

Business Operations

MPFA at a Glance

MPFA is a statutory body established in 1998 under the MPFSO to regulate and supervise MPF schemes. It also assumes the role of the Registrar of Occupational Retirement Schemes.

Our Vision

To build a retirement savings system that is valued by Hong Kong people.

Our Mission

- To regulate and supervise privately managed provident fund schemes;
- To educate the working population about saving for retirement and the role of the MPF System as one of the pillars supporting retirement living; and
- To lead improvements to provident fund schemes to make them more efficient and user-friendly, and better meet the needs of the working population.

Key Figures about MPF (31.3.2019)

Approved trustees¹	15
Registered intermediaries (total)	33 459
Principal intermediaries²	412
Subsidiary intermediaries³	33 047
Registered schemes⁴	32
Approved constituent funds⁵	476
Approved pooled investment funds⁶ (APIF)	316
Approved index-tracking collective investment schemes⁷ (ITCIS)	131

Latest lists of MPF trustees, schemes and funds are available on MPFA's website:

http://www.mpfa.org.hk/eng/public_registers/index.jsp

1 Including one approved trustee which operates only APIFs and does not operate any MPF schemes.

2 Principal intermediary refers to a business entity registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes.

3 Subsidiary intermediary refers to a person registered by MPFA as an intermediary for selling, marketing or giving advice on MPF schemes on behalf of the principal intermediary to which the person is attached.

4 Including two registered schemes that are to be terminated.

5 Including 429 funds available in the market, 35 funds under two registered schemes that are to be terminated, and 12 funds approved to be launched at a later date.

6 Approved pooled investment fund (APIF) refers to a type of investment fund that a constituent fund invests into. It can be in the form of an insurance policy or a unit trust.

7 Index-tracking collective investment scheme (ITCIS) refers to a collective investment scheme which has the sole investment objective of tracking a particular market index.

MPF Industry Supervision and Development

MPF Trustees

Surveillance and monitoring

We adopt a proactive and risk-based approach in monitoring and supervising trustees.

We assess and oversee trustees' compliance and detect potential weaknesses. In respect of areas of concern, we issue circulars, newsletters and reminders to provide guidance and take supervisory or enforcement actions as appropriate. We investigate suspected non-compliance cases and make regulatory responses having regard to factors including the nature and scope of the cases.

Supervision and enforcement actions in 2018-19



Seven circulars were issued covering matters relating to our regulatory concerns on trustees' potential compliance weaknesses and certain high risk operational areas which required trustees' attention.

In particular, a circular relating to trustees' special voluntary contributions (SVC) arrangements was issued. The circular sets out general guidance for trustees to strengthen their surveillance and risk management framework when offering and operating SVC arrangements. Trustees were reminded to take pre-emptive actions to ensure that MPF funds are not used for speculation or short-term trading purpose.

In addition, two newsletters and six reminders were issued to trustees on compliance, scheme administration, and other MPF issues.

130 enquiries were handled in relation to scheme administration, investment and fund operations (cases arising from monitoring, enquiries, complaints and trustees' self-reporting).

257 complaint cases against trustees were received:

- 228 cases relating to service quality⁸ were referred to the trustees concerned to address the issues; and
- 29 other cases were enquired into with the trustees concerned to assess if there were any suspected non-compliance.

40 cases of suspected non-compliance by trustees were investigated or are still on-going.

Supervisory compliance letters were issued to trustees in 78 cases in relation to internal controls, regulatory obligations, record keeping, investment compliance, and scheme administration.

Five independent reviews were subsequently engaged by trustees to undertake improvement measures.

11 financial penalty notices amounting to a total sum of \$3,250,000 were issued to trustees⁹ for their non-compliance with the requirements of the MPF legislation.

⁸ Five out of 228 cases were related to the implementation of the Default Investment Strategy (DIS) covering trustees' customer services and issuance of DIS notices. Three out of 228 cases were either withdrawn or non-pursuable.

⁹ The non-compliances were in relation to scheme administration, which includes late reporting of default contributions to MPFA, late processing of transfer or payment of MPF benefits and failure to submit various returns or reports to MPFA, etc.

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Thematic programme

On trustees' compliance

We pursued a focused supervisory programme to address operational risks and governance of trustees with key compliance issues.

A trustee undertook to implement a transformation programme to overhaul its governance, risk management, administration infrastructure and processes. We closely monitored its programme through regular meetings with the trustee and the appointment of an independent consultant to assist us in this matter.

On trustees' complaints handling

We conducted thematic on-site inspections to trustees to review and assess if they have properly put in place procedures to handle complaints from scheme members and employers. We also assessed the adequacy of their governance framework and control measures of complaints handling. Key observations and good practices identified were shared with trustees.

On data risk management and cybersecurity risk management

We issued letters to require that trustees step up governance over integrity of scheme member data. We also required that trustees conduct a self-assessment on cybersecurity risk management in 2018.

From October 2018, we have been conducting thematic on-site inspections to trustees covering cyber resilience and data risk management.

Governance of trustees

Good governance is an essential element of an efficient pension system. Promoting a high standard of governance among trustees has always been our key regulatory objective.

We maintain a supervisory dialogue with trustees on governance based on their business and governance plans.

Following a governance workshop for trustees in 2017, we organized a "Governance Charter for MPF Trustees" (Charter) Pledging Ceremony and Seminar in May 2018 to promote a good governance culture amongst trustees.

The Charter has six core values –

- Value-for-money MPF schemes and services**
- Act in the best interests of members**
- Lift governance standards**
- Understand and respond to members' needs**
- Engage members through transparency and communication**
- Serve with honesty and integrity**

All trustees pledged to put scheme members' interests first and are committed to putting in place a sound governance framework to operate schemes efficiently and effectively.

Following the Charter, we issued a set of high-level governance principles in November 2018 to guide trustees' boards of directors in formulating measures for implementing the core values in the Charter as well as reviewing their current governance structure, competence and capability.

We also provide additional guidance or training to trustees on the expected standards underpinning each of the governance principles.

