions, regulatory frameworks, and ultimately, the evolving needs of retirees. Investor education and engagement play a crucial role in this journey, equipping members with the knowledge and confidence to make informed decisions. Furthermore, enriching the product universe across the pension lifecycle, encompassing accumulation and decumulation stages, aligns with the increasing demand for varied and adaptable retirement planning solutions.

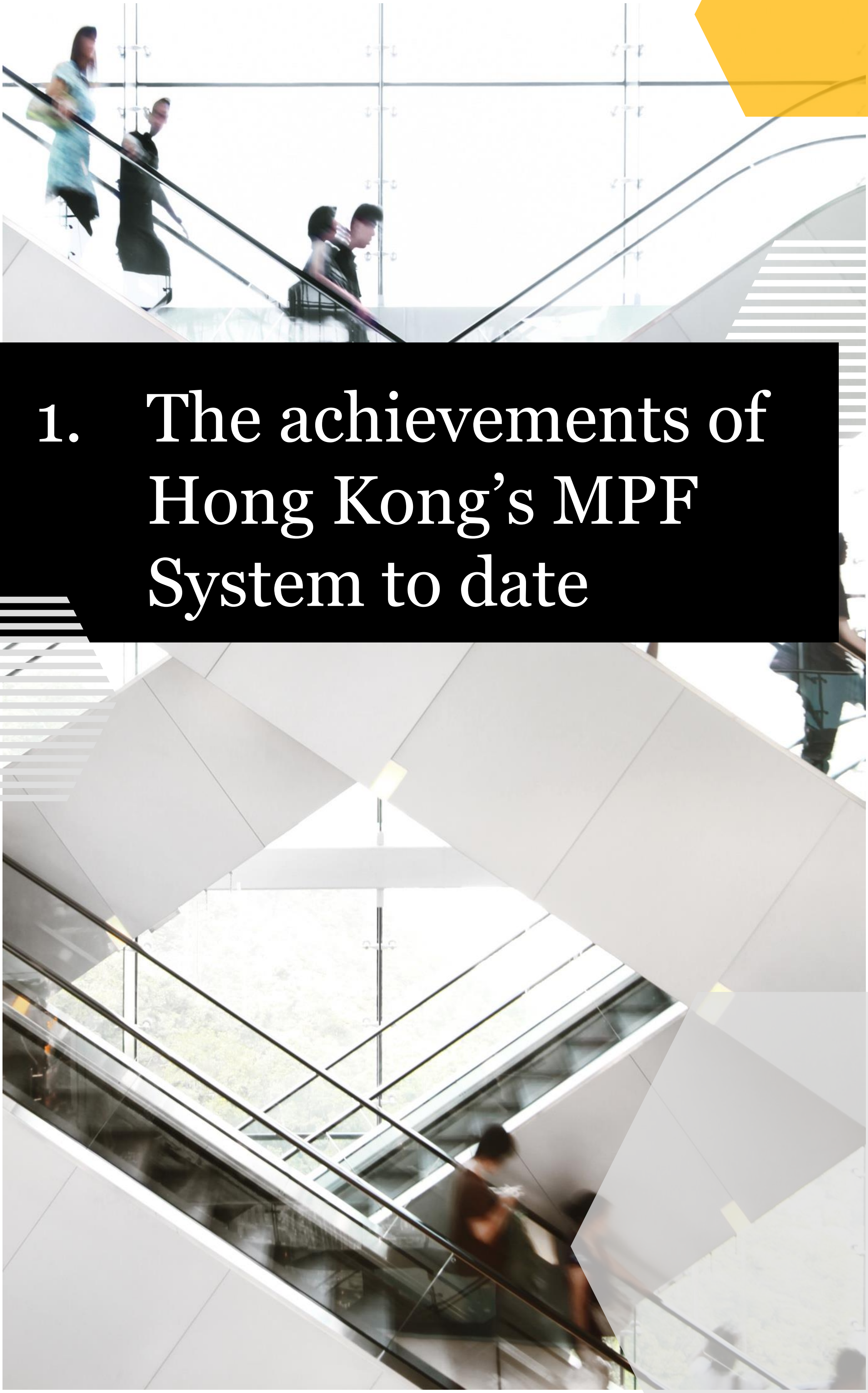
A transformative wave is already underway with the launch of the eMPF Platform. Through technology-enabled reforms, this initiative is streamlining administration and revolutionising member engagement. It serves as a springboard for broader initiatives, encompassing product innovation, distribution strategies, investor education and fostering trust.

Drawing upon roundtable discussions and qualitative interviews with market players, enriched by diverse experiences, insights and perspectives, this publication explores several possible visionary models to inspire constructive discussions on the future of Hong Kong's pension landscape:

- **A funds-based approach**: Streamlining the current structure to allow scheme members to reduce complexity and minimise layering, thereby enhancing transparency, operational efficiency and ease of navigation for scheme members.
- **A distinct unified portfolio**: Transitioning from a scheme-based system to a unified investment portfolio independent of existing schemes.
- **Attached-but-detached model:** Centralising Default Investment Strategy (DIS) schemes into a single unified DIS.
- **A holistic distribution platform for Hong Kong:** Integrating the eMPF Platform with other asset and wealth management platforms to unlock synergies and foster a more cohesive financial ecosystem.

Pensions and the MPF System are the foundation of financial security for Hong Kong's retirees and represent a shared responsibility to alleviate the financial demands on public resources. Looking to the future, ensuring the sustainability of existing systems requires pension players to prioritise delivering the utmost value for scheme members, while scheme members must actively participate in their retirement planning and accept accountability for their financial future.

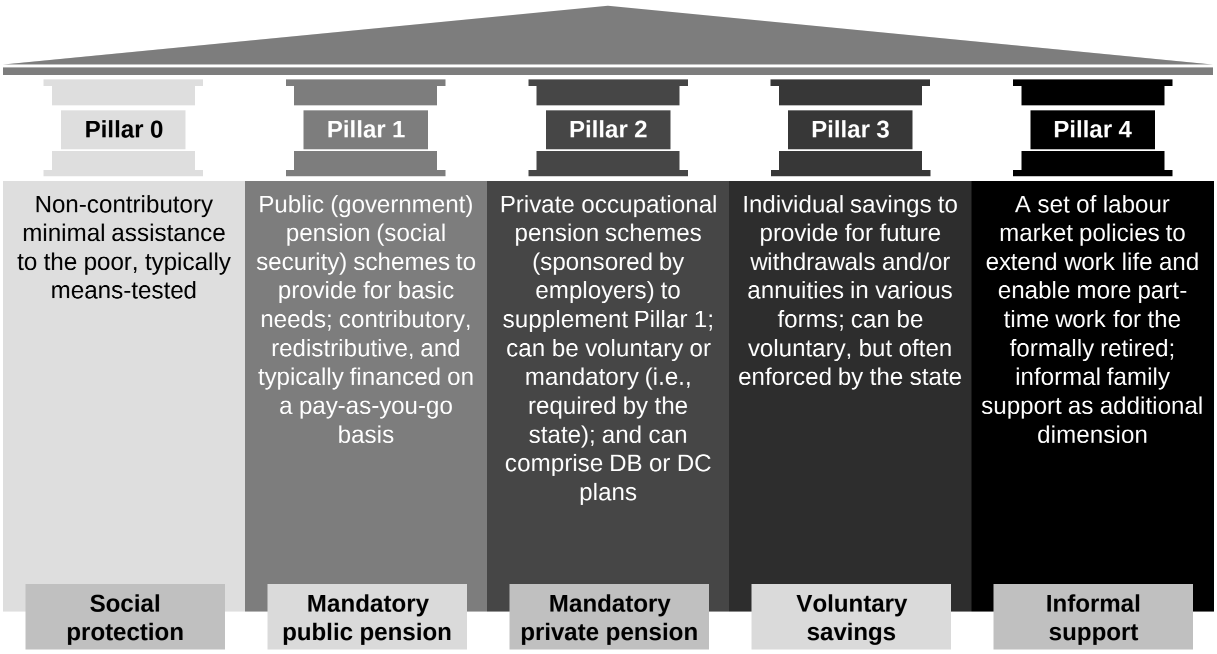
1. The achievements of Hong Kong's MPF System to date



A silver jubilee

December 2025 marks the 25th anniversary of the launch of the MPF System. Since its establishment, the MPF System has made significant strides in building structured and regulated retirement protection for Hong Kong's population. Building on many milestones already achieved, the journey towards an ever-improving pension system continues to be shaped by the interplay of system design, demographic trends, economic conditions, regulatory frameworks, and ultimately, the evolving needs of retirees.

