

# **IOPS Technical Committee Meeting**

## **Tour d'Horizon**

### **Recent Initiatives to Enhance Retirement Savings of Scheme Members**

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# Features of MPF System



**Mandatory**



**Privately managed  
under trust**



**Defined  
contribution**



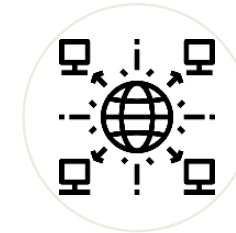
**Fully funded,  
financially sustainable**



**Employment  
based**



**Employer chooses scheme  
Employee chooses his/her own  
investment portfolio (funds)**



**Decentralized  
administration**

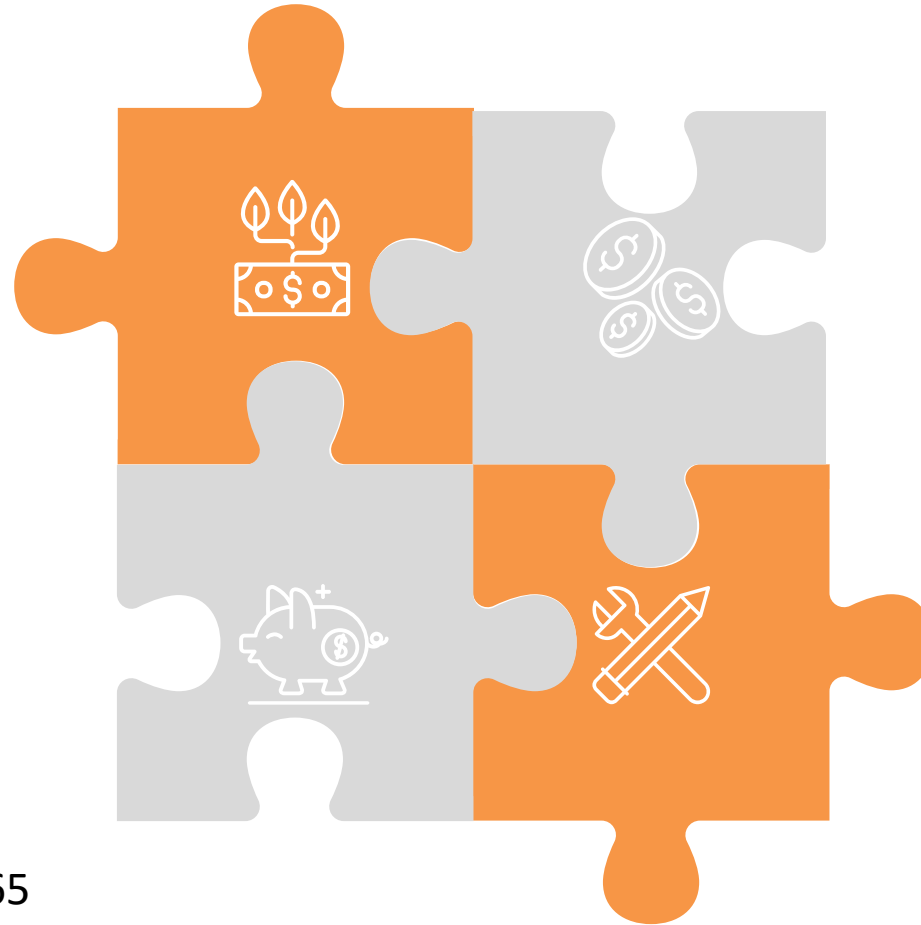
# Initiatives to Enhance Retirement Savings

## Improving investment outcomes

- Broaden scope of investment
- Facilitate trustees in developing appropriate products

## Encouraging voluntary contributions

- Introduction of tax-deductible voluntary contributions
- Propose tax deduction for employers making voluntary contributions for workers aged 65 or above



## Lowering fees

- Build and operate the eMPF Platform
- Require trustees to identify room for fee reduction and formulate a 5-year strategic plan

## Developing eMPF Platform

- Most significant reform initiative since the inception of the MPF System



# Improving Investment Outcomes

## Broaden scope of investment

- Facilitate MPF investment in debt securities by reviewing the list of exempt authorities in MPF investment
- Priority access to Government green bonds and infrastructure bonds



## Facilitate trustees in developing appropriate products

- Introduce the refined approval criteria for MPF funds, helping trustees to design products that can better address the needs of scheme members
- Facilitate a wider use of index-tracking collective investment schemes as investments by MPF funds



# Lowering Fees



## Build and operate the eMPF Platform

- Reduce administration fee by **30%** on average in the first 2 years
- Estimated cost savings up to **US\$5 billion** over a 10-year period, equivalent to 55% of the original administration fees that would be charged if there were no eMPF Platform



