

Major Results and Future Initiatives

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
Refining the regulatory framework		
<i>Provide better investment solutions for scheme members</i>	Completed a public consultation on a default investment strategy (“DIS”) and put forward concrete proposals to the Government <i>(more information on pages 42 and 43)</i>	<ul style="list-style-type: none"> • Support the Government in the legislative process • Make preparations for implementing the proposals
<i>Improve MPF information presentation and disclosure</i>	Developed proposals to simplify and standardize information presentation and risk disclosure in the offering documents for MPF schemes ¹ <i>(more information on page 43)</i>	<ul style="list-style-type: none"> • Liaise with trustees on the implementation of the proposals
<i>Improve flexibility, efficiency and effectiveness of the MPF System</i>	Completed the legislative process to (i) increase the flexibility of withdrawal of MPF accrued benefits; and (ii) make other miscellaneous and technical amendments, including amendments to streamline MPF scheme administration processes and enable more effective enforcement action against trustees <i>(more information on pages 43 and 44)</i>	<ul style="list-style-type: none"> • Make preparations for implementing the new provisions
<i>Improve efficiency of adjusting the minimum and maximum relevant income levels for MPF contribution purposes</i>	Conducted a public consultation on a proposal for an automatic mechanism for adjusting the minimum and maximum relevant income (“RI”) levels for MPF contribution purposes ² <i>(more information on page 44)</i>	<ul style="list-style-type: none"> • Follow up the results of the public consultation

1 “Offering document” refers to a document that invites participation in an MPF scheme by prospective members. It should contain necessary information (including information about the scheme, operators, constituent funds, contributions and withdrawals, fees and charges, warnings and other important issues) for an individual to make informed decisions about the scheme.

2 Under the MPF System, the amount of mandatory contributions is subject to minimum and maximum relevant income (“RI”) levels which are adjustable over time to reflect changes in the earnings distribution of the working population. The mechanism for reviewing and adjusting the RI levels is set out in the MPF legislation.

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Supervising the industry		
<i>Supervise trustees</i>	Reviewed trustees' supervision of custodial arrangements of MPF assets and their contribution handling and transfer processing <i>(more information on page 45)</i>	<ul style="list-style-type: none"> Continue to implement the supervisory strategies devised on the basis of the reviews
	Set up a specialized on-site inspection team and began thematic inspections on trustees' record keeping of scheme members' account and unit balances <i>(more information on page 45)</i>	<ul style="list-style-type: none"> Complete the current round of thematic inspections
	Started regulatory visits to and intensive regulatory dialogues with trustees' boards of directors to enhance trustees' governance arrangements in relation to fulfilment of their fiduciary duties <i>(more information on page 45)</i>	<ul style="list-style-type: none"> Complete the round of visits in 2015-16 On the basis of the findings of the visits, evaluate the areas in the Compliance Standards for MPF Approved Trustees³ that need to be enhanced
<i>Supervise intermediaries</i>	Completed the migration of intermediaries from the old regulatory regime and renewed their registration under the new statutory regulatory regime ⁴ <i>(more information on page 45)</i>	<ul style="list-style-type: none"> Enhance the quality of training for intermediaries
<i>Facilitate the market and reduce the costs of the MPF System</i>	Facilitated standardization, streamlining and automation of MPF administration processes, including the launch of the E-Payment for MPF Transfer system to facilitate efficient processing of transfers of MPF accrued benefits, and completion of the legislative process to enable streamlining of some MPF scheme administration processes <i>(more information on page 46)</i>	<ul style="list-style-type: none"> Make preparations for implementing the new provisions Commission a consultancy study on a conceptual model of infrastructure and processes to standardize, streamline and automate MPF scheme administration

3 "Compliance Standards for MPF Approved Trustees" were first developed in 2005 with the assistance of international consultants and issued by MPFA on 28 July 2005 to give trustees guidance in establishing a structured framework for monitoring their compliance with statutory duties and responsibilities.

4 MPF intermediaries with valid registration with MPFA immediately before the commencement of the new statutory regime on 1 November 2012 were given two years to apply for registration under the new regime by 31 October 2014 if they wish to continue to conduct regulated MPF sales and marketing activities.

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	<p>Facilitated market forces, allowing room for fee reduction of MPF schemes. As at 31 March 2015,</p> <ul style="list-style-type: none"> the average Fund Expense Ratio⁵ of MPF funds fell by 23% to 1.62% from 2.1% in 2007; and some 40% of the MPF funds in the market were low-fee funds⁶ <p><i>(more information on page 47)</i></p>	<ul style="list-style-type: none"> Impose a fee cap on the DIS Propose further reforms to simplify the MPF System for lowering its overall operating cost
	<p>Supported the Government in entering into an intergovernmental agreement with the United States (“US”) authorities in respect of the US Foreign Account Tax Compliance Act (“FATCA”)⁷. Based on the framework of the agreement, MPF schemes are exempted and ORSO schemes are conditionally exempted under FATCA</p> <p><i>(more information on page 47)</i></p>	<ul style="list-style-type: none"> Communicate with MPF trustees and ORSO employers on any new developments and facilitate their compliance with statutory requirements
Enforcing the law		
<i>Ensure compliance with the MPF and ORSO legislation</i>	<p>Handled complaints and investigated suspected breaches or non-compliance and took necessary enforcement actions</p> <p><i>(more information and key statistics on pages 49 to 52)</i></p>	<ul style="list-style-type: none"> Continue to deter non-compliance and take necessary enforcement actions
	<p>Completed the legislative process to enable more effective enforcement action against trustees</p> <p><i>(more information on pages 43 and 44)</i></p>	<ul style="list-style-type: none"> Review the suitability and effectiveness of existing statutory enforcement powers and sanctions against non-compliant trustees

⁵ “Fund Expense Ratio” (“FER”) refers to 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 FER, the higher the percentage of operating expenses to fund size.