Corporate social responsibility (CSR) of trustees

While MPF trustees have the duty to exercise care, skill, diligence and prudence in administering MPF schemes, they should also be socially accountable to scheme members, other stakeholders and the public.

In the year, a circular letter was issued to trustees to highlight CSR initiatives that they are encouraged to consider when devising their business plans:

- Offering concessionary fee rates to scheme members who stay invested in MPF schemes upon retirement
- Incorporating environmental, social and governance (ESG) factors into the MPF investment decision-making process for better risk-adjusted returns
- Disclosing their approach to ESG factors in their investment policies
- Including green bonds in MPF portfolio holdings to support climate-related or other environmental projects

We will conduct a survey on trustees' CSR measures and determine whether guidance in this area is needed.

Communication with trustees

We maintain regular dialogues with trustees on MPF-related issues and work closely with them to pursue initiatives to enhance the MPF System.

The Trustees Operations Liaison Group (TOLG) with representatives of trustees and MPFA met two times in the year to discuss developments of the MPF System, MPF scheme operation, compliance issues, the development of information systems, cybersecurity issues and digital transformation in scheme administration.

The Information Technology Projects Advisory Committee under TOLG met once to discuss system project plans, application system interfaces, technical infrastructure and arrangements for a disaster recovery test.

Through an Education Liaison Group, trustees joined hands with us to promote the MPF System and provide MPF investment education to scheme members.

The Managing Director of MPFA met regularly with the chief executive officers (CEOs) of the trustees to share updates on the development and strategic direction of the MPF System, brief them on the focus of MPFA's work, and exchange views with them on MPF-related issues.

Roundtable discussions were held with trustees' CEOs to exchange views on matters relating to governance and risk management.

31 prudential meetings with the senior management of individual trustees were held for us to assess how the trustees control their operations and view their business prospects, and to discuss supervisory concerns arising from off-site reviews, on-site inspections and other sources.

In October 2018, we organized a symposium on "Privately Managed Retirement Schemes: Rethink and Refine" which was attended by over 200 participants representing trustees, sponsors, local financial regulators and academics to discuss and share experience on topics including the development of the MPF System, global trends in pension policies and the ways to develop better retirement solutions for scheme members.

An expert of the Organisation for Economic Co-operation and Development (OECD) was invited to the symposium as a speaker. He also visited MPFA and a government bureau and met with local think tanks, reporters, columnists and academics to share views on the global trends in private pension schemes.

Business Operations

MPF Intermediaries

Registration

We process applications for registration as MPF intermediaries to engage in MPF sales and marketing activities. New applicants or applicants who have left the industry for three years or more are required to take an examination.

Members of the public can check MPF intermediaries' registration through MPFA's website or hotline.

Professional development

To maintain professional competencies in MPF business, subsidiary intermediaries must undertake a minimum of 10 hours of Continuing Professional Development (CPD) activities on MPF each year. Non-compliance may result in suspension or revocation of registration.

As at 31 March 2019, 28 activities in the form of courses, seminars, lectures or conferences were recognized as core CPD activities for MPF intermediaries. We carry out quality assurance checks on these activities, which include vetting the materials used, visiting classes and reviewing participants' evaluation.

Supervision

MPF intermediaries are required to submit annual returns to MPFA within one month after the end of a calendar year.

We communicate regularly with intermediaries on regulatory requirements and legislative changes that impact on them.

In 2018-19, four circulars were issued on regulatory issues, covering matters relating to tax deductible voluntary contributions, conduct, fees, annual returns for intermediaries and enhancement of "eService"¹⁰.

Two series of train-the-trainer workshops and industry briefings were organized for training activities providers and intermediaries on the conduct of MPF intermediaries and tax deductible voluntary contributions.

Enforcement

Under a multi-regulatory regime, MPFA and frontline regulators (FRs) (i.e. the Insurance Authority (IA), the Hong Kong Monetary Authority (HKMA) and the Securities and Futures Commission (SFC)) have distinct powers and functions.

The FRs are responsible for the supervision and investigation of MPF intermediaries who are their regulatees, while MPFA is the sole authority to register MPF intermediaries, issue compliance guidelines, determine and take disciplinary or enforcement actions against non-compliant MPF intermediaries.

After investigating cases concerning conduct issues, the relevant FRs will pass the cases to MPFA for assessment and consideration of whether disciplinary actions or any other enforcement actions should be taken against the MPF intermediary concerned.

During the year, nine on-site inspections were conducted by the FRs.

¹⁰ "eService" is an electronic platform established by MPFA to allow registered intermediaries to view their registration information, submit and view their returns, and view their submission history at any time. Registered intermediaries can also make electronic payment for their annual fees through "eService".

In 2018-19,



- 22 complaints and referral cases against MPF intermediaries were received, mainly concerning the allegation of failure to comply with statutory conduct requirements.
- 20 cases concerning MPF intermediaries were investigated by the FRs.
- 11 compliance advice or reminder letters were issued to principal or subsidiary intermediaries in seven cases.
- Disciplinary orders were made against five subsidiary intermediaries:
 - (i) Two former subsidiary intermediaries were disqualified from registration as an MPF intermediary for 20 months and 30 months respectively for contravening the conduct requirements of acting honestly, fairly, in the best interests of scheme members and with integrity under the MPFSO (Honesty Requirement) and the Guidelines on Conduct Requirements for Registered Intermediaries (Conduct Guidelines);
 - (ii) The registration of a subsidiary intermediary was suspended for six months for contravening the Honesty Requirement, the conduct requirement of exercising a level of care, skill and diligence that may reasonably be expected of a prudent person who is carrying on the regulated activity and the Conduct Guidelines; and
 - (iii) The registration of a subsidiary intermediary was suspended for three months and a former subsidiary intermediary was publicly reprimanded for contravening the Honesty Requirement, the conduct requirement of disclosing accurate information to clients and the Conduct Guidelines.

MPF Schemes and Funds

Default Investment Strategy (DIS)

The DIS was launched on 1 April 2017 to address concerns about high fees of MPF funds and the difficulty of making fund choices. The default investment arrangements of all MPF schemes have been standardized since then.