The MPF System is one of five pillars under the World Bank's multi-pronged framework and represents 'Pillar 2', typically a Defined Contribution (DC) plan. Employees, employers and self-employed persons covered by the MPF System make regular mandatory contributions. To ensure comprehensive coverage for the entire population, it is crucial that all pillars of the retirement system work together. This multi-pillar approach forms the foundation of a robust, resilient and holistic pension system capable of addressing the diverse needs of different population segments.



Source: World Bank

The essence of the World Bank's Five-Pillar Pension System is that no single approach fits all. Countries continually evolve their pension frameworks to reflect changes in economic, demographic and cultural realities.

Globally, the management of pensions and savings is undergoing a fundamental shift, driven by demographic changes, evolving macroeconomic conditions and advancements in financial technology. One of the most significant trends in recent decades is the transition from Defined Benefit (DB) plans to DC plans, a change that has had profound implications for both individual savers and broader financial markets. In response, pension funds around the world are increasingly investing in alternative assets - such as private equity, real estate, private credit, hedge funds and infrastructure - to diversify portfolios and enhance returns. Additionally, advanced analytics and emerging technologies are being adopted to improve efficiency, transparency and decision-making in pension fund management.

Investor education and knowledge will be crucial enablers and accelerators in the next stage of the pensions market. Policymakers have been steadfast in ensuring the MPF System evolves to meet the changing needs of the people of Hong Kong, implementing several enhancements to make the system more robust, user-friendly and value-added. Launched in June 2024, the eMPF Platform is a one-stop centralised electronic platform which streamlines, standardises and automates various administrative processes for the benefits of scheme members. This has the potential to revolutionise the pension system, driving a multi-year, technology-enabled transformation that can shape the future of retirement planning for Hong Kong.

The MPF System now has **4.79 million scheme members**

There are **4.47 million** contribution accounts and **6.71 million** personal accounts

Annualised net rate of return of **3.0%** since inception

As of Dec 2024

Aggregate **Assets Under Management** of MPF schemes stands at **HKD 1.34 trillion** (USD 170 billion)

Current average **Fund Expense Ratio** (FER) stands at **1.38%***

As of Dec 2024

12	24	380
MPF trustees	MPF schemes	Constituent Funds (CFs)

Share of Assets Under Management (AUM) by fund type**

Equity funds	Mixed assets funds	Money market funds (MPF conservative funds)	Guaranteed funds	Bond funds	Money market funds (other than MPF conservative funds)
597,957 HKD million	447,348 HKD million	157,826 HKD million	78,360 HKD million	50,264 HKD million	5,751 HKD million
44.7%	**33.4%**	**11.8%**	**5.9%**	**3.8%**	**0.4%**

* Reported headline FER figure may not reflect the actual fee and expense charged to each scheme member given rebates are excluded from the calculation of the headline FER.
** Percentages may not add up to 100% due to rounding.
Source: MPF Schemes Statistical Digest (as of March 2025 unless stated)

Initiatives and milestones

Over the past 25 years, Hong Kong policymakers have undertaken a series of initiatives to ensure the MPF System remains fit for purpose according to the needs of scheme members and the broader economy. These initiatives underscore an ongoing commitment to maintaining the sustainability and adequacy of the MPF System in supporting Hong Kong's long-term retirement needs. The regulator's proactive approach and dedication to listening to industry stakeholders have been crucial in staying abreast of industry trends and ensuring the MPF System remains robust. As a cornerstone of Hong Kong's pension landscape, the MPF System's achievements are a testament to policymakers' vision in safeguarding financial stability through strategic reforms, continuous innovation and value-added enhancements.

Milestones in the development of the MPF System:

1995
- The Mandatory Provident Fund Schemes Ordinance (MPFO) (Chapter 485, Laws of Hong Kong) was enacted

1998
- Establishment of the Mandatory Provident Fund Schemes Authority (MPFA)

2000
- **Launch of the MPF System**

2004
- Issuance of the Code on Disclosure for MPF Investment Funds

2005
- Issuance of the Compliance Standards for MPF Approved Trustees

2012
- Launch of the Employee Choice Arrangement

2017
- Launch of the Default Investment Strategy (DIS)

DIS makes up around 10% of the MPF System by Assets Under Management

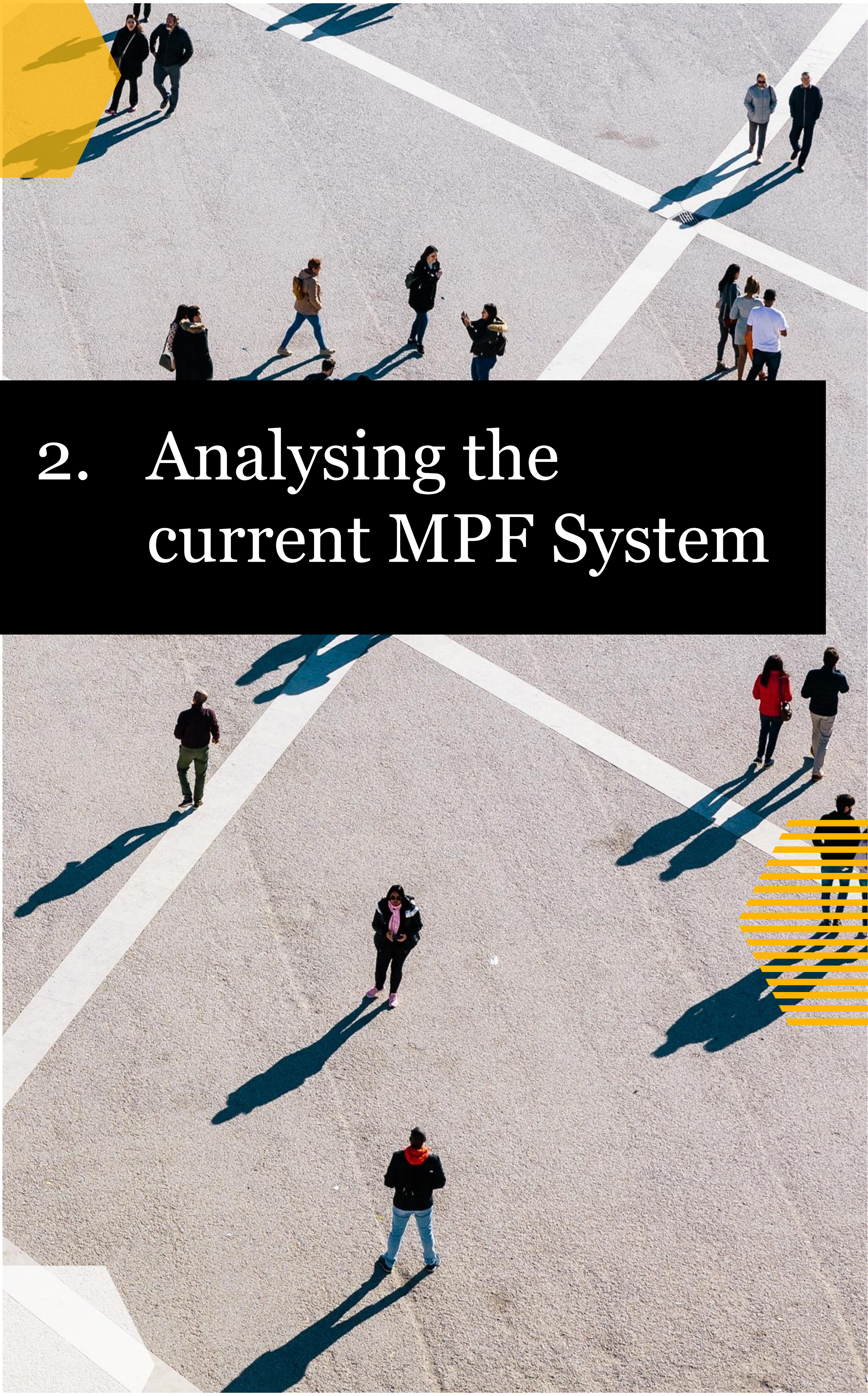
2019
- Launch of the Tax-deductible Voluntary Contributions (TVC)
- Launch of the one-stop MPF Fund Platform

