

PREPARING FOR AND IMPLEMENTING THE EMPLOYEE CHOICE ARRANGEMENT

OVERVIEW

Our role

- To prepare for and implement the proposal to expand employees' control over their MPF investments (known as the "Employee Choice Arrangement") ("ECA")

In 2012–13, we

- Issued relevant operational policies and MPF Guidelines to align industry standards and streamline the process of transferring accrued benefits, enhanced training for MPF intermediaries, and supervised MPF trustees' preparatory work, such as upgrading their scheme administration systems and processes and updating MPF scheme documentation and disclosure materials
- Rolled out publicity and communication programmes on ECA in phases
- Launched an electronic platform for transmission of data on transfer of accrued benefits among trustees
- Launched a Personal Account Register
- Implemented ECA with effect from 1 November 2012 and have been monitoring its operation since then

ECA allows employees to transfer from their contribution accounts the accrued benefits derived from the employees' portion of mandatory contributions made during their current employment to an MPF trustee and a scheme of their own choice on a lump sum basis once per calendar year. The purpose of the arrangement is to enhance employees' control over their MPF investments and to encourage them to look after their MPF more actively. ECA is also expected to encourage keener market competition in the long run, putting pressure on the industry to provide better MPF products and services to scheme members and reduce MPF fees. The new arrangement came into operation on 1 November 2012.

Prior to ECA, MPF intermediaries' sales and marketing activities were mainly directed at employers who were responsible for choosing MPF schemes for their employees. It was expected that ECA would expand the selling targets of MPF schemes to cover employees. To enhance the protection of scheme members, relevant legislation was amended, before the launch of ECA, to give a statutory backing to the regulatory regime for MPF intermediaries. The new statutory regime for regulating MPF intermediaries took effect on the same day when ECA came into operation. Before that, we had stepped up the training of MPF intermediaries to enhance their understanding of the new regulatory regime and ECA, thus helping to improve the quality of MPF services provided to scheme members. Details of the new regime and the training arrangements made are set out in the chapter "Supervising the Industry".



⚙️ A wide range of promotional and educational programmes on ECA, featuring an MPF Boss starred by a celebrity, were launched

SYSTEMS AND PROCESSES

Operational Arrangements

Before ECA's launch, we developed and issued a set of MPF Guidelines to provide guidance to the industry on the steps that should be taken in transferring MPF benefits under ECA and the time limit within which the steps should be completed. We had arranged "mystery shoppers" to test the readiness of staff of trustees' call centres for the implementation of ECA and shared the findings with trustees so that they could make improvements. At the same time, trustees had enhanced their scheme administration systems for the implementation of ECA and updated MPF scheme documentation and disclosure materials to include information on new transfer arrangements under ECA.

We have established a formal communication channel with each trustee to monitor ECA-related issues that may require immediate attention. Trustees are also required to submit statistics of their call centres, processing time of transfer cases, and the transfer volumes for our monitoring of transfer activities under ECA and assessment of the adequacy of the resources that trustees have deployed in handling ECA-related enquiries and transactions.

Automation of the Transfer Process

We completed the development of an automated system, known as the electronic Portability Automation Services System ("ePASS"), to facilitate speedy and accurate exchange of data among trustees for transfer of MPF accrued benefits. Before ePASS was launched along with ECA, we had performed thorough testing with the trustees to ensure that the system would work properly in a secure manner, and developed and issued a set of MPF Guidelines on ePASS to provide the industry with guidance on the relevant operational procedures.

Personal Account Register

The legislation that provides for ECA also provides for the establishment of a Personal Account Register by MPFA. If scheme members wish to know the number of personal accounts they have and with which trustees they maintain such accounts, they may approach MPFA to look up the information from the Register. With the information, scheme members may then obtain details of their MPF accounts from the relevant trustees and decide how to manage their accounts. The Register was formally launched at the same time as ECA.

