

Default Investment Strategy

Mandatory Provident Fund Schemes Authority

21 March 2017

Default Investment Strategy (DIS)





Objectives of launching the DIS

- Mainly for members who **do not know how to manage or are not interested in managing their MPF**
- **Standardizes the default investment arrangements** of MPF schemes
- Developed with reference to **suggestions from OECD experts and overseas experience**, a strategy suitable for long-term retirement investment
- Addresses scheme members' concerns about **the difficulty of making investment decisions and high fees**



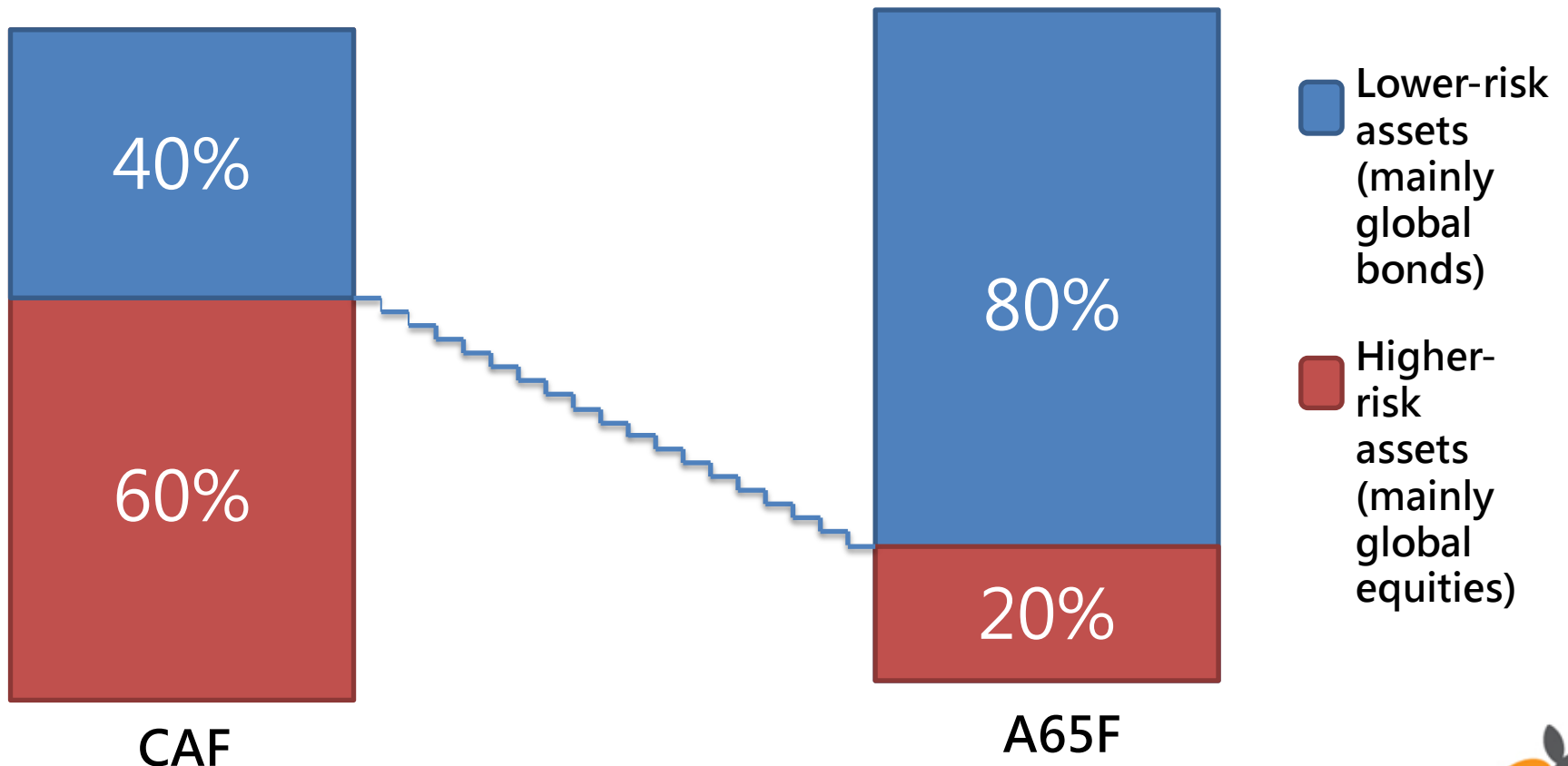


DIS 1, 2, 3

- ✘ Is a ready-made investment solution
- ✘ Uses 2 mixed assets funds :
Core Accumulation Fund (CAF) and Age 65 Plus Fund (A65F)
- ✘ Has 3 key features :
 - i. Automatic reduction of investment risk according to members' age
 - ii. Fee caps
 - iii. Globally diversified investment