More than 80,000 TVC accounts created to date

2021
- Incorporation of eMPF Platform Company Limited

2025
- eMPF Platform becomes fully operational
- Abolition of the MPF Offsetting Arrangement
- 25th Anniversary of the MPF System on 1 December 2025

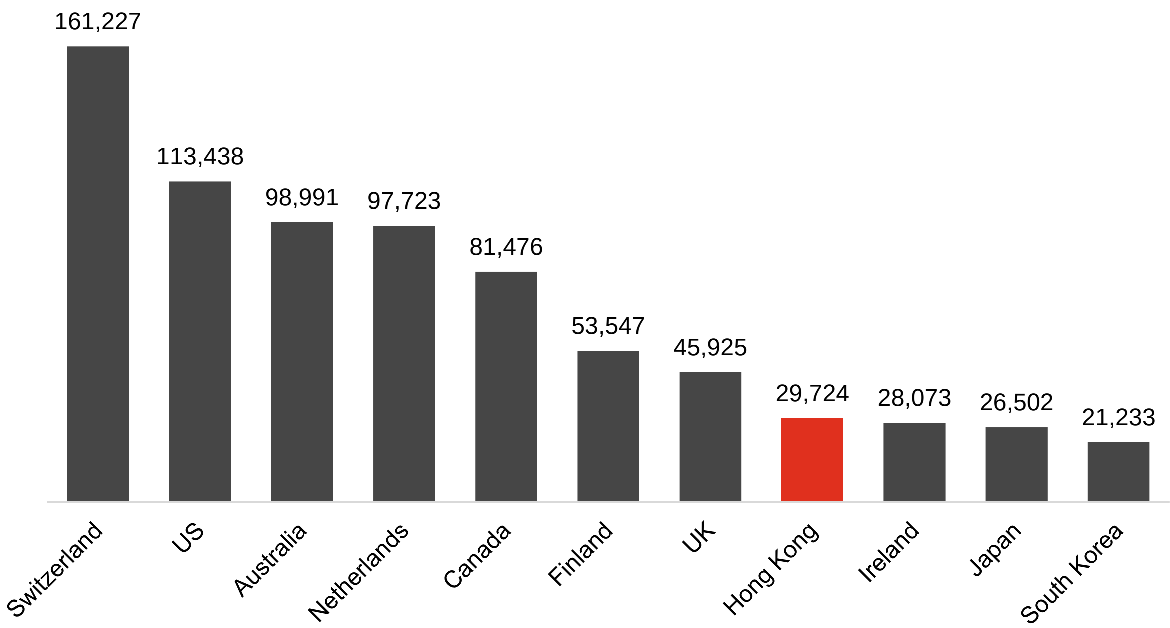
2. Analysing the current MPF System



Where does the MPF System stand globally?

Pension funds are increasing their role in the broader financial services market in Hong Kong. Over a five year period (March 2020 to March 2025), MPF assets under management (AUM) increased by 54%, rising from HKD 868 billion (USD 111 billion) to HKD 1,338 billion (USD 170 billion). Hong Kong's pension assets per capita are steadily growing and, while they may currently be modest compared to jurisdictions like the United States, Switzerland or Australia, they indicate a promising path toward building a robust and resilient pension system. Furthermore, the MPF System is designed to provide basic retirement protection of the working population and complement other pillars in Hong Kong’s multi-pillar retirement protection framework. As the system continues to mature, there are opportunities to expand product diversity, integrate technology and streamline administration, potentially leading to greater pension growth.

Estimated pension assets per capita (USD)



Pension assets per capita were estimated by dividing the total estimated assets (2024) from Thinking Ahead Institute by the total population values (2023) from World Bank Group.
Hong Kong includes MPF System and ORSO scheme assets
Source: Thinking Ahead Institute – Global Pension Assets Study 2025 and World Bank Group

In Asia Pacific, inadequate retirement funds and savings pose a threat to the sustainability of ageing populations in the region, a trend that is also applicable to Hong Kong. Given this, the MPF System will be essential as one of the key sources of lifetime financial income for the people of Hong Kong. To evaluate how far the system has come since its inception, in contrast to other DC pension plans in other jurisdictions, is no easy feat. This is largely due to varying maturity levels of the pension system, differences in structures, demographic needs and overall economic development.

Fragmented but one-size-fits-all framework

Member base and accounts

An effective pension framework aims to ensure individuals accumulate a pension pot sufficient to maintain their lifestyle throughout retirement. As a mature economy, it is crucial for the system to evolve appropriately, with the financial services industry playing a key role in its development. While the MPF System has made remarkable progress since its launch - boasting wide coverage and transparency - there are opportunities ahead to further enhance and strengthen the system.

The MPF System is marked by a fragmented member base, with approximately 4.8 million scheme members spread across over more than 11 million MPF accounts. These accounts encompass Contribution Accounts, Personal Accounts and Tax-deductible Voluntary Contribution (TVC) accounts. This sprawling and diverse member base highlights the limitations of a one-size-fits-all approach.

The existing framework offers basic retirement savings, which otherwise may not have been accumulated. For many individuals, the MPF pension pot can provide peace of mind, knowing that they will have at least a basic level of financial support in their later years helping to ensure a more dignified and secure retirement. This is especially important in Hong Kong, where living costs are high and the lack of substantial personal savings could lead to significant financial hardship in retirement.

Average retirement savings needed (USD million) for affluent individuals*

United States	Hong Kong	Singapore	Taiwan	Chinese Mainland
1.13	1.08	0.98	0.93	0.87

*Affluent individuals are defined as those with between USD 100K -2M in investable assets (aged 25 to 69)
Source: HSBC Quality of Life Report (2024)

Particularly for the lower-income groups, the MPF pension pot may constitute the most substantial financial savings the cohort accumulates in their lifetime. The mandatory contribution savings mechanism serves as a financial safety net, ensuring that they have some level of financial security in their retirement years. This enforced saving routine can be instrumental in reducing uncertainty as they approach retirement.

For higher-income earners, savings accumulated from their MPF based on the monthly contribution cap of HKD 3,000 (with HKD 1,500 from the employer and HKD 1,500 from the employee) represents a relatively smaller stake in their overall retirement planning. With different expectations on investment savings products, engagement levels of this cohort with the MPF System would be lower.

The MPF System encourages long-term financial planning and awareness, instilling regular saving and investing habits, a critical discipline across all demographic groups. Over time, the compounding effect of these savings and investments can result in a more substantial retirement fund than might be expected from the modest monthly contributions. Furthermore, the system offers individuals the opportunity to invest in a range of funds, potentially growing their savings more than if they were kept in a traditional savings account. This exposure to investment markets, although limited, can contribute to financial literacy and a greater understanding of personal finance.

Going forward, the MPF System could look to explore more flexible and tailored approaches that consider the diverse needs of its diverse member base and better support retirement savings in the context of Hong Kong's economic landscape. Tailoring the system could enhance its overall effectiveness and ensure that all participants, regardless of their income level, receive appropriate support and benefits.