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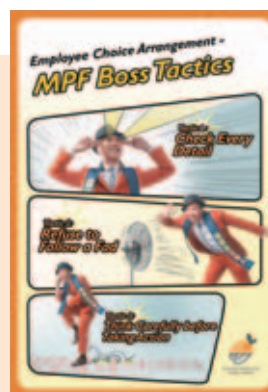
PUBLICITY AND PUBLIC EDUCATION ON ECA

We have been rolling out publicity and public education programmes on ECA since the first quarter of 2012 to explain the key features of ECA to members of the public. To gear up for the commencement of ECA, we have progressively intensified the publicity and education activities since August 2012 to publicize through various channels the operational details of ECA and to remind employees to exercise the new transfer right cautiously. We have conducted hundreds of briefings and talks to explain details of ECA and the new regulatory regime for MPF intermediaries to stakeholders, including talks conducted for employees at employers' premises and a round of briefings at all 18 District Councils. We have mailed to all employers in Hong Kong a letter and a leaflet introducing ECA, together with a poster that allowed them to fill in details of the MPF schemes they have enrolled their staff in for display at their work premises.



⚙️ A comic strip series conveying ECA information and key points that scheme members should note about ECA

⚙️ A thematic mini-site on ECA launched on MPFA's website to provide detailed information to the public



⚙️ New publications were produced and widely distributed to members of the public

Other programmes to publicize ECA and the new regulatory regime for MPF intermediaries included an educational video, a thematic mini-site on MPFA's website, publicity such as briefings, interviews and contribution articles to the local media, and a special issue of the *MPFA Newsletter*. A TV drama series and TV and radio advertisements were broadcast. Outreaching events, including ECA Fun Days, a promotion truck and information panel displays at high traffic MTR stations, were arranged. New publications and giveaway items carrying ECA messages were widely distributed. A comic strips series introducing key concepts of ECA in a light-hearted manner was developed for release on various media platforms. A leaflet was produced to introduce the new regulatory regime for MPF intermediaries and their roles. We also produced a *User Guide for the Public Register of MPF Intermediaries* to provide guidance on how to check the registration status of MPF intermediaries. Advertorials about the new regulatory regime were placed in free tabloids and on MPFA's website.



⚙️ A poster for filling in key details required in ECA transfer form were directly mailed to all employers for display at work premises for employees' easy reference

SINCE THE COMMENCEMENT OF ECA

The launch of ECA is a significant milestone in the development of the MPF System. We have been closely monitoring ECA's impact on the market and the behaviour of scheme members, in order to assess its effect and identify areas for improvement.



⚙️ A video was produced to explain the key features of ECA, factors to consider before transferring accrued benefits, points to note when making a transfer, how to fill in a transfer form, and the new regulatory regime for MPF intermediaries



⚙️ Two versions of TV and radio Announcements in the Public Interest as well as print advertisements were launched before and after 1 November 2012 respectively to publicize the launch of ECA, and explain the factors to consider before transferring accrued benefits and points to note when making a transfer

PREPARING FOR AND IMPLEMENTING THE EMPLOYEE CHOICE ARRANGEMENT (CONTINUED)



- ✦ The MPFA Newsletter Special Issue with a double cover on ECA and the new statutory regulatory regime for MPF intermediaries was published on 1 November 2012 and sent to more than 40 000 subscribers by mail and email. The Newsletter was also available on MPFA's website and at MPFA's offices

The purpose of ECA is to give employees greater autonomy of choice in their MPF investments and encourage them to manage their MPF accounts more actively. So long as scheme members find their current MPF investments suitable for themselves, they are not obliged to exercise their right under ECA and make any change hastily. According to the statistical returns provided by trustees, there were about 58 000 transfer requests made under ECA for the first five-month period from 1 November 2012 to 31 March 2013. The long-term response is yet to be seen.

In late November 2012, we conducted a survey to assess how well scheme members and employers understand the new arrangement. The results revealed a very high level of awareness of ECA among employers and employees, but some interviewees have yet to grasp certain operational details at the time of the survey. We had subsequently refined the messages of the publicity and public education programmes launched in the first quarter of 2013 based on the survey findings.



- ✦ Series of outreach events from November 2012 to March 2013 included an ECA Promotion Truck touring the 18 districts of Hong Kong and stopping at high-traffic spots and public and private housing estates, and Fun Days in high-traffic shopping malls