DIS



Automatic reduction of investment risk as members approach retirement age

Age	CAF	A65F
18-49	100%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
64	0.0%	100.0%





Fee caps

Management fees

≤0.75% of the fund's
net asset value per year


Recurrent out-of-pocket expenses

≤0.2% of the fund's
net asset value per year

Fee caps
0.95%



✓ fees paid to trustees, promoters or sponsors, investment managers, custodians, etc.



✓ auditor's fees for annual audits
✓ printing and postage, etc.



Work of the MPFA

- Set out detailed codes and guidelines
- Instructed the trustees to put in place proper computer systems, procedures and internal controls; provide appropriate staff training; and carry out tests and audits
- Monitor the trustees' service and compliance standard

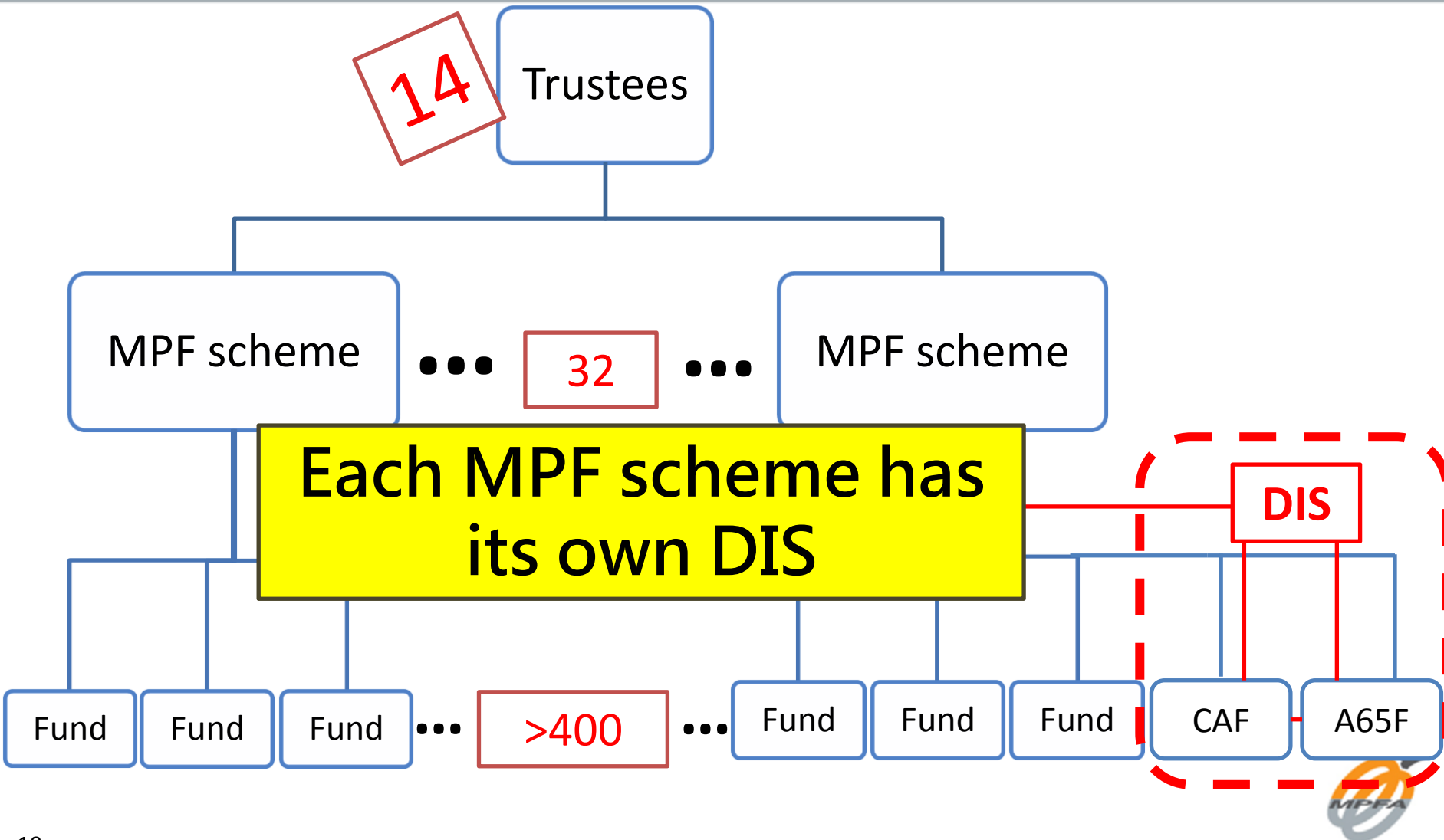




Changes resulting from the new DIS legislation



When the new legislation comes into effect



When the new legislation comes into effect

- Trustees will re-invest all **accrued MPF benefits** that **do not have any investment instructions** according to the DIS, instead of the DIA



DIA



DIS



When the new legislation comes into effect

- Trustees will invest all **new MPF benefits** that **do not have investment instructions** according to the DIS



Original investment instructions



DIS



Impact of the new legislation on account holders

Impact on account holders

Will I be affected by the DIS?

- About 9.3 million MPF accounts held by 4.1 million scheme members
 - **610,000 accounts** : no investment instructions
 - **3m accounts** : no investment instructions for new benefits
 - **5.69m accounts** : with investment instructions
- Accounts opened after 1 April





Type 1:

Existing accounts without investment instructions





Existing accounts without investment instructions

- MPF benefits currently being invested according to the **default investment arrangement (DIA)**
 - About 610,000 accounts
 - Holding \$8.2 billion assets
 - Will be re-invested according to the DIS
- The law stipulates an **opt-out arrangement** be provided