As at 31 March 2019, around 1.9 million accounts (about 19.2% of the total number of 9.82 million MPF accounts) were partly or fully invested according to DIS or were invested in the two constituent funds of DIS, involving \$35.4 billion of MPF benefits (around 4% of the total net asset value of the MPF System).

Fees and charges

Lower fees can have a significant contribution to long-term investment return.

As a result of measures to facilitate market forces and streamline scheme administration, the average Fund Expense Ratio (FER) of MPF funds dropped significantly by 26% from 2.06% when FER was first introduced in July 2007 to a record low of 1.52% as at 31 March 2019.

Since the passage of the legislation on DIS in May 2016 and up to 31 March 2019, 138 MPF funds have reduced their fees (biggest reduction up to 55%).

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As at 31 March 2019, there were 234¹¹ (around 54%) low fee MPF funds (with management fee of 1% or below or FER of 1.3% or below) of different types (194 of them investing in equities and/or bonds).

Scheme merger and consolidation

MPF trustees make continuous efforts to enhance the cost-effectiveness of their MPF schemes. Since 2003, 38 schemes have been consolidated into 14 schemes.

We have an internal specialist team to ensure that timely and effective regulatory responses are provided in complex transactions of scheme restructuring and mergers and to ensure the orderly conduct of trustees' business consolidation and scheme changes.

In 2018-19, we completed processing the merger of two MPF schemes. The scheme merger took effect on 26 September 2018.

Product and entity approval

For MPF product applications, we provide trustees with a series of approval checklists on our website to facilitate better preparation of documents and information to expedite the processing time of approving applications.

In 2018-19,

- 12 constituent funds, one APIF and 13 ITCISs were approved.
- 42 constituent funds reduced fees.
- Approved status of one overseas bank was granted.
- Five constituent funds, four APIFs and one ITCIS were terminated.
- Two trustees surrendered their licences.
- Approved status of two overseas banks was withdrawn.

Transparency of MPF information

To facilitate retirement planning and MPF investment choice, we make ongoing efforts to drive improvements to the presentation and disclosure of MPF information so that scheme members are provided with useful information in an easily accessible way.

A repository of MPF scheme documents was launched in July 2018 on MPFA's website to increase scheme member engagement by providing them with easy access to necessary information for their decision-making. It now contains offering documents for MPF schemes¹², fund fact sheets and the latest annual consolidated reports of MPF schemes.

We also developed a standardized template for trustees to provide commentaries in the investment reports of annual consolidated reports of MPF schemes with financial years ending on 31 December 2017 and after. It facilitates understanding and comparison of performance of MPF schemes and funds.

11 Out of 429 MPF constituent funds that were available in the market as at 31 March 2019; including 64 constituent funds of the DIS.

12 A document that invites participation in an MPF scheme.

Furthermore, we required that trustees include in the offering documents for MPF schemes a detailed breakdown of fees charged by different operators (i.e. trustees, administrators, investment managers, custodians and sponsors). The detailed breakdown of fees is also disclosed on the “MPF Fund Platform” on MPFA’s website.

After extensive consultation with stakeholders and gaining their support, we introduced additional measures to improve and standardize information presentation and risk disclosure in the offering documents, including standardizing the name of the offering document and information provided on the cover page, presenting the structure of a scheme by chart and the key features of constituent funds in a table, providing a separate section for risk disclosure with standardized risk classification for constituent funds, etc.

These measures were set out as requirements in the Code on Disclosure for MPF Investment Funds¹³. The new requirements will be effective for offering documents issued on or after 31 March 2020.

The “MPF Fund Platform” is a single platform amalgamating four separate online platforms (Fund Performance Platform, Fee Comparative Platform, DIS Fund List, Low Fee Fund List).

It helps scheme members compare fund performance and fees and review funds from different perspectives to see whether their selected funds suit their retirement needs.

This one-stop platform has two newly added features:

- **Information on the breakdown of the current management fees of MPF funds; and**
- **Selection of 10 highest/lowest ranked funds by different fund categories.**

Market Efficiency

Leverage on technology

We have developed or enhanced various systems to improve market efficiency, provide better services, and reduce paper usage.

- “MPF Fund Platform” – an integrated platform to facilitate comparison of fees and performance of MPF funds and to enhance user experience.
- A new channel for electronic submission of personal account (PA) enquiries by MPF intermediaries and electronic distribution of PA reports in return.
- A new platform to automate and speed up data exchange between trustees and MPFA on permanent departure claims.
- A new electronic payment channel for MPF intermediaries to pay annual fees and new applicants to pay application fees.
- A pilot scheme of eApplication to allow MPF intermediaries to submit certain types of registration applications and pay application fees via the “eService” platform. A number of principal intermediaries joined the pilot scheme. We will review feedback with a view to extending the eApplication to all principal intermediaries.

¹³ The Code was published by MPFA to give guidance to MPF trustees and other service providers on the disclosure of information about MPF schemes and funds and in particular information about fees, charges and performance. It also gives guidance to operators of APIFs on the disclosure of information (particularly expense information) to operators of funds that invest in those APIFs. It also specifies the information to be contained in annual benefit statements.

Business Operations

Liaison with Frontline Regulators

We maintain a close dialogue with HKMA and SFC in respect of their supervision of MPF custodians and MPF investment managers. We exchange views with them on the regulation of MPF products, fund operation issues and the conduct of MPF investment managers.

Apart from regular meetings, we maintain a close dialogue with IA in regulating financial groups with both MPF scheme operators and insurance entities, and on matters relating to MPF investment funds in the form of insurance policies providing retirement-related benefits (i.e. insurance policy APIFs).

In 2018-19, two MPF Intermediaries Regulation Committee meetings were held with the FRs for sharing regulatory experience and the latest development in the regimes relating to MPF intermediaries.

Separately, two meetings were held with IA for mutual progress updates regarding the complaints handled by MPFA, cases referred to IA by MPFA for investigation, cases initiated by IA and supervisory work conducted by IA.

OECD's Automatic Exchange of Financial Account Information in Tax Matters (AEOI) Regime

The Inland Revenue Ordinance has been amended to put in place the legal framework for Hong Kong to implement AEOI.