## Require trustees to identify room for fee reduction on other fee components

- Focus on trustee fee, sponsor fee and investment management fee
- Formulate a 5-year strategic plan on fee reduction



# Encouraging Voluntary Contributions

## Introduction of Tax-deductible Voluntary Contributions (TVC)

- Introduced on 1 Apr 2019
- Scheme members can enjoy up to **HK\$60,000 (around US\$7,700) tax-deductible limit** per year when making TVC contributions
- Flexible (No fixed frequency/amount)

Total no. of TVC accounts:

**70 000**

Total amount of TVC:

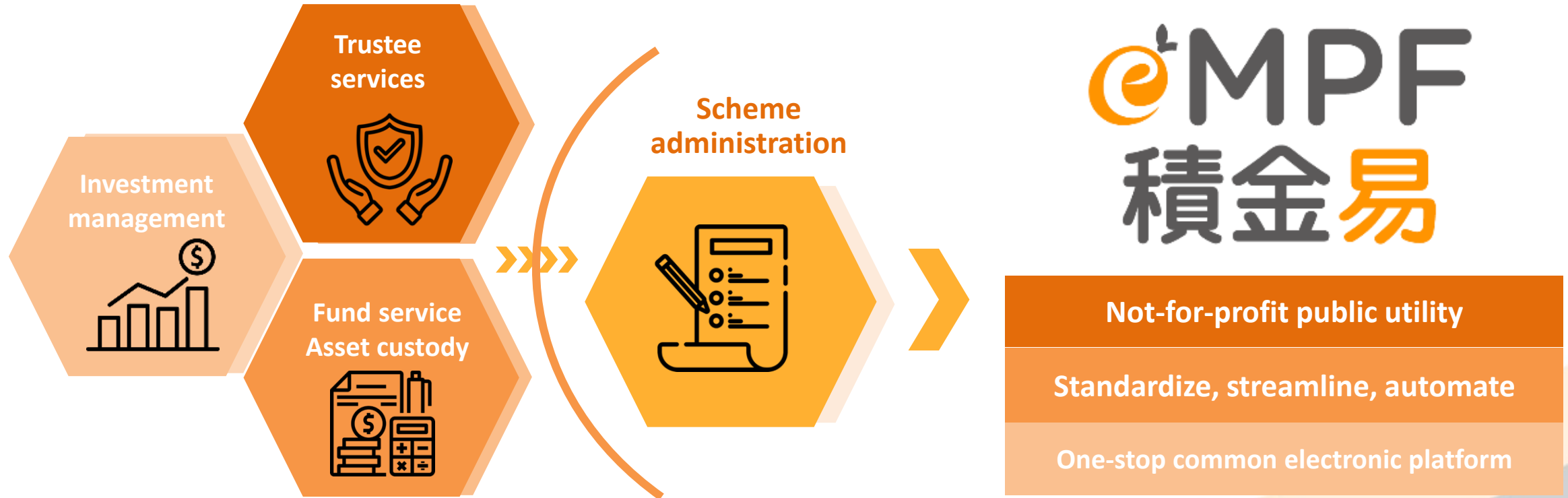
**US\$1,100 million**

## Enhanced Tax Incentives for Employers

- At present, an employer making voluntary contributions for an employee is provided **tax deduction amount of 100%** of those voluntary contributions, capped at 15% of total emoluments of the employee
- The proposed initiative increases the tax deduction amount to **200%** in respect of such expense for an employee aged 65 or above
- A **triple-win solution** for employees, employers and the labour market in Hong Kong



# Developing eMPF Platform - Reshaping the MPF Ecosystem



Greater Efficiency & Accuracy



Better User Experience



Lower MPF Fees



Greener Earth

# MPF Ecosystem after eMPF Platform

## Scheme members

- One-stop handling of all accounts
- Operate anytime, anywhere
- Real-time viewing of all accounts
- Create room for fee reduction

## Employers & Self-employed Persons

- One-stop for enrolment and contributions
- Operate anytime, anywhere
- Reduce paper work and human errors

## Trustees

- Standardize, streamline and automate scheme administration
- Reduce administrative and compliance burden and costs

## MPFA

- Improve efficiency and reliability of the MPF System
- Facilitate supervision of trustees and protection of member interests
- Pave way for future reform initiatives





# Project Timeline

## Construction

Software development of the Platform has been largely completed in June 2023, and all testings will be completed within 2023

2021-2023

## Onboarding

Migration of MPF accounts to the Platform will commence in Q2 2024

2024-2025

## Full Operation

All MPF accounts will be migrated to the Platform within 2025 and the Platform will then be fully operational

2025



Thank You