Opt-out arrangement

DIS Re-investment Notice (DRN)

Starting from
April 2017



Trustees



MPFA's flyer



610,000 affected
account holders





Opt-out arrangement

Account holders should

- read the DRN carefully :
 - if they find the DIS suits them: no need to take any action
 - If they want to opt out: must complete the Option 2 Form and return it to their trustee **on or before the date specified** in the DRN (**the 42nd day** after the issuance of the DRN)



DRN

Sample

DIS RE-INVESTMENT NOTICE MANDATORY PROVIDENT FUND SCHEMES ORDINANCE

This DIS re-investment notice ('the Notice') is important as it deals with how your Mandatory Provident Fund ('MPF') benefits may be affected by the Default Investment Strategy as set out in the Mandatory Provident Fund Schemes Ordinance ('the Ordinance'). You should read it carefully, and in particular note the impact explained in paragraph 4 about what happens if no action is taken by you within 42 days. You are also reminded to consider it in conjunction with the 'Principal Brochure' of the MPF scheme mentioned below.

This Notice is sent to you by us, the approved trustee of your MPF scheme, in relation to your MPF account listed below, under sections 34DI and 34DJ of the Ordinance because:

- (a) as at 1 April 2017, all of the accrued benefits in your account listed below were invested according to the Default Investment Arrangement of the scheme and have since remained so invested;
- (b) we have not received any investment instructions from you to invest the accrued benefits in the account in constituent funds according to your selection as permitted under the governing rules; and
- (c) you were under 60 years of age or became 60 years of age on 1 April 2017.

Your MPF account details

Name of scheme member	: Chan Siu Ming
Membership number of scheme member	: 123496
Employer ID	: 123
Date of birth	: 01 January 1988
Name of scheme	: ABC MPF Scheme

Name of approved trustee : ABC Trustee Company

Default investment arrangement details:

All benefits in the account are held in units of MPF Conservative Fund as of 5 April 2017.