The recent abolition of the MPF Offsetting Arrangement marks a significant milestone in safeguarding employees' retirement savings. By eliminating this mechanism, the potential leakage of funds from the MPF System is effectively reduced, ensuring that employees' retirement savings remain intact and better protected. Over the past decade (from Q1 2015 to Q4 2024), HKD 48.38 billion (USD 6.20 billion) has been withdrawn from the system for offsetting severance and long service payments - funds that could have otherwise grown substantially over time through compounding. This reform represents a forward-thinking step toward fortifying the MPF System and providing greater financial security for employees in their retirement years.

Employer landscape

The employer landscape within the MPF System is both diverse and dynamic, reflecting Hong Kong’s unique economic structure. Currently, 368,000 employers are enrolled in the system, ranging from large multinational corporations and regional firms to small and medium-sized enterprises (SMEs). Notably, SMEs form the backbone of this vibrant landscape. This diversity not only shapes the way the MPF System operates but also underscores the importance of tailoring policies to accommodate the varied needs of Hong Kong's business community.

Analysis of number of employers by employee range

No. of employees	No. of employers	Percentage of employers
0 - 100	343,911	98.4%
101 - 500	4,669	1.4%
501 - 1000	488	0.1%
> 1000	469	0.1%
	349,537	**100.0%**

Hong Kong’s employer landscape is primarily made up of small companies with **fewer than 100 employees.**

Data reflects 2022/2023
Source: Hong Kong government statistics and PwC analysis

The current MPF structure

It is important to take stock of the current status of the MPF System and identify areas where further progress could be made. This entails a review of existing policies, practices and processes to pinpoint opportunities for enhancement. By embracing a forward-looking and flexible strategy, the system can be better positioned to address the changing needs of Hong Kong's diverse population. While the eMPF Platform is a significant achievement, its true potential lies in transcending technological transformation. It can serve as a springboard for broader initiatives, encompassing product innovation, distribution strategies, investor education and fostering trust.

The current MPF System operates on a scheme-based model, where employees are typically enrolled in schemes selected by their employers and members are required to choose MPF funds from the scheme. This structure requires a certain level of financial knowledge and decision-making, which some individuals may find overwhelming or challenging. This raises the question of whether offering member choice in investment decisions truly caters to the long-term financial well-being and diverse needs of all scheme members.

Key observations on the current scheme-based model

Empowers members to select funds that align with their financial goals, risk tolerance and retirement plans.

Fosters competition among service providers, which can potentially enhance the quality of services and yield better investment returns.

Requires some level of financial literacy, regular participation and decision-making that some individuals may find challenging.

Exposes members to greater risks, particularly if they make poor investment choices over the long-term or if fund providers underperform.

Currently, there is no access to alternative funds. However, with ongoing market and regulatory developments, it is expected a broader range of asset classes will gradually become available.

The system offers few incentives for members to contribute more to their MPF accounts, as the investment universe is deemed to be narrow.

Occupational Retirement Schemes Ordinance (ORSO)

It is worth examining other pension frameworks, such as the Occupational Retirement Schemes Ordinance (ORSO) within Hong Kong, to identify potential best practices that the MPF System could adopt. The ORSO System was established in Hong Kong in 1993 to regulate voluntary retirement schemes provided by employers for their employees, offered as DC and DB plans under non-pooled or pooled arrangements. Prior to the implementation of the MPF System, many employers offered ORSO schemes as a way to attract employees with retirement benefits. Following the launch of the MPF System, the number and size of ORSO schemes has been gradually declining as many employers look to transition their retirement offerings into the MPF System due to its mandatory nature and the reluctance to run two pension systems within their organisation. However, various features of ORSO schemes continue to make it an attractive option for both employers and employees.

Employee retention

ORSO schemes provide employers with more flexibility given no default programmes. This enables organisations to customise pension plans to suit the specific needs and preferences of their workforce, effectively using the scheme to attract, incentivise and retain staff.

Corporate alignment

Beyond financial incentives, employers may seek funds and schemes that reflect their corporate values. With ORSO schemes, employers may align investment strategies of their retirement funds with certain initiatives they champion, such as sustainability and climate risk.

Investment control and risk

Employers shoulder relatively more efforts than MPF schemes as they are involved in ORSO scheme setup and maintenance. Employers typically determine the investment allocation in DB schemes.

Rollover benefits

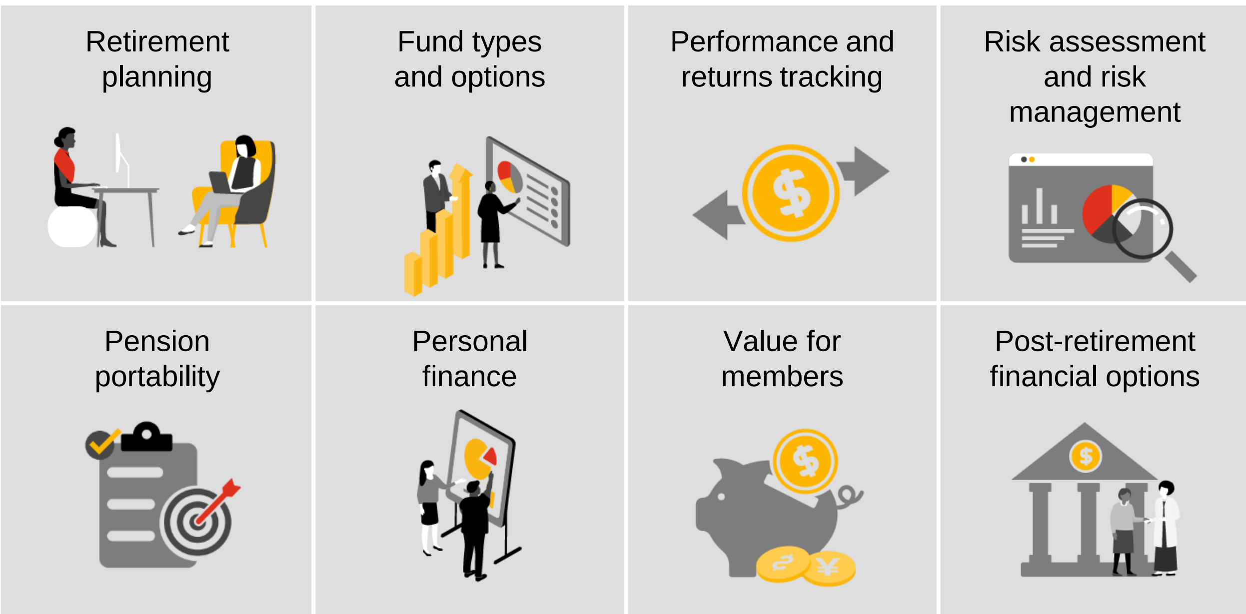
When employees retire or change jobs, investment rollover services may be offered - allowing vested pension benefits to be transferred to a personal account at no charge. In job change scenarios, the employee’s Minimum MPF Benefits (MMB) will be calculated and transferred accordingly. Additionally, certain ORSO schemes permit members to remain in the scheme for a period of time following resignation or retirement.

Member engagement and cultural values

In recent years, the surge in new investment products, channels and technology has created a progressively complex financial landscape, presenting individuals with a new set of financial decisions to navigate. Simultaneously, the younger generation of investors are increasingly engaging in early financial planning, taking greater ownership in growing their wealth, and fundamentally shifting how savings and pension plans are being managed.

In response to these changes, policymakers and financial institutions globally have been ramping up efforts to increase member engagement and access to investor education. They recognise the critical role that financial literacy plays in ensuring that individuals can make sophisticated investment decisions, achieve their retirement goals and obtain long-term financial security. In Hong Kong, various stakeholders, including the MPFA, MPF trustees, the Securities and Futures Commission (SFC) and the Investor and Financial Education Council (IFEC) have been promoting a range of resources, including workshops and online tools designed to empower investors through enhanced financial and retirement planning knowledge.

