

# Major Results and Future Initiatives

## Objective:

To refine, simplify and vigilantly regulate and supervise the MPF System to maximize its value to scheme members

Major results in 2013-14	More information on other pages	Initiatives in 2014-15 and beyond
<b>On reviewing the regulatory framework and refining the MPF System</b>		
<ul style="list-style-type: none"> <li>Continued to study options in which employees can be given more control over their MPF accounts</li> </ul>	28	<ul style="list-style-type: none"> <li>Work out a proposal for submission to the Government by the end of 2015</li> </ul>
<ul style="list-style-type: none"> <li>Assisted the Government in preparing legislative proposals to increase the flexibility of withdrawal of MPF accrued benefits and make other miscellaneous and technical amendments, including amendments to streamline MPF scheme administration processes and enable more effective enforcement action against trustees</li> </ul>	28 and 36	<ul style="list-style-type: none"> <li>Assist the Government in introducing the proposals into the Legislative Council and work with stakeholders to ensure early implementation of the legislative proposals upon their enactment</li> </ul>
<ul style="list-style-type: none"> <li>Completed the legislative amendments to (i) introduce a simplified contribution calculation method and a unified contribution scale for casual employees in Industry Schemes<sup>1</sup>; and (ii) adjust the minimum and maximum relevant income levels for MPF contribution purposes<sup>2</sup></li> </ul>	29	<ul style="list-style-type: none"> <li>Keep in view the need for further adjustments in light of the development of the adjustment mechanism for the minimum and maximum relevant income levels</li> </ul>
<ul style="list-style-type: none"> <li>Developed a proposal for an improved mechanism for adjusting the minimum and maximum relevant income levels for MPF contribution purposes</li> </ul>	28	<ul style="list-style-type: none"> <li>Consult the public on the proposal and assist the Government in preparing relevant legislative proposals</li> </ul>
<ul style="list-style-type: none"> <li>Developed a proposal to enhance the regulation of default funds<sup>3</sup> in MPF schemes with a view to providing a simple and low-fee MPF investment choice to scheme members who do not or do not want to make investment choices and any other scheme members who are agreeable to the investment strategy of this choice</li> </ul>	29	<ul style="list-style-type: none"> <li>Consult the public on the proposal and assist the Government in preparing relevant legislative proposals</li> </ul>
<b>On protecting the interests of scheme members</b>		
<ul style="list-style-type: none"> <li>Recovered \$146.3 million in default contributions on behalf of employees</li> </ul>	33	<ul style="list-style-type: none"> <li>Continue to deter non-compliance of employers, self-employed persons and scheme members</li> </ul>
<ul style="list-style-type: none"> <li>Applied for summonses against 95 scheme members who made false statements to withdraw accrued benefits on grounds of permanent departure from Hong Kong; and 10 summonses in respect of failure of employers to pay any sum payable under tribunal or court awards</li> </ul>	33 and 34	

<sup>1</sup> Changes took effect on 1 November 2013.

<sup>2</sup> The minimum relevant income level was raised from \$6,500 to \$7,100 with effect from 1 November 2013 and the maximum relevant income level will be increased from \$25,000 to \$30,000 with effect from 1 June 2014.

<sup>3</sup> MPF funds in MPF schemes designated for investing MPF contributions of scheme members who do not make investment choices.

## Major Results and Future Initiatives (cont'd)

Major results in 2013-14	More information on other pages	Initiatives in 2014-15 and beyond
<b>On supervising the industry</b>		
<ul style="list-style-type: none"> <li>Monitored the operation of the Employee Choice Arrangement<sup>4</sup> ("ECA") and identified areas for improvement</li> </ul>	36	<ul style="list-style-type: none"> <li>Follow up on areas for improvement and explore ways to further shorten the processing time of transfers under ECA</li> </ul>
<ul style="list-style-type: none"> <li>Facilitated standardization, streamlining and automation of administration of MPF schemes with relevant legislative proposals formulated</li> </ul>	36	<ul style="list-style-type: none"> <li>Launch a system for processing payments to facilitate efficient processing of transfers of MPF accrued benefits and explore ways to further automate, streamline and standardize administration of MPF schemes</li> </ul>
<ul style="list-style-type: none"> <li>Urged trustees to offer in each scheme at least one low-fee fund<sup>5</sup> investing in equities and/or bonds. As at 31 March 2014,                             <ul style="list-style-type: none"> <li>all 37 active schemes have offered or are ready to offer at least one low-fee fund investing in equities and/or bonds;</li> <li>there were altogether 155 low-fee funds in the MPF market; and</li> <li>the average Fund Expense Ratio<sup>6</sup> of MPF funds fell by 20% to 1.69% from 2.10% in 2007</li> </ul> </li> </ul>	36 and 40	<ul style="list-style-type: none"> <li>Work on the core fund proposal with a view to offering a simple, low-fee MPF investment option to all scheme members and implement various measures to help contribute towards overall efficiency in the MPF System to create more room for fee reduction</li> </ul>
<ul style="list-style-type: none"> <li>Urged trustees to consolidate smaller scale or less efficient MPF schemes and funds. In 2013-14,                             <ul style="list-style-type: none"> <li>four small-size funds had been terminated; and</li> <li>two trustees had merged in total four schemes into two</li> </ul> </li> </ul>	36	<ul style="list-style-type: none"> <li>Continue to monitor the market trend to facilitate reduction in the overall operating cost of the MPF System in the long run</li> </ul>
<ul style="list-style-type: none"> <li>Made efforts to decelerate the creation of new personal accounts and launched a campaign to encourage consolidation of personal accounts. From 16 September 2013 to 31 March 2014, MPF trustees had received around 37 700 applications for consolidation of personal accounts</li> </ul>	37	<ul style="list-style-type: none"> <li>Continue to roll out publicity and education programmes to encourage scheme members to consolidate multiple personal accounts into one for easy management. Measures to further decelerate the creation of new personal accounts will also be devised</li> </ul>
<ul style="list-style-type: none"> <li>Centralized all enforcement functions under a dedicated team to enhance our enforcement actions, in particular against non-compliance of the MPF industry</li> </ul>	37	<ul style="list-style-type: none"> <li>Implement new or refined supervision and enforcement strategies in respect of trustees, with emphasis on addressing key operational risks in connection with MPF scheme administration, and enhancing trustees' governance arrangements in relation to fulfillment of their fiduciary duties</li> </ul>