Under the AEOI standard, financial institutions (FIs) are required to identify financial accounts held by tax residents of reportable jurisdictions in accordance with the due diligence procedures of OECD.

FIs are also required to collect information of the financial accounts held or controlled by tax residents of reportable jurisdictions, and provide the information to the Hong Kong Inland Revenue Department (IRD) for exchange with the relevant AEOI partners.

The AEOI regime will cover MPF schemes and ORSO registered schemes with effect from 1 January 2020 and the first reporting to the IRD will begin in 2021.

The MPFA, together with the Financial Services and the Treasury Bureau and IRD, arranged two briefing sessions in September 2018 and two workshops in December 2018 for MPF trustees and ORSO administrators to facilitate understanding of the technical details of the AEOI reporting requirements.

Reforms and Refinements of the MPF System

Standardization, Streamlining and Automation of MPF Scheme Administration

The Government and MPFA are working on a digitalization project to facilitate automation of MPF scheme administration.

A key component of the project is to put in place a smart digital eMPF Platform to reform the existing mode of MPF scheme administration in order to enhance user experience and create more room for cost and fee reduction.

Through applying the concept of smart administration, the eMPF Platform aims to enable employers and scheme members to better manage MPF through one single platform.

The Government and MPFA have jointly set up a working group with MPF trustees to steer the development of the project. Development of high-level technical specifications of the digital platform and the cost estimation of building the infrastructure were completed in the third quarter of 2018.

The proposal of setting up the eMPF Platform and the related cost and benefit analysis was discussed at the Legislative Council Panel on Financial Affairs on 18 December 2018. The Panel supported the initiative.

To move the project forward, MPFA is working out a set of common standards for key processes, data and business logic with the industry.

Meanwhile, a Request for Information exercise commenced in late March 2019 with an aim to collect a broad spectrum of market intelligence and practical business and technological information before finalizing details for tender (Request for Proposal) for building the infrastructure of the eMPF Platform.

Moreover, the Government intends to introduce legislative amendments in 2019 to provide a solid legal basis enabling MPFA to set up a wholly-owned subsidiary to build, own and operate the eMPF Platform.

Wider digital adoption by users is necessary to reap the benefits of the eMPF Platform. The MPFA has asked trustees to develop business plans in promoting their digital services.

In addition, we have implemented various communication, publicity and education programmes to augment the overall impact of trustees' promotion activities, such as an exhibition showcasing trustees' existing digital services.

Plans are in hand for a public engagement exercise to gauge the initial views of key stakeholders and the general public on the key functionalities of the eMPF Platform and the behavioural aspects with a view to soliciting their support.

We will also continue to work closely with the Government and the industry on matters including legislative amendments and operational arrangements to put in place the eMPF Platform.

Reviews

Minimum and maximum relevant income (RI) levels for MPF contribution purposes

The MPF legislation prescribes the minimum and maximum RI levels for mandatory MPF contributions.

While the socio-economic status changes over time, a statutory adjustment mechanism¹⁴ is in place to ensure regular review and appropriate adjustment of the two RI levels which serve to keep contribution levels better aligned with the earnings distribution of the working population of Hong Kong.

In 2018-19, we continued to work on a round of review and completed an engagement exercise to collect views of key stakeholders on the adjustment proposals.

We fine-tuned the proposals in the light of the comments received. The review findings and recommendations were submitted to the Government in May 2018.

¹⁴ The MPF legislation stipulates an adjustment mechanism which provides that MPFA must, not less than once in every four years, conduct a review of the minimum and maximum RI levels.

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Review investment regime

We have started a review of the MPF investment regime in order to further enhance the general investment rules governing MPF investments.

The review will consider different regulatory models and investment regulations, taking into account local and international trends and developments, before reviewing detailed requirements in relation to MPF investments.

Support for Government Initiatives

Abolition of offsetting arrangement

The Government has enhanced its proposal to progressively abolish the offsetting of severance payments (SP) and long service payments (LSP) with MPF contributions arrangement.

The Government has also proposed to help employers save up to meet their future SP/LSP liabilities by way of a designated saving account (DSA) and make use of the eMPF Platform for the collection of employers' contributions to their respective DSAs.

We provided comments to the Government on aspects of its proposal that may impact on MPF schemes. Meetings were held during the year among the Government and MPFA to discuss issues regarding the Government's proposal.

We will continue to provide support to the Government on this matter.

Tax deductible voluntary contributions

In the 2018-19 Budget Speech, the Financial Secretary proposed introducing tax concessions to encourage the development of the deferred annuity market so as to offer more options to people in making early financial arrangements for retirement. The same tax concessions would also be applicable to MPF voluntary contributions.

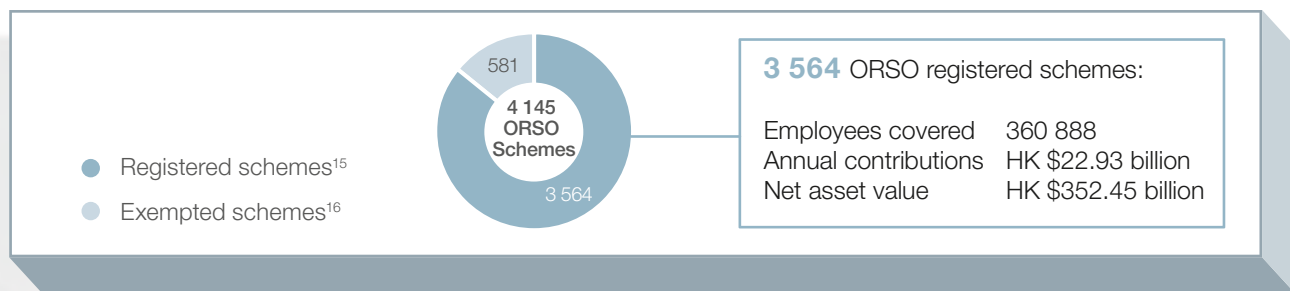
During the year, we liaised with trustees regarding the operational arrangements and coordinated with them to make them stand ready for the implementation of tax deductible voluntary contributions.

We provided support to the Government in introducing the Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018.