Enhancing member engagement and investor education goes beyond increasing the volume and accessibility of knowledge; it involves creating effective resources that are impactful, relevant and actionable through channels that scheme members trust. This potentially involves leveraging HR departments within organisations as advocates to deliver tailored educational initiatives that align with the specific needs, financial goals and life stages of their employees. A crucial first step, however, is cultivating an ecosystem of HR professionals who are interested and motivated by the topics of retirement and pensions, and can effectively empower employees to be engaged as well. Continuous efforts are needed to support individuals in adopting a holistic retirement planning journey. Ultimately, equipping investors with the appropriate knowledge, skills and tools is necessary not only for individual financial security but also for strengthening the overall efficacy and sustainability of the MPF System.



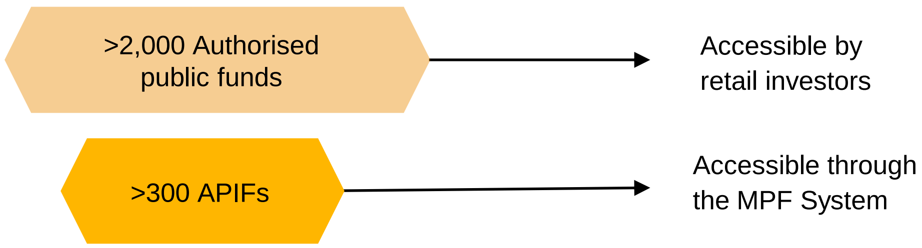
Many people in Asia believe that retirement systems may provide inadequate payouts, failing to serve as a reliable safety net and compelling individuals to rely heavily on personal savings, family support, or informal arrangements. Cultural differences significantly influence the ways Asian families approach retirement income. Unlike in the West, where individuals tend to rely heavily on public pension systems or DB and DC plans, Asian families often diversify their sources of income for retirement through the cultural norm that children are seen as a vital support system for their parents in later years. This tradition fosters a sense of duty among children, who often feel a strong obligation to provide for their parents during retirement. Consequently, formal retirement systems in Asia, which are less mature and less relied upon than those in the West, can take on a more supplementary role. However, as the societal and demographic landscapes evolve, families must adapt and explore new strategies to support retirees, which includes using retirement systems.

The product universe

Accumulation products

The MPF System has contributed to the market maturity of Hong Kong's USD 4 trillion asset and wealth management (AWM) industry, with AUM totaling USD 170 billion. However, Hong Kong's retirement landscape presents a paradox. While retail investors have access to a broad spectrum of over 2,000 authorised public funds, the same cohort, when participating in the MPF System, are confined to a choice of just over 300 Approved Pooled Investment Funds (APIFs). The limitation of investment options seems disproportionate when compared to the extensive offerings available outside the system, and is at odds with the rising demand for varied and adaptable retirement planning solutions.

Removing barriers and ensuring unrestricted access to all public investment options within the MPF System would broaden the strategic choices for retirement planning, enabling scheme members to establish a more robust foundation for sustainable and inclusive retirement planning. Nonetheless, it is crucial to strike the right balance — as too many options can lead to complexity and decision fatigue. The ultimate goal should be to design a system that enables informed decision-making without sacrificing simplicity and clarity.



Globally, policymakers have been exploring avenues to encourage pension funds to contribute more to their domestic economies. For instance, the UK has introduced initiatives to consolidate pension schemes into "megafunds", unlocking substantial investment potential. These funds aim to drive local infrastructure development, support domestic businesses and foster economic growth, all while improving returns for pension members.

In Hong Kong, recent years have seen the implementation of government bond issuance programmes, designed to grow the local bond market and fund various economic initiatives. Drawing inspiration from international practices, Hong Kong could consider establishing a mechanism within the current MPF System or another avenue allowing pension funds to invest directly in Hong Kong government bonds. Such an arrangement would offer members a dependable income stream and consistent returns, while providing the government with a long-term, stable investor base well-suited to the extended investment horizons.

Decumulation products

The MPF System currently offers accumulation products, however, a notable gap exists in the availability of decumulation and post-retirement products within the system. These products are critical for ensuring retirees can sustain a stable income throughout their later years. Addressing this shortfall is pivotal for enhancing retirement outcomes and improving financial security for scheme members. Notably, the MPFA has taken a proactive stance in driving innovation within the MPF system, urging the industry to develop forward-looking investment solutions that address the evolving needs of scheme members - both during the accumulation phase before retirement and the withdrawal phase after retirement.

Decumulation products play a vital role in retirement planning, as they provide mechanisms for individuals to convert their accumulated savings into a steady income stream during their post-working years. Despite their importance, retirees currently lack the option to seamlessly transfer their MPF savings into such products through a unified and efficient platform. For instance, the absence of streamlined processes to channel savings into stable income solutions like annuities limits retirees' ability to ensure long-term financial stability. In particular, expanding the range of annuity products with inflation-protection mechanisms is essential to safeguard retirees' purchasing power and adapt to evolving economic conditions. Such developments would not only enrich the decumulation market but also empower retirees to achieve better financial outcomes.

Given Hong Kong's increasing life expectancy and aging population, the urgency to address this gap is even more pronounced. Scheme members must be encouraged to make greater voluntary contributions to their pension funds to adequately prepare for the longer retirement period ahead. The benefits of voluntary contributions are magnified by the power of compounding, which can significantly boost retirement savings over time. Investor education efforts by the MPF System, which predominantly focus on the accumulation phase, could be broadened to highlight the importance of decumulation strategies. By promoting informed decision-making and encouraging proactive financial planning, the MPF System can help scheme members secure a more comfortable and financially sustainable retirement.

Bridging the gap in decumulation and post-retirement products is not just a matter of product innovation but also of fostering awareness and adaptability among scheme members. By addressing these challenges holistically and encompassing the broader pension lifecycle, Hong Kong can take a significant step forward in strengthening its retirement system for future generations.

Types of decumulation products outside the MPF System	
Annuities	Long-term insurance product providing individuals a steady income stream, typically during their retirement years. Annuities are used to convert savings into predictable payments over a specified period or for the rest of the purchaser's life.
Income funds	Funds structured to generate regular payouts, balancing income needs with potential growth. The key feature of income funds is their structured distribution mechanism, which ensures regular payouts i.e. typically monthly, quarterly, or annually.
Reverse mortgages	Enables retirees to convert the value of their property into a steady income stream while retaining ownership and the right to live in the property. The Hong Kong Mortgage Corporation (HKMC) operates the Reverse Mortgage Programme, which is a popular choice among retirees.

3. The eMPF Platform as a catalyst for transformation

The game-changing eMPF Platform

The eMPF Platform was launched in June 2024. Its launch marks the beginning of a transformative, multi-year journey for the MPF System, and has the potential to leverage technology to drive critical reforms and innovation across different focus areas. This evolution is poised to enhance the experience and benefits for all stakeholders in the ecosystem.

Prior to the eMPF initiative, each of the 12 MPF trustees operated independent scheme management systems, often involving manual processes. The eMPF Platform aims to streamline most of the scheme administration processes, ultimately improving operational efficiency and reducing overall costs. The onboarding of all MPF schemes and trustees onto the platform is following a phased schedule, with a target completion by the end of 2025. Given the diverse parties involved in the migration, this is a critical time for industry stakeholders to reassess how to deliver the most value for scheme members. This involves aligning on the distribution of responsibilities across the value chain. Moreover, with a large volume of accounts and data being migrated, technical and operational risks must be effectively managed to ensure data integrity and security.