⁶ “Low-fee funds” refer to MPF funds with fee of 1% or below or FER of 1.3% or below.

⁷ “FATCA” is a law of the US against tax evasion by US citizens, resident aliens and entities through the use of foreign financial institutions (“FFIs”) and non-financial foreign entities (“NFFEs”). Under FATCA, all withholdable payments made to FFIs and NFFEs will be subject to a withholding tax unless the FFIs and NFFEs comply with certain reporting, disclosure and related requirements or are deemed to comply with those requirements.

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Educating the public		
<i>Educate the public on MPF investment</i>	Launched campaigns with respective themes relating to the fundamentals of MPF investment, MPF account review, and MPF funds <i>(more information on pages 54 and 56)</i>	<ul style="list-style-type: none"> Continue to strengthen MPF education to help different target groups better understand the MPF System and make informed decisions for their MPF investments
	Organized roving exhibitions focusing on how to make informed MPF decisions and encouraging consolidation of MPF accounts <i>(more information on page 55)</i>	
	Organized workshops on retirement planning and launched a new retirement planning calculator on MPFA's investment education thematic website <i>(more information on page 56)</i>	
	Organized seminars and workshops on retirement planning and MPF investment <i>(more information on page 57)</i>	
	Launched an all-in-one thematic website on MPF investment education to provide comprehensive information on MPF investment under one roof <i>(more information on page 57)</i>	
<i>Educate the younger generation on early financial planning and on MPF</i>	Organized programmes for various levels of students from pre-primary to tertiary <i>(more information on pages 57 to 60)</i>	<ul style="list-style-type: none"> Organize programmes to educate young working adults and students on the merits of the MPF System and the importance of saving for the future and early planning for retirement
	Organized talks for students of tertiary institutions and members of youth centres and participated in various career and education fairs for fresh graduates and job-seekers <i>(more information on pages 57 and 60)</i>	
	Spread MPF messages via popular social media platforms <i>(more information on page 57)</i>	

Major Results and Future Initiatives (continued)

Initiatives and major results in 2014-15		Initiatives in 2015-16 and beyond
<i>Generate public awareness of MPFA's new initiatives and changes in the MPF System</i>	Organized publicity campaigns on legislative amendments, the public consultation on DIS, employers' MPF obligations, Employee Choice Arrangement ⁸ , and MPF account management respectively <i>(more information on pages 53, 61 and 62)</i>	<ul style="list-style-type: none"> Organize communication, publicity and education programmes to enhance awareness and deepen understanding of the new developments of the MPF System among stakeholders and scheme members
	Contributed articles on the achievements of the MPF System and the work of MPFA to newspapers and online platforms <i>(more information on page 62)</i>	
<i>Reach out to the community</i>	Organized briefings for stakeholders during public consultations <i>(more information on page 53)</i>	<ul style="list-style-type: none"> Further enhance networking and liaison with stakeholders and scheme members to gain a broad-based understanding and support from the public for MPF
	Organized talks, seminars and district programmes on MPF issues for various stakeholders <i>(more information on page 63)</i>	
	Organized outreach programmes and lunch talks for members of Industry Schemes ⁹ <i>(more information on page 64)</i>	
Building a strong team and effective systems		
<i>Staff training and development</i>	Provided adequate and appropriate training and development programmes for staff to enhance their competencies <i>(more information on page 73)</i>	<ul style="list-style-type: none"> Review the training and development framework and organize training and development activities to gear up staff for their current and prospective roles
<i>Risk management</i>	Started a revamp exercise on the risk assessment and management framework to facilitate more focused and effective monitoring of risk items <i>(more information on page 19)</i>	<ul style="list-style-type: none"> Complete the revamp exercise and implement measures under the new risk assessment and management framework

8 "Employee Choice Arrangement" refers to 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.

9 "Industry Schemes" refer to provident fund schemes registered under section 21A of Mandatory Provident Fund Schemes Ordinance for employers and employees of the catering and construction industries, which are of high intra-industry labour mobility.

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Corporate social responsibility		
<i>Extend care towards employees, the environment and the community</i>	Pursued various initiatives to reduce paper and energy consumption, enhance operational efficiency, and encourage reuse and recycling of resources <i>(more information on pages 69 and 70)</i>	<ul style="list-style-type: none"> Continue to implement green initiatives within MPFA to contribute to a green future
	Staff members and their families and friends clocked up more than 2 900 hours of volunteer service <i>(more information on pages 70 and 71)</i>	<ul style="list-style-type: none"> Continue to extend MPFA's care towards employees and the community in fulfilment of its corporate social responsibility
	Enhanced the corporate website with designs to promote barrier-free and convenient access to the information and services for all including those with special needs <i>(more information on page 72)</i>	
	Pursued initiatives on staff development, staff recognition, and enhancement of staff's physical and mental well-being to maintain a happy, healthy and engaged workforce <i>(more information on page 73)</i>	