<sup>4</sup> An arrangement that allows employees to elect to transfer the MPF accrued benefits derived from employees' mandatory contributions made during current employment and held in a contribution account under an MPF scheme to an MPF scheme of their own choice on a lump sum basis once every calendar year.

<sup>5</sup> MPF funds with fee of 1% or below or Fund Expense Ratio of 1.3% or below.

<sup>6</sup> A ratio that measures the expenses of an MPF fund as a percentage of fund size based on data from the most recently ended financial period. The higher the ratio, the higher the percentage of operating expenses to fund size.

## Objective:

To strengthen public support and promote understanding of the MPF System, MPF investment, and the work of MPFA

Major results in 2013-14	More information on other pages	Initiatives in 2014-15 and beyond
<ul style="list-style-type: none"> <li>■ Rolled out publicity and education programmes with specific themes relating to knowledge of managing MPF investment and accounts</li> </ul>	43	<ul style="list-style-type: none"> <li>■ Continue to organize education programmes to help the general public and different target groups better understand the MPF System and make informed MPF investment decisions</li> </ul>
<ul style="list-style-type: none"> <li>■ Launched thematic campaigns for self-employed persons, members of Industry Schemes and ethnic minorities</li> </ul>	45	
<ul style="list-style-type: none"> <li>■ Through school activities, parenting programmes and online publicity, educated the younger generation and their parents on MPF and the importance of saving for the future</li> </ul>	46 to 48	<ul style="list-style-type: none"> <li>■ Organize a new round of programmes to educate young working adults and students on the merits of the MPF System and the importance of early financial planning for retirement</li> </ul>
<ul style="list-style-type: none"> <li>■ Consulted major stakeholders on new developments of the MPF System and organized with them programmes and briefings to broaden and consolidate support for the MPF System</li> </ul>	44	<ul style="list-style-type: none"> <li>■ Proactively network and communicate with different sectors of the community and provide outreach services for scheme members</li> </ul>
<ul style="list-style-type: none"> <li>■ Publicized new initiatives and changes in the MPF System</li> </ul>	49 to 51	<ul style="list-style-type: none"> <li>■ Organize communication, publicity and education programmes to enhance understanding of new developments of the MPF System</li> </ul>

## Objective:

To build a strong team and effective systems to deliver the planned programmes and achieve MPFA's mission

Major results in 2013-14	More information on other pages	Initiatives in 2014-15 and beyond
<ul style="list-style-type: none"> <li>■ Reviewed the organization structure of core operations and established a new Enforcement Division</li> </ul>	66	<ul style="list-style-type: none"> <li>■ Review the organization structure and processes of various divisions / departments, rationalize manpower and talents needs to enhance operational effectiveness</li> </ul>
<ul style="list-style-type: none"> <li>■ Organized training and development activities to gear up staff for their current and prospective roles</li> </ul>	67	<ul style="list-style-type: none"> <li>■ Work out a senior executive development programme and implement a reciprocal secondment programme with counterpart regulators</li> </ul>
<ul style="list-style-type: none"> <li>■ Strived for excellence in fulfilling our corporate social responsibility through our commitment to the well-being of employees, sustainability of the environment and services to the community; and received awards in recognition of our efforts</li> </ul>	64 to 69	<ul style="list-style-type: none"> <li>■ Enhance corporate-wide awareness of our corporate social responsibility and roll out related activities through a well co-ordinated approach</li> </ul>