Pre-eMPF pain points

Decentralised administration system:

- Lack of standardisation
- Creates overlapping administrative work
- Requires a lot of paperwork, which is time-consuming and prone to human error
- Scheme members with multiple MPF accounts need to manage them through different portals and accounts

eMPF Platform features

Centralised platform to streamline:

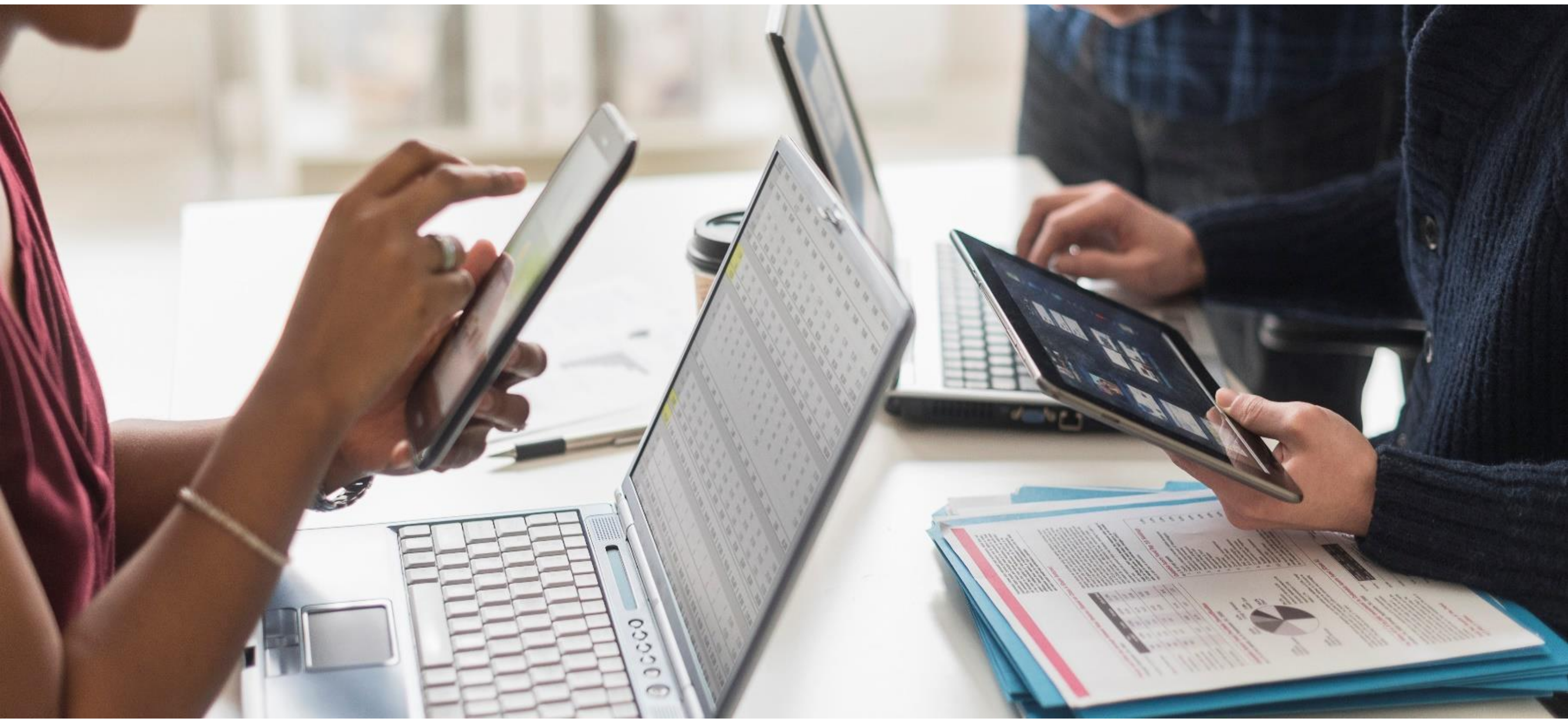
- Scheme member experience
- Operational efficiency
- General administration and compliance
- Communication channels and connectivity
- Notices, documents and reports generation
- Account activation and enrolment
- Contributions, payment and benefits withdrawal processes

The eMPF initiative will undoubtedly enhance the member experience by enabling seamless account management through a single, intuitive interface. By simplifying the tracking of contributions and investments, it empowers members to effortlessly monitor their financial status and make informed decisions with confidence. Looking ahead, the eMPF Platform is poised to unlock a wealth of exciting opportunities and innovations that will greatly benefit scheme members. Among these advances is the implementation of full portability of MPF benefits. These innovations will not only streamline administrative processes but also empower scheme members to take greater control of their retirement planning, optimise their investment strategies and achieve better financial outcomes.

Staying fit for purpose

The eMPF Platform should aspire to achieve straight-through processing (STP), a streamlined approach where scheme members interact exclusively with the platform for all transactions and processes. Currently, certain aspects, such as payments or settlements (including contributions and withdrawals), are not fully integrated into the eMPF Platform. By addressing these gaps, STP can simplify workflows, enhance the customer experience, reduce manual intervention, and improve operational efficiency. The eMPF Platform should incorporate several advanced features. Automated order routing can ensure the seamless flow of fund purchase and redemption orders directly between scheme members and asset managers, eliminating delays. Additionally, real-time reconciliation is essential for maintaining accuracy by instantly matching transaction records across all involved parties.

The inclusion of robust data and analytics capabilities can provide members with real-time insights, market trends and benchmarking tools, empowering informed decision-making. Moreover, the eMPF Platform can further elevate member engagement by introducing portfolio management tools. These dashboards would enable members to track their portfolio performance, assess risks and make informed asset allocation decisions. By integrating these functionalities, the eMPF Platform can evolve into a comprehensive member-centric solution, scaling the accessibility and delivery of personalised financial support to meet the unique needs of different investor demographics.



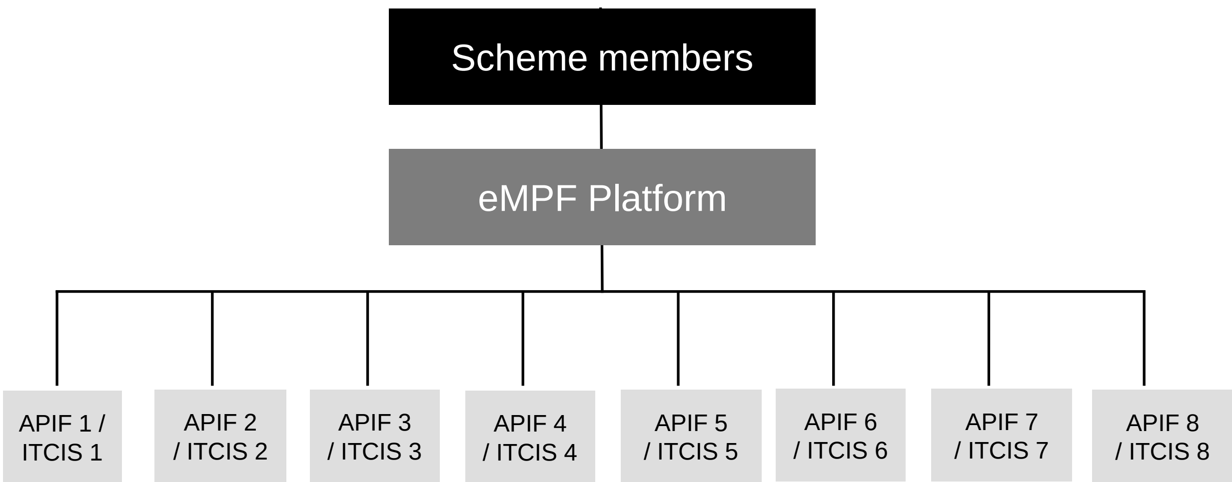
4. Possible future enhancements

A funds-based approach

The current structure of the MPF System is scheme-based, where schemes provide a layer above Constituent Funds (CFs) that then generally invest in Approved Pooled Investment Funds (APIFs) and/or Index-Tracking Collective Investment Schemes (ITCISs). There could be merit in simplifying this: by leveraging the eMPF Platform, the current model could be streamlined by allowing scheme members to directly invest in APIFs / ITCISs.