The arrangement for tax deductible voluntary contributions is implemented on 1 April 2019.

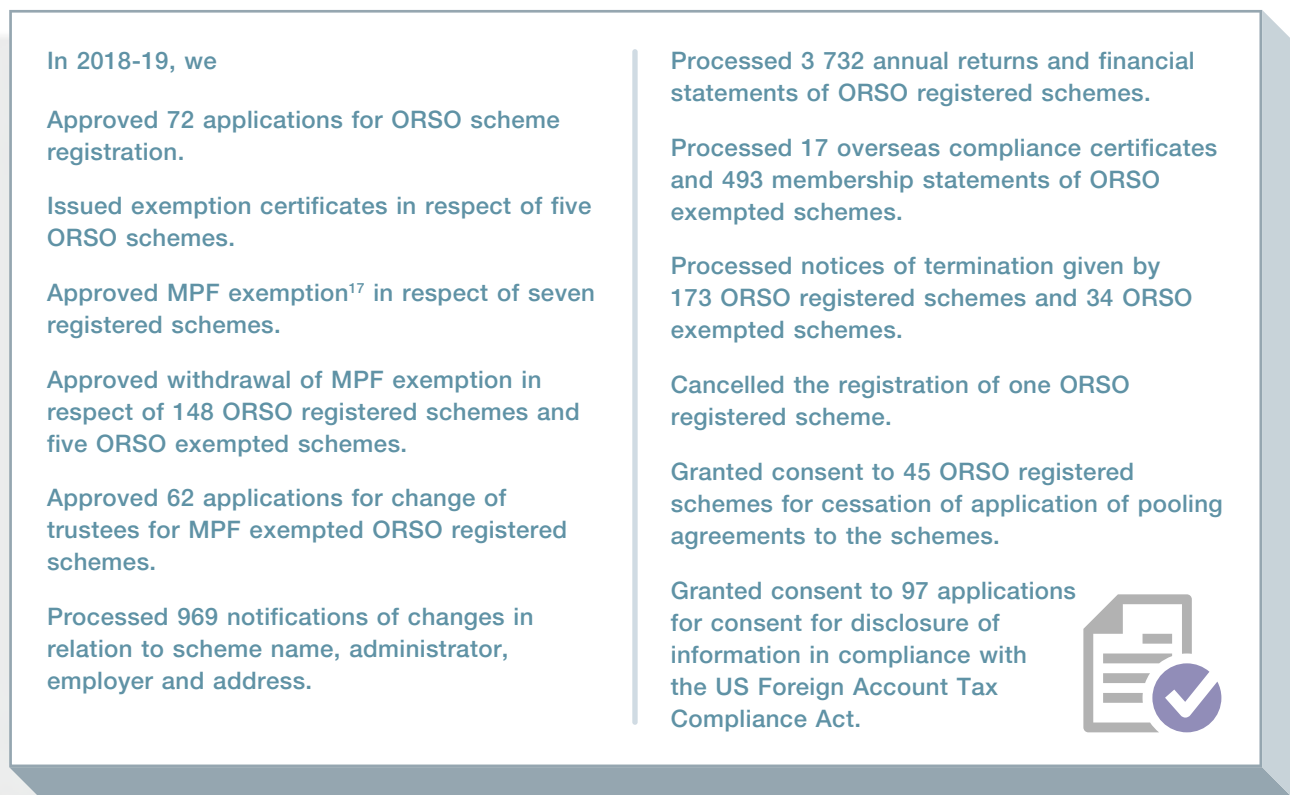
Schemes Governed by the Occupational Retirement Schemes Ordinance (ORSO)

Key Figures about ORSO (31.3.2019)



Work of the Registrar of Occupational Retirement Schemes

The MPFA is the Registrar of Occupational Retirement Schemes. We process applications and notifications of changes, monitor compliance, recover default contributions, collect periodic fees, handle enquiries and complaints, and maintain a public register of ORSO schemes.



¹⁵ An ORSO registered scheme refers to one registered under section 18 of the ORSO.

¹⁶ An ORSO exempted scheme refers to one in respect of which an exemption certificate has been issued under section 7 of the ORSO and any withdrawal under section 12 of the ORSO has not come into effect; or an ORSO scheme within the meaning of the ORSO where the employer of the scheme is the government of a place outside Hong Kong or an agency or undertaking of or by such a government which is not operated for the purpose of gain.

¹⁷ MPF exemption refers to an exemption under section 5 of the MPFSO. Members, or a class of members, of an MPF exempted ORSO scheme and their employer are exempt from the operation of all or any specified provisions of the MPFSO. This is an interface arrangement with the MPF System when the System was launched in 2000.

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Funding Status of ORSO Registered Schemes

We monitor the funding status of ORSO registered schemes by examining annual returns and audited financial statements. For defined benefit schemes, actuarial certificates must be supplied by designated persons at least once every three years.

According to the relevant reports received up to 31 March 2019,

Six (about 3%) out of 193 defined benefit ORSO schemes were under-funded, covering around 500 scheme members.

Total asset size of these under-funded schemes amounted to \$433 million.

Total shortfall of these under-funded schemes was \$26 million (about 6% of their total assets). The shortfall was caused by investment loss and/or salary increase higher than the assumption used by actuaries.

The relevant employers have to make up the shortfall in funding by a lump sum contribution or monthly contributions within three years and to submit actuarial certificates annually until the schemes were fully funded. We closely monitored the situation, and the process of making up the shortfall by the relevant employers was smooth.



Relinquishing of MPF Exemption Status of ORSO Schemes

In 2018-19, 153 MPF exempted ORSO schemes, covering about 1 300 scheme members of ORSO registered schemes, relinquished their exemption status. The employers subsequently terminated these schemes and enrolled the employees in MPF schemes.

Amendments to the ORSO

We aim to ensure that ORSO schemes are genuinely employment-based retirement schemes and to improve the governance of ORSO schemes for better protecting the interest of scheme members.

During the year, we reviewed and developed legislative amendment proposals to the ORSO to improve the overall effectiveness of the regulation of ORSO schemes after taking into account views of stakeholders, including chambers of commerce, employer associations and professional bodies, as well as our operational experience.