Why you are getting this Notice

The impact on your account

4. If, by 17 May 2017, ie 42 days after the date of this Notice, we have not received any specific investment instructions from you for the accrued benefits in your account and all of the accrued benefits in your account continue to be invested according to default investment arrangement of the scheme set out under 'Your MPF account details' above, we must, by 31 May 2017, ie 14 days after 17 May 2017, invest those benefits according to the DIS. We are required to invest those benefits according to the DIS and any investment instructions received by us after 19 May 2017 can only be carried out after the benefits have been first invested according to the DIS, providing that such investment instruction is still a valid instruction. There is potential investment



Option 2 Form

Sample

DIS re-investment notice
Option 2 Form

DIS re-investment notice
Option 2 Form

Note: You only need to complete and send this Form to us if you wish to stay invested in the existing constituent funds, ie proceed with Option 2 as described in paragraph 7 of the DIS

I have read and understood the DIS re-investment notice dated 5 April 2017.

In respect of the existing accrued benefits in my account, the details of which are set out under "MPF account details" above, I hereby instruct you that these benefits are to stay invested in the existing constituent funds of the default investment arrangement as set out above.

I note that this instruction also applies to new contributions and accrued benefits transferred from another registered scheme into the account. This instruction stays in force unless, or until, I make some other investment instructions in the manner set out in paragraph 8 of the DIS re-investment notice.