A funds-based platform could incorporate robo-advisory services, which are increasingly gaining traction within the investment management landscape. These services enable tailored investment strategies and facilitate the personalisation of portfolios to better meet individual needs. In the context of the MPF System, it is worth exploring how robo-advisory could integrate with the newly established eMPF Platform. Such an integration could provide substantial benefits to individuals seeking assistance in managing their retirement assets by offering automated and personalised financial advice. Furthermore, it could enhance efficiency, reduce management costs, and improve decision-making for members with limited investment knowledge, while promoting greater accessibility and convenience.

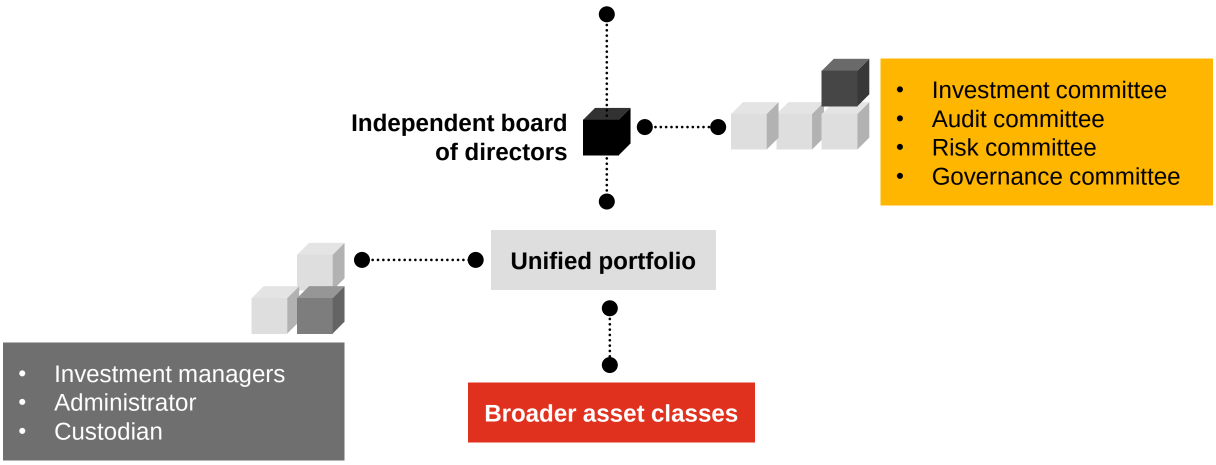
A simplified funds-based approach



A distinct unified portfolio

It may be beneficial to establish a distinct unified portfolio outside the current scheme-based system, aimed at members who prefer not to make investment decisions and instead rely on professionals for their strategic asset allocation. This fund will be overseen by an independent board of directors, acting in the best interest of members. Under this setup, institutional fees, rather than retail fees, will be charged to members, given that this portfolio would require minimal member servicing and be similar to centralised funds observed in other jurisdictions.

A distinct unified portfolio outside the current scheme-based system

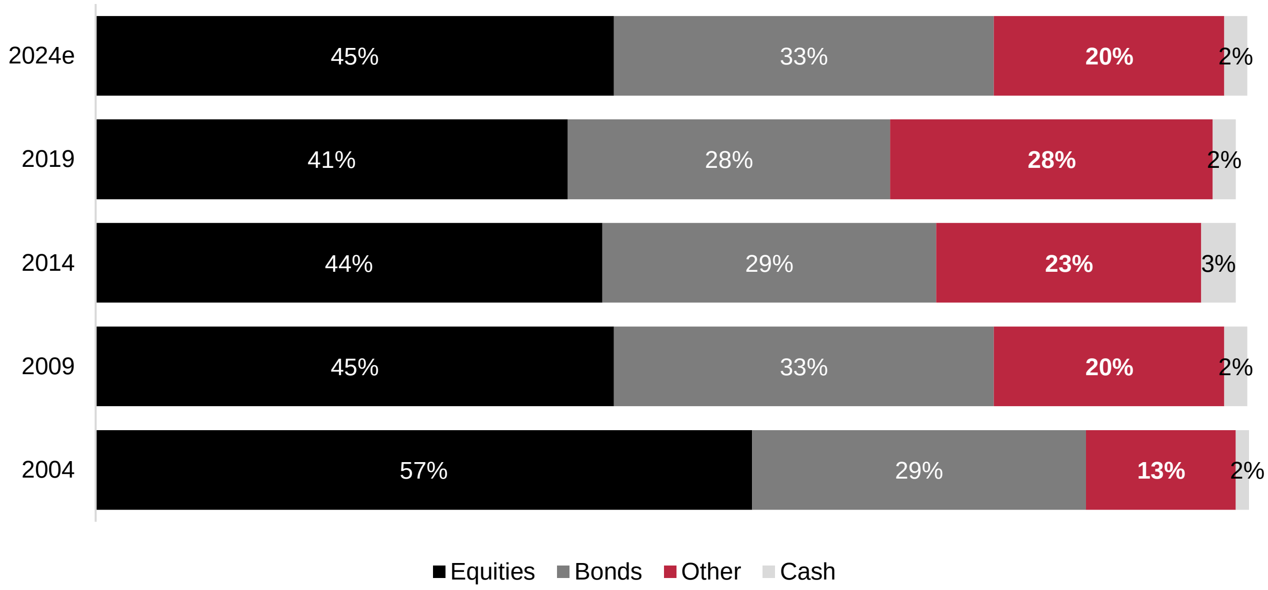


Independent board of directors	• Appoint, oversee and terminate service providers through a tender process • Ensure that service providers serving the unified portfolio meet performance expectations regarding returns and value for members. • Take necessary steps and actions when service providers, including the investment manager underperform.
Investment committee	• Provide market expertise and advice on investment policies, strategic asset allocation and the selection of external investment managers
Investment managers	• Invest directly in appropriate investments without needing to go through other fund vehicles.

The importance of having broader asset classes

Around the globe, there has been a significant increase in the proportion of alternative assets within major pension systems. This trend is driven by investment allocators who are actively exploring how to meet their pension mandates in a sustainable way and diversify out of the sometimes highly volatile public markets. Ultimately, the shift is meant to assist individuals in securing their financial futures and ensuring long-term savings growth. Many more mature pensions systems and OECD member countries are currently invested into alternative assets.

Aggregate P7 asset allocation



The P7 refers to the seven largest pension markets: Switzerland, Australia, Canada, Japan, Netherlands, United States and United Kingdom. 'Other' includes private equity, hedge funds, infrastructure, insurance contracts, commodities and more.
Source: Thinking Ahead Institute – Global Pension Assets Study 2025

The significant global trend of incorporating alternative assets into the pensions realm presents an exciting opportunity to consider whether it is time to broaden the range of permissible asset classes in the MPF System. The inclusion of alternative assets in the MPF System could bring significant benefits, such as promoting the development of the MPF system and enhancing Hong Kong's status as a comprehensive International Financial Centre (IFC). The recent clarifications on regulatory requirements by the SFC to facilitate the listing of closed-ended alternative funds on the Stock Exchange of Hong Kong (SEHK) could serve as a catalyst for broader developments in the asset and wealth management space, including the pensions sub-sector.

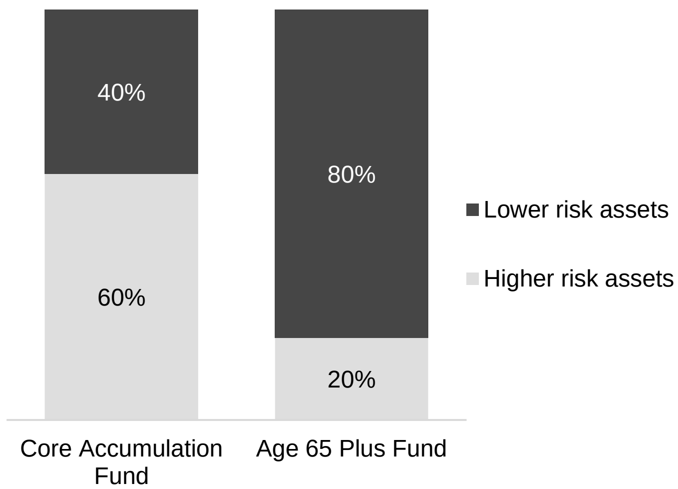
Expanding the investment options available to encompass alternative assets would likely improve portfolio diversification and potential returns for scheme members. Moreover, the inclusion of alternative assets, including private equity, hedge funds, real estate, infrastructure and private credit, could provide new opportunities for growth and innovation in the local financial market.