The legislative amendment proposals were presented to the Legislative Council Panel on Financial Affairs in June 2018.

We will continue to assist the Government in the legislative amendment process, including refining the legislative proposals as appropriate in the light of comments received.

The Government introduced the Occupational Retirement Schemes (Amendment) Bill 2019 into the Legislative Council on 17 April 2019.

Protecting Retirement Benefits

Non-compliant Employers under the MPFSO

Striving to protect the rights and interests of MPF scheme members is one of MPFA's primary missions. We continue to take rigorous enforcement actions against non-compliant employers, including filing civil claims to recover default contributions on behalf of affected employees, imposing financial penalty and initiating criminal prosecutions to deter non-compliance.

During the year, trustees have continued to proactively follow up with their clients at an early stage to resolve default contributions and surcharges arising from administrative errors. This initiative has been effective in assisting employers to rectify the default promptly, which in turn enhances member protection.

In 2018-19,



1 961 employment establishments were inspected (major targets included catering establishments, retail outlets and construction companies).

250 400 payment notices were issued in respect of default contribution under MPF schemes¹⁸.

43 990 cases were investigated.

breakdown by suspected non-compliance^Δ

Default contribution	43 815 cases
Non-enrolment	1 569 cases
Forced change to self-employed person	29 cases
Others ¹⁹	116 cases

^Δ as one case may involve several types of suspected non-compliance, the total number of suspected non-compliance may exceed the total number of cases investigated

For defaulting employers who failed to rectify default contributions, civil claims were filed with:

Small Claims Tribunal	648 cases
District Court	59 cases
High Court	3 cases
Liquidators	116 cases



105 Garnishee Orders were granted by court to seize money from defaulting employers' bank accounts.

52 Bailiff actions were taken to seize assets of defaulting employers.

Seven court orders were granted by court to compel convicted employers to rectify non-compliance.

124 financial penalty notices were issued to repeat defaulters for breach of section 7A(8) of the MPFSO²⁰ (involving 122 employers and a total penalty of \$995,730).

\$172 million default contributions were recovered on behalf of employees.

18 A surcharge calculated at 5% of the amount of MPF contributions in arrears is imposed on employers who failed to make MPF contributions for their employees within the prescribed period. The surcharges received are credited into the MPF accounts of the employees concerned.

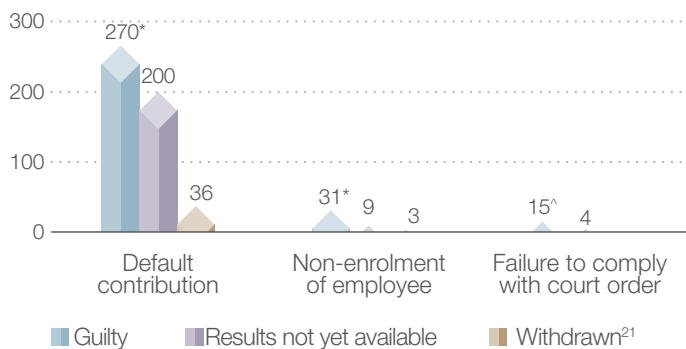
19 Others include failure to notify trustees of termination of employment, failure to issue monthly pay record, etc.

20 Failure to pay MPF contributions in respect of an employee to the trustee within the prescribed period.

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568 summonses were issued to employers and directors/managers of limited companies for prosecution in respect of their suspected non-compliance.

Prosecution Status (31.3.2019)



* Involving 49 employers and one director of a limited company (total fine: \$858,300).

^ Involving three employers and two directors of limited companies (fined between \$5,000 and \$25,000 each).

We maintain a database of Non-Compliant Employer and Officer Records on MPFA's website. Members of the public can view and search for information on employers and officers with MPF non-compliance records.

As at 31 March 2019, 2 722 non-compliance records were kept in the database, including:

- 2 128 civil awards or judgments
- 594 criminal conviction records

Non-compliant Employers under the ORSO

In 2018-19, the following actions were taken to recover default contributions on behalf of affected employees under ORSO schemes:

118 payment notices were issued in respect of default contributions under MPF exempted ORSO registered schemes²².

One civil claim was filed with Small Claims Tribunal.

\$138,000 default contributions in MPF exempted ORSO registered schemes were recovered on behalf of employees.



²¹ Summonses were withdrawn due to the absence of key witnesses, plea bargaining or summons not being effectively served by the Police or Bailiff as the defendant became untraceable.

²² A surcharge calculated at 15% or 20% of the amount of ORSO contributions in arrears is imposed on employers who failed to make ORSO contributions for their employees. No surcharge will be imposed in the first payment notice in respect of ORSO contributions.

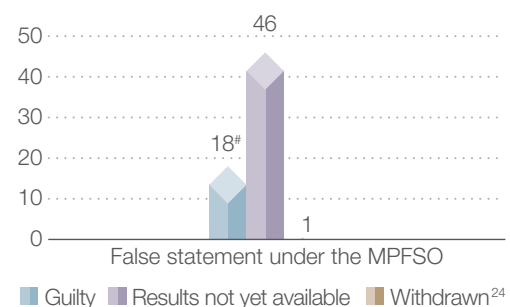
Non-compliant Members of MPF and ORSO Schemes

To deter members of MPF or ORSO schemes from making false declaration to withdraw their MPF accrued benefits or minimum MPF benefits early on grounds of permanent departure from Hong Kong, we continue to take prosecution actions against claimants who made such false statements.

Moreover, to tackle syndicate crime in inducing scheme members to make false statement for withdrawing MPF accrued benefits, we refer cases to the Police for investigation from time to time.

In 2018-19, 65 summonses were issued to MPF scheme members for making false statements²³.

Prosecution Status (31.3.2019)



[#] Involving 15 MPF scheme members (average fine: about \$5,020).

In 2018-19, 91 scheme members involved in the cases referred to the Police were convicted of making false declarations or statements. 77 of them were sentenced to community service of 60 to 180 hours and the remaining 14 were sentenced to imprisonment from 1 to 4 months (suspended for 1 to 2 years).