Signature

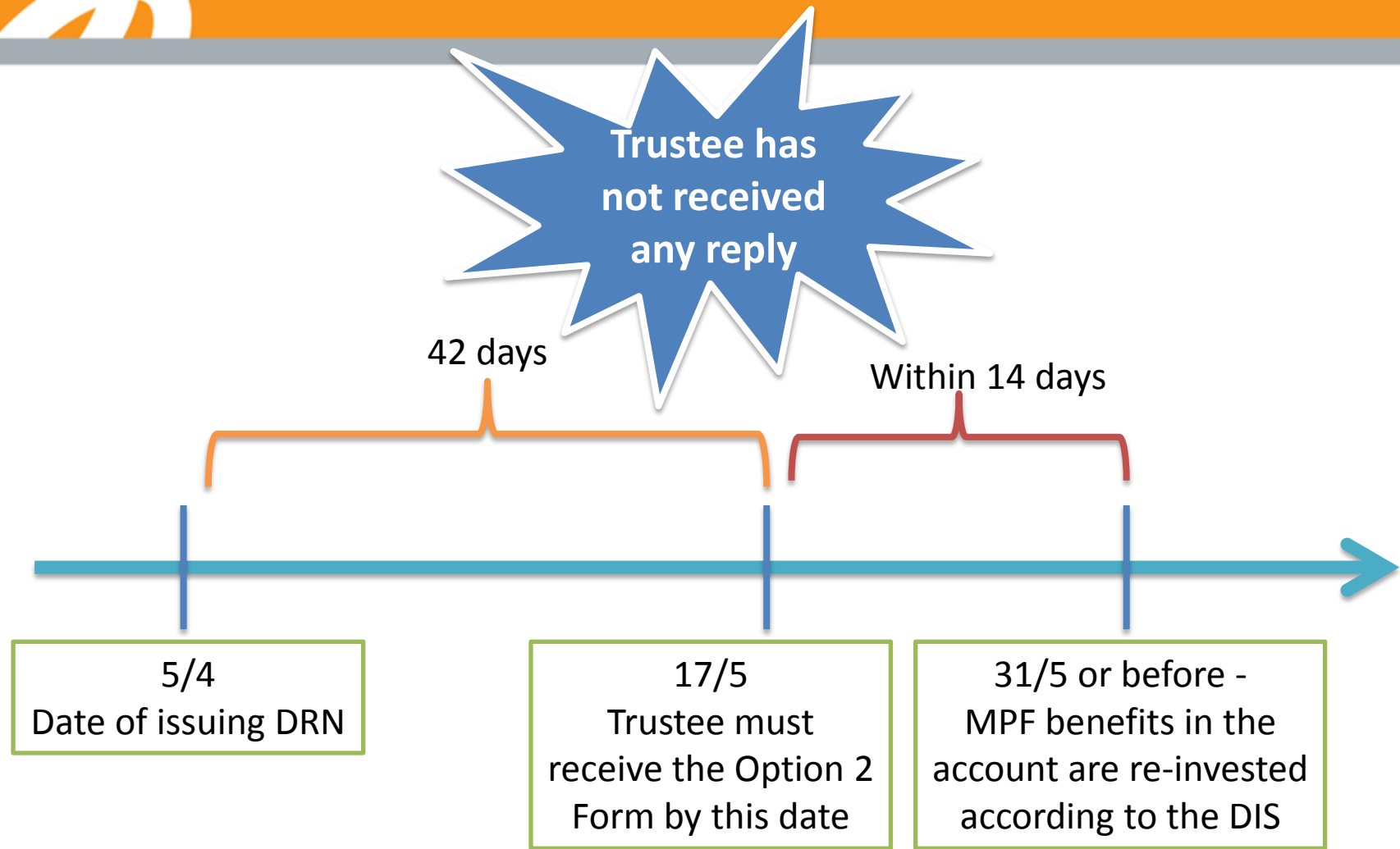
Signature of the scheme member _____

Date: _____

(This signature must be the same as your previous signature specimen submitted to us. Otherwise, this form may not be processed.)



Example : No Reply





Opt-out arrangement

- If the trustee has not received the Option 2 Form by the deadline, the MPF benefits in the account will be re-invested according to the DIS within 14 days after the deadline
- If the trustee receives the Option 2 Form only after the deadline, the trustee is required to first re-invest the MPF benefits according to the DIS before executing the investment instructions
- If the account holder does not intend to opt out of the DIS, he does not have to fill in any form



Factors to consider



Find out which funds your MPF benefits are currently invested in



The risk and fee levels of the DIAs are different from those of the CAF or the A65F



Consider personal needs and risk tolerance level



Type 2:

**Existing accounts without
investment instructions for
new benefits**





Existing accounts without investment instructions for new benefits

- About 3 million accounts

Most are “auto-preserved accounts” - personal accounts automatically created when scheme members do not manage their contribution accounts **after leaving their job**

- **Accrued MPF benefits**: will continue to be invested according to the original investment instructions
- **Future MPF benefits**: invested according to the DIS

- Trustees have taken various measures to remind these account holders to confirm their investment instructions
- **Will not** receive any DRN





Type 3:

**Existing accounts with
investment instructions**





Existing accounts with investment instructions

- Most accounts (about 5.69 million) have given **investment instructions** (for both accrued benefits and new benefits)
 - All MPF benefits **will continue to be invested according to the original investment instructions**





Type 4:

Accounts opened after 1 April



Accounts opened after 1 April

- Contribution accounts opened when school leavers enter into the job market or when scheme members find a new job
- Personal accounts opened when scheme members consolidate their MPF accounts
 - If the account holders **do not** provide any investment instructions, their MPF benefits will be invested according to the DIS





**DIS is also
an investment choice**



When the new legislation comes into effect

- Trustees will provide all scheme members with new investment choices – the DIS or the two DIS funds: CAF or A65F

MPF Scheme A



DIS

0%	Equity Fund
0%	MPF Conservative Fund
0%	Bond Fund
0%	CAF
0%	A65F

MPF Scheme B



DIS

0%	Equity Fund
0%	MPF Conservative Fund
0%	Bond Fund
100%	CAF
0%	A65F

MPF Scheme C

60%	DIS
40%	Equity Fund
0%	MPF Conservative Fund
0%	Bond Fund
0%	CAF
0%	A65F

*The availability of this option is subject to the governing rules of the respective schemes



DIS Fund List



DIS (Default Investment Strategy) Fund List

Criteria for Filtering the List of Funds

Trustee:

Scheme:

Fund Type: All Core Accumulation Fund Age 65 Plus Fund

Total number of schemes: 32 (64 DIS Funds - 32 Core Accumulation Funds and 32 Age 65 Plus Funds)