Currently, scheme members only have access to the following underlying fund types: equity fund, mixed assets fund, money market fund, guaranteed fund and bond fund. This ties back to the concept of the unified portfolio discussed earlier. Under the scheme-based model, it is challenging for individual members to invest in alternative assets, as their assets are not substantial enough to achieve the diversification required. However, if all members' contributions were pooled into a unified portfolio, the increased scale would allow for more efficient investment into alternative assets, enabling better diversification and potentially improved returns.

Attached-but-detached model

The Default Investment Strategy (DIS) was introduced to address public concerns around the challenges associated with choosing MPF Funds. Currently, there are 24 MPF schemes in the market, each offering two constituent funds under Default Investment Strategies: the "Core Accumulation Fund" and the "Age 65 Plus Fund". The DIS framework incorporates three key features aimed at safeguarding retirement savings: (1) automatic reduction of investment risk as members near retirement age i.e. automatic de-risking, (2) fee caps to ensure affordability, and (3) globally diversified investments to mitigate risks through broader asset allocation.

Default Investment Strategies (DIS)



- **The Core Accumulation Fund** allocates approximately 60% of its assets to higher-risk investments, primarily global equities, with the remaining 40% in lower-risk assets such as global bonds.
- **The Age 65 Plus Fund** takes a more conservative approach, with about 20% of its assets in higher-risk global equities and the remaining 80% in lower-risk global bonds.

Where does the DIS stand in the current MPF System?

DIS funds are classified as mixed asset funds within the MPF System.

Fund type	Fund size (HKD million)	
Equity funds	597,957	44.7%
Mixed assets funds	447,348	33.4%
Money market funds (MPF conservative funds)	157,826	11.8%
Guaranteed funds	78,360	5.9%
Bond funds	50,264	3.8%
Money market funds (other than MPF conservative funds)	5,751	0.4%
	1,337,506	**100%**

	Fund size (HKD million)	
DIS	138,086	10.3%
Non-DIS	309,262	23.1%
	447,348	**33.4%**

Percentages may not add up to 100% due to rounding.
Data as of March 2025
Source: MPF Schemes Statistical Digest and PwC analysis

Although there are numerous DIS offerings in the market, the products are largely homogeneous due to investment restrictions and criteria. This uniformity raises the question of whether consolidating these existing DIS schemes into a single, unified DIS could enhance economies of scale and operational efficiency. Such consolidation might streamline management and provide greater benefits to members while maintaining the essential features of risk reduction, fee caps and global diversification.

A unified DIS, with a larger fund size, could also explore new investment opportunities beyond the current scope, such as alternative assets and a broader range of asset classes, while staying true to the original premise of globally diversified investments. While a shift to centralisation may cause short-term disruptions to the status quo, the long-term gains - such as efficiency improvements and potentially higher returns from a broader investment universe - could outweigh the initial challenges. Drawing parallels to the "distinct unified portfolio" model discussed earlier, where scheme members do not need to make investment decisions, the central fund could be overseen by an independent board of directors, with service providers selected through a tender process. Inspiration could be taken from the organisational structures of sovereign wealth funds and endowment funds to ensure robust governance and efficiency.

A holistic distribution platform for Hong Kong

Over the past decades, Hong Kong has strived to become an all-encompassing IFC, serving a wide investor base and accommodating institutional, ultra-high-net-worth individuals (UHNWIs), high-net-worth individuals (HNWIs) and retail investor flows. As the IFC infrastructure continues to undergo a transformation around investment products, fund structures, distribution regimes, sustainable finance, human capital and the use of technology (to name a few), policymakers have been proactive in kickstarting platforms with varying objectives to enhance the product and distribution ecosystem.

In recent years, we have seen the development of HKEX's Integrated Fund Platform (IFP) and the launch of the eMPF Platform coming to fruition. Potentially integrating these platforms, whether directly or indirectly, could unlock substantial synergies, creating a more efficient and interconnected financial ecosystem that benefits investors and stakeholders in the value chain. While each of these platforms operates under distinct objectives, mechanisms and regulatory frameworks (the eMPF Platform aims to streamline scheme administration and member experience and HKEX's IFP aims to facilitate a robust and dynamic fund trading environment in the future), they share a unifying vision of delivering financial products to investors in the most efficient and effective manner possible, providing a strong foundation for collaboration.

By leveraging the complementary strengths of these systems - such as the pensions infrastructure of the eMPF and the market reach and liquidity of HKEX - an integrated platform could drive innovation in product distribution, introducing new and improved offerings to investors. This collaboration could also significantly enhance investor access to a wider range of financial products, while reducing operational inefficiencies and costs across the value chain. Ultimately, this concept could foster a more cohesive and robust financial ecosystem in Hong Kong, delivering accretive growth, strengthening regional financial connectivity, and better catering to the evolving needs of retail and institutional investors.

A holistic end-to-end platform catering for investors

Investors

Retail / MPF | **Institutional** | **UHNWIs** | **HNWIs** | **Pension funds** | **Family offices**

Expand beyond the retail investor channel and include other investor groups.

Platform

Products

Mutual funds | **ETFs** | **Insurance** | **Private funds** | **Infrastructure** | **Digital Assets**

Introduce a broader set of products for investors to be exposed to, notably, alternative assets through private funds and infrastructure opportunities.

Investor groups and product types provided are illustrative and not an exhaustive list.

The future of pensions in Hong Kong

In light of Hong Kong's ageing population, increasing life expectancy, rising living costs and continued macroeconomic uncertainty, retirement planning has become a critical aspect of life. The shift towards an older demographic poses substantial challenges to the sustainability of existing pension systems, necessitating thoughtful and strategic measures to ensure that citizens can retire with financial security.

Over the past 25 years, policymakers have demonstrated exceptional foresight and dedication by launching initiatives that ensure the MPF System remains fit for purpose. Their continued proactive approach has been instrumental in maintaining and enhancing the system's effectiveness in ensuring its capacity to meet future needs. Continuing to build trust in the pensions system and AWM industry is essential to ensuring its long-term sustainability and effectiveness.

Pensions and the MPF System are more than a financial obligation: they are the foundation of financial security for Hong Kong's retirees, ensuring individuals are able to maintain their quality of life post-retirement. On a broader societal level, pensions systems represent a shared responsibility to alleviate the financial demands on public resources and government-funded programmes. To foster a more positive sentiment around pensions, the narrative surrounding the MPF System should frame retirement planning as an empowering opportunity rather than a burdensome obligation. Members should feel motivated to take ownership of their financial futures, understanding the benefits and possibilities that the system offers.

Looking to the future of pensions in Hong Kong, inspiring a shift in mindset requires all stakeholders to play their part. As the role of asset and wealth managers as fiduciaries broadens, pension players should prioritise delivering the utmost value for scheme members. This includes enhancing pension structures, optimising investment performance and driving member engagement. Redressing the balance between cost and value encourages industry participants to enhance scheme offerings, improve transparency and trust, and may ultimately drive consolidation among schemes that fail to provide sufficient value for members. Concurrently, scheme members themselves also have a responsibility to actively participate in their retirement planning and accept accountability for their financial future.

PwC and HKRSA editorial

The Hong Kong Retirement Schemes Association (HKRSA) would like to thank the members of the HKRSA Executive Committee for contributing to and participating in this important project.

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PwC will continue to champion, shape, and support the development of the MPF System.

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