Public Education, Engagement and Publicity

Education Programmes

We make continuous efforts to enhance public understanding and acceptance of the MPF System as a retirement savings system that is good for the working population in Hong Kong. A variety of activities were organized to educate scheme members and potential participants on the MPF System, their rights and obligations, and skills to manage MPF investment.

Different channels were used to widely deliver MPF messages to the general public, including television, out-of-home platforms, online publicity, online social media, mobile applications, and newspapers and magazines.

²³ MPF scheme members made a false statement in order to withdraw their MPF benefits on grounds of permanent departure from Hong Kong.

²⁴ Summons was withdrawn due to specific facts and circumstances of the case after seeking legal advice.

Business Operations

For general public on MPF investment, retirement investment and active management of MPF

- On online platforms, a series of three short videos presented through a secret agent story (achieved over 4.5 million counts of reach and over 2.2 million views in July and August 2018) and four sets of comics presented in form of illustration and short video with visuals by local illustrators (achieved over 1.35 million counts of reach and over 470 000 video views in November and December 2018).



- Four videos in the form of television programmes shown on television, out-of-home platforms, online social media and mobile applications (achieved over 17.8 million counts of reach and over 16.2 million video views in the periods from August to September 2018 and January to March 2019).



- Respective quiz games on MPFA Investment Education Messenger bot to augment the publicity impact of the videos and comics and to further promote usage of the bot.

- A new publication and a series of six advertorials on online social media (achieved over 1.2 million counts of reach in January and February 2019).



- Public seminar co-organized with a local university on MPF investment (attended by over 700 participants).



- A revamped MPF Investment Education Thematic Website to present MPF investment education messages in an attractive and user-friendly manner.



- 25 in-company workshops to reach out to over 600 scheme members in the workplace. At the workshops, a Certified Financial Planner explained the factors to consider in retirement planning and introduced the MPFA retirement planning mobile application “樂享退休GPS”, as well as useful tools on MPFA’s website.



Business Operations

For prospective scheme members and the youth about key concepts of the MPF System and MPF investment, and the importance of early retirement planning

- MPF talks, financial planning cum MPF workshops, and career cum MPF workshops for over 2 000 students of tertiary institutions.



- A series of on-campus activities at local tertiary institutions for around 2 800 tertiary students.



- Life-planning workshops simulating different life stage experiences related to financial needs, and MPF enrolment and investment, and a series of on-campus activities, including interactive games and information display at local secondary schools for over 3 000 students.



- Money management cum retirement planning workshops for about 100 parents of secondary school students.



- Training workshop for over 100 teachers to equip them with knowledge and encourage them to apply financial planning concepts and MPF knowledge in their teaching.



- Introduced the MPF System to around 1 000 fresh graduates and job-seekers at various career and education fairs.

- Online social media promotion to spread MPF messages to young people in an interesting manner:
 - The smartphone application MVP (Most Valuable Player)@Workplace promoted on various publicity platforms.

- A series of short videos, starring an actor and a TV host, interactive games and crossover programmes featuring popular illustrators on the MPFA Facebook fanpage “Rolling My Money”, and Instagram page “職場 meme” (the short videos achieved over 4.2 million counts of reach and attracted over 1.4 million views during the campaign from April 2018 to March 2019; the posts on the Instagram page achieved over 2.4 million counts of reach from launch in July 2018 to March 2019).



Business Operations

Publicity Programmes

On DIS

An online campaign with the video series “DIS Kitchen” as a tool on online media and mobile platforms to deepen the awareness and reinforce the key messages of the DIS as an additional choice of MPF investment (attracted more than 1.5 million views during the campaign period from June to July 2018).



Good MPF Employer Awards



This annual event gives recognition to employers who are compliant with the MPF legislation and provide additional retirement benefits to their employees beyond the statutory requirements.

A total of 1 102 employers received the 2017-18 award, setting a new record for the programme.



To further promote the adoption of electronic services, an exhibition of digital services by MPF trustees was held at the awards presentation ceremony held in October 2018. In addition, two employers shared their first-hand experience of using digital services at a sharing session at the ceremony.



A thematic campaign on MPF account management

- A search engine marketing campaign in February and March 2019 to direct traffic to the webpage of e-Enquiry of Personal Account (ePA).
- Publicity on various online platforms and mobile applications to encourage downloading of the ePA mobile application.
- Advertisements on recruitment and workplace related Facebook fan pages to create a viral effect to widely spread the key messages of the need to regularly review MPF accounts and avoid the proliferation of personal accounts (over 12 000 new downloads of the ePA mobile application were recorded during the campaign period).



A thematic campaign for self-employed persons (SEPs)

The campaign commenced in November 2018 aimed to arouse the awareness of SEPs on their MPF obligations to enrol in MPF and to make MPF contributions for their retirement.

Key deliverables included the following:

- A new leaflet and two sets of giveaway items with a catchy slogan;
- Advertisement on taxis;
- An outreach activity targeting taxi drivers in collaboration with two trustees and relevant labour unions;
- A short video on social media platforms targeting slashies;
- Leaflets distributed in co-working spaces; and
- Talks in collaboration with professional bodies for self-employed practitioners.



Business Operations

A thematic campaign on Industry Schemes (IS)

The campaign held between December 2018 and March 2019 aimed to raise awareness and to address the issue of “accounts with incomplete information” among employers and casual employees in the catering and construction industries and to call on casual employees to open IS accounts in advance.

Key deliverables included the following:

- A new banner and a new thematic web-page on MPFA’s website that linked to the two IS trustees’ websites;
- A new leaflet with a catchy slogan to call on casual employees to open casual employee cards in advance;
- Two dinner talks reaching over 1 000 employees of the construction and catering industries;
- An outreach activity in cooperation with a major construction labour union and led by the Chairman of the Industry Schemes Committee to a construction site;
- Advertisements on radio horse racing programmes and recruitment mobile application targeting job-seeking casual employees; and
- Articles in IS trustees’ newsletters.