MPF Trustee	Scheme	Core Accumulation Fund		Age 65 Plus Fund		Offering Document
		Name	Current Management Fees	Name	Current Management Fees	
AIAT	AIA MPF - Prime Value Choice	Core Accumulation Fund	0.75%	Age 65 Plus Fund	0.75%	📄
BCOM	BCOM Joyful Retirement MPF Scheme	BCOM Core Accumulation Fund	0.75%	BCOM Age 65 Plus Fund	0.75%	📄
BCT	Allianz Global Investors MPF Plan	Allianz MPF Core Accumulation Fund	Up to 0.75%	Allianz MPF Age 65 Plus Fund	Up to 0.75%	📄
BCT	AMTD MPF Scheme	AMTD Invesco Core Accumulation Fund	0.75%	AMTD Invesco Age 65 Plus Fund	0.75%	📄
BCT	BCT (MPF) Industry Choice	BCT (Industry) Core Accumulation Fund	0.75%	BCT (Industry) Age 65 Plus Fund	0.75%	📄
BCT	BCT (MPF) Pro Choice	BCT (Pro) Core Accumulation Fund	0.75%	BCT (Pro) Age 65 Plus Fund	0.75%	📄
BCT	Invesco Strategic MPF Scheme	Core Accumulation Fund	0.75%	Age 65 Plus Fund	0.75%	📄
BEA	BEA (MPF) Industry Scheme	BEA (Industry Scheme) Core Accumulation Fund	0.75%	BEA (Industry Scheme) Age 65 Plus Fund	0.75%	📄
BEA	BEA (MPF) Master Trust Scheme	BEA (MPF) Core Accumulation Fund	0.75%	BEA (MPF) Age 65 Plus Fund	0.75%	📄
BEA	BEA (MPF) Value Scheme	BEA Core Accumulation Fund	0.75%	BEA Age 65 Plus Fund	0.75%	📄
BOCIP	BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	BOC-Prudential Core Accumulation Fund	0.75%	BOC-Prudential Age 65 Plus Fund	0.75%	📄
BOCIP	My Choice Mandatory Provident Fund Scheme	My Choice Core Accumulation Fund	0.74%	My Choice Age 65 Plus Fund	0.74%	📄
China Life	China Life MPF Master Trust Scheme	China Life Core Accumulation Fund	0.75%	China Life Age 65 Plus Fund	0.75%	📄
FWD	FWD MPF Master Trust Basic Scheme	FWD MPF Basic Scheme Core Accumulation Portfolio	0.75%	FWD MPF Basic Scheme Age 65 Plus Portfolio	0.75%	📄

Note:

- Under the MPF legislation, management fee of a DIS constituent fund, when expressed as a percentage of its net asset value, is subject to a maximum of 0.75% per annum, calculated on a daily basis. Management fee include fees paid to trustees, promoters or sponsors, investment managers and custodians.
- Under the MPF legislation, recurrent out-of-pocket expenses of a DIS constituent fund, when expressed as a percentage of its net asset value, is subject to a maximum of 0.2% per annum. Recurrent out-of-pocket expenses include expenses such as ...



DIS publicity and education

- ✓ TV and radio APIs, advertisements, infographic video
- ✓ Leaflets and flyers
- ✓ Briefings
- ✓ Thematic website
(<http://minisite.mpfa.org.hk/DIS/tc/index.html>)

Share A A A 繁體 简体 Text Enquiry

預設投資 DIS

Home Introduction Key Features Impact FAQ Resource Centre

Default Investment Strategy (DIS) will be launched on 1 April 2017

What is DIS
Key Features Impact

Know More
FAQ Resource Centre

Latest News

- ©3/2017 A new leaflet on the DIS has been published. Read it to know more about how it affects MPF scheme members
- ©5/2017 A new leaflet "The Launch of DIS: What Employers Should Know" has been uploaded
- 24/2/2017 Trustees have sent the "DIS Pre-implementation Notice" to all MPF account holders

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Our targets

- ✓ The MPF benefits in the accounts without investment instructions which are currently invested according to the DIA are **smoothly re-invested** through the DIS
- ✓ **Greater competition** among MPF providers, driving fees further down
- ✓ **Greater understanding of the MPF System** and MPF investment among members, members paying more attention to their MPF investment



Tips for members



Pay attention to and read all the DIS-related **notices** carefully and take note of the information provided by the MPFA



Review your MPF **accounts**, be sure you know your investment instructions and make sure your trustees have your latest correspondence address



Contact your **trustees** if you have any questions about your accounts or investment instructions





Concerted efforts needed

Government

MPFA



Trustees

Scheme members