Media Events

May 2018

- A media briefing on the first anniversary of the launch of DIS to review the performance of DIS, including the number of MPF accounts that adopted DIS and the amount of assets involved, and to highlight the benchmarking effect of DIS on the market.
- Media publicity riding on the pledging ceremony for upholding the Governance Charter for MPF Trustees.

September 2018

- A media briefing on the report *Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes 2017* to highlight the fact that the MPF System has helped scheme members save for retirement and remind scheme members to review MPF investment according to risk tolerance levels at different life stages.

October 2018

- Media publicity riding on the MPF Symposium, including a media interview with Dr Pablo Antolin, Principal Economist and Head of the Private Pension Unit of the OECD, to highlight the important role of the MPF System as the second pillar of the retirement protection framework in Hong Kong and to boost public understanding of MPFA's efforts in refining and reforming the MPF System.

November 2018

- A media briefing on MPF investment and the publication of the MPF Statistical Digest (Third Quarter, 2018).

January 2019

- A media briefing to remind employers to allow sufficient time to make MPF contributions, especially in February 2019 wherein the contribution period was affected by the Chinese New Year holidays.



February 2019

- A Spring Reception with the media was held to strengthen media relations and introduce the major work focus of MPFA in 2019.



2018-19

- 12 blogs of MPFA Chairman published on MPFA's website to enhance public understanding of the latest developments of the MPF System and the work of MPFA.

Business Operations

Networking and Engagement

Networking and Engagement with Stakeholders

Collaboration with Government bureaux and departments

We communicated regularly with relevant Government bureaux and departments and collaborated with them in overseeing compliance and seeking improvements to the MPF System.

These include regular liaison with the Financial Services and the Treasury Bureau on policy and legislative issues, cooperation with the Department of Justice on preparation of legislative proposals and prosecution cases, liaison with IRD on AEOI issues, liaison with the Hong Kong Police Force on enforcement issues, and joint inspection exercises and coordination of complaint cases with the Labour Department.

Stakeholder relations activities

We maintained communication with various stakeholders in the community via meetings, briefings and sponsorship programmes, and answered their MPF-related enquiries.

To enhance public exposure, MPFA's senior management delivered speeches and participated in seminars, conferences, and panel discussions to spread MPF messages on various topics to different groups and members of the public with a view to fostering understanding and buy-in of the MPF System and the work of MPFA.

Over 30 sessions of networking and liaison activities were arranged with stakeholders, including Legislative Council Members and their assistants, political party researchers, District Council Members, labour unions, columnists, think tanks, employer associations, professional and industry bodies etc, with a view to soliciting their understanding and support of the MPF System and the work of MPFA, and seeking their help to spread our messages.



Outreach programmes

We delivered over 110 sessions of talks on various topics to publicize the latest initiatives, employee rights and employer obligations under the MPF System, reaching over 10 000 audience who were members of the public, civil servants, employees, employers and human resources practitioners.

Many of these talks were organized in collaboration with District Councillors, Government departments, business chambers, employer and human resources bodies, labour unions, and professional bodies.

In respect of Industry Schemes, we joined hands with a major construction labour union to organize 10 lunch talks for workers at various construction sites.

We collaborated with the Construction Industry Council to provide over 20 sessions of talks for trainees who were about to join the construction industry and for some employers in the construction industry. A total of 950 participants attended the talks.

Friends of MPF²⁵

A seminar on “Smart Tips on Managing Your MPF and Healthy Living”, an MPF Seminar for employers, and a seminar on retirement investment in collaboration with the Open University of Hong Kong were arranged for Friends of MPF.



Participating in International Conferences and Meetings

The MPFA is a member of the International Organisation of Pension Supervisors (IOPS), an international standard-setting body for pension supervisory issues with the objective of improving the supervision of private pension systems around the world.

We regularly take part in the development of global thinking on private pensions through exchange of experience with IOPS members from over 70 countries and territories. During the past year, we had engaged in the drafting of guidelines, good practices and working papers relating to pension regulation and supervision for IOPS. The insights gained through our participation assisted us in undertaking ongoing reforms of the MPF System and enhancing the supervisory framework of MPF schemes.

Our executives also participated in relevant international conferences and meetings to establish a close rapport and exchange information with local and global professionals.

25 Members of the programme receive periodically MPFA Newsletter and information updates about MPF and MPFA and can join activities exclusively organized for them. There were around 4 400 Friends of MPF as at 31 March 2019.

Business Operations

International conferences and meetings

April 2018

- The Asian Development Bank Institute, The Japan Financial Services Agency and the OECD Roundtable on Insurance and Retirement Saving (Tokyo, Japan)

June 2018

- Joint meeting of the OECD Working Party on Private Pensions, IOPS Technical Committee and OECD/IOPS/International Network for Pensions, Aging, and Retirement Research Seminar (Paris, France)

October 2018

- Annual Meeting of the Global Future Councils 2018 (Dubai, United Arab Emirates)
- IOPS Committee Meetings, IOPS Annual General Meeting & OECD/IOPS/China Banking and Insurance Regulatory Commission Annual Global Forum on Private Pensions (Beijing, China)



Chairman of MPFA delivered a speech introducing the retirement protection framework and its achievements in Hong Kong to international and Mainland retirement protection experts.



The delegation led by Chairman also visited four ministries/agencies of the Central People's Government (namely the China Banking and Insurance Regulatory Commission, Ministry of Human Resources and Social Security, National Council for Social Security Fund and Chinese Academy of Social Sciences) to exchange views on matters of common concern.



January 2019

- Visit to the Ministry of Manpower, the Central Provident Fund Board and the Government Technology Agency of Singapore

Receiving visitors

We regularly receive visitors from overseas and the Mainland, briefing them on the key features and latest developments of the MPF System as well as the roles of MPFA. We also exchange views and share regulatory experience with them, thereby promoting understanding of the MPF System and enhancing the image of the System and MPFA outside Hong Kong.

Visitors in 2018-19 included:

- Shenzhen Social Insurance Fund Office
- Social Security Fund, Government of Macao Special Administrative Region



- China Securities Regulatory Commission
- The Exchange Programme with Mainland, organized by Civil Service Bureau of the Hong Kong SAR Government and the Hong Kong and Macao Affairs Office of the State Council