

Revolutionising the MPF System: What Members and Employers Need to Know

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Executive summary

PSA and EY team have collaborated to create a Thought Leadership titled "Revolutionising the MPF System: What Members and Employers Need to Know." This publication aims to enhance public awareness of the eMPF Platform ("Platform"), the digital platform supporting Hong Kong's compulsory retirement savings scheme known as MPF.

The key highlights of the findings are as follows:

- 1 Scheme members and employers will undergo a major transformation through the introduction of the eMPF Platform**
 - All of the trustees' scheme administration activities will be handled via the eMPF Platform, which will streamline MPF scheme administration, enhance user experience, improve efficiency and reduce the overall costs of the MPF System. Bespoke services are expected to be offered by individual trustees as an exception.
 - This will result in reduction in administrative fees.
- 2 The eMPF Platform will enhance user experience through its one-stop platform**
 - Members and employers no longer need to manage multiple accounts through different platforms from different trustees.
 - Instead, account administration and investment instructions can be performed on the eMPF Platform via a single login.
 - eMPF Platform users will also experience a centralised source of data, serving as the single data source of truth.
- 3 Despite its advantages, adoption of the eMPF Platform will require support from its users to overcome challenges**
 - The large-scale transformation involves 11 million accounts and multiple systems from various trustees, which could result in potential challenges in adoption among its large volume of Platform users.
 - Members and employers may not be aware of the roles and responsibilities among various industry players during the transition period when MPF schemes get onboard, e.g. they may not have the full awareness of the full scope of processes that will be done on eMPF Platform and may engage with trustees on certain MPF account maintenance activities.

Members and employers are advised to ensure a clear understanding of the eMPF Platform and stay receptive and informed of the upcoming notices from trustees, to ensure a smooth transition into the adoption of the eMPF Platform.

1 Introduction

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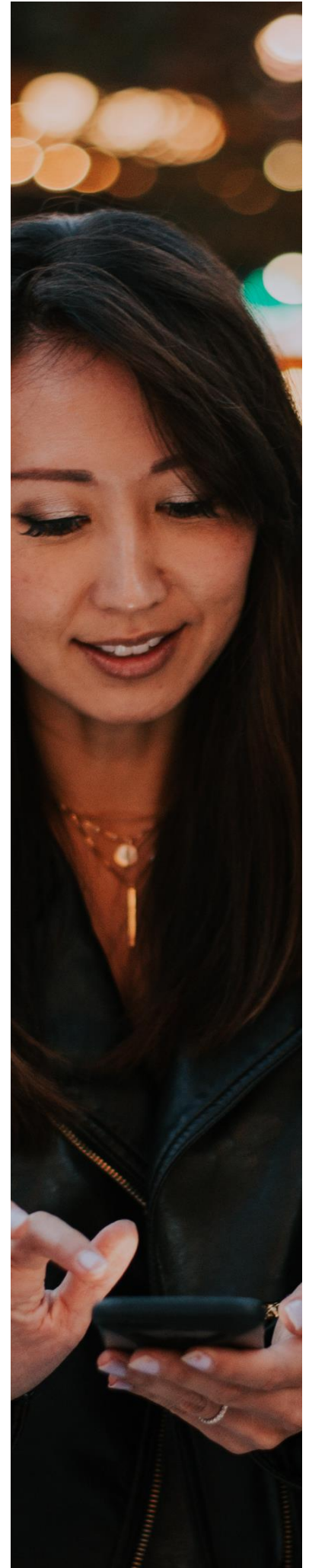
Once-in-a-generation changes are happening in the MPF industry.

The eMPF Platform initiative represents a milestone in the evolution of Hong Kong’s Mandatory Provident Fund (“MPF”) System.

The new electronic platform is set to transform the MPF scheme administration process – by leveraging digital and innovative solutions. The eMPF Platform will deliver a more efficient, cost effective, and predominantly paperless experience for users, reshaping the Hong Kong MPF ecosystem. It will enable members and employers to manage their MPF more effectively with greater transparency and control.

Approaching its milestone stage of operation targeting to begin in Q2 2024 and achieve full operation in 2025, it is crucial that members and employers understand the impact of the eMPF Platform on their MPF accounts and obligations.

This publication jointly produced by Pension Schemes Association (“PSA”) and EY team aims to provide clarity and insights into the eMPF Platform. It covers the anticipated changes to MPF scheme administration processes, the benefits of increased efficiency and cost savings, and the potential impact on members and employers. It also explores the implications of these changes and offers guidance to ensure a smooth transition to the new platform.

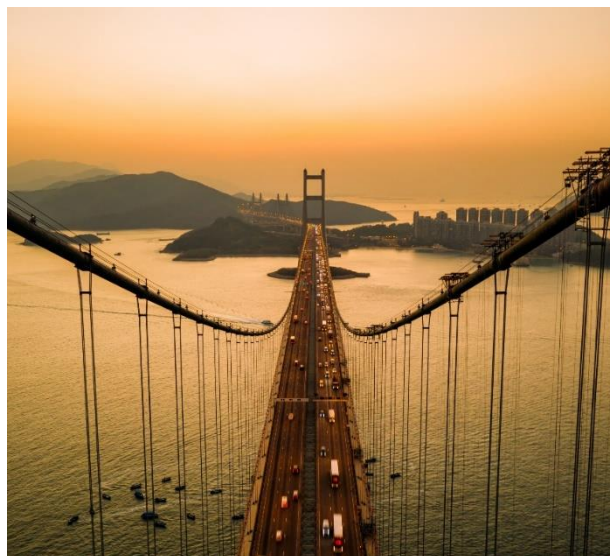


2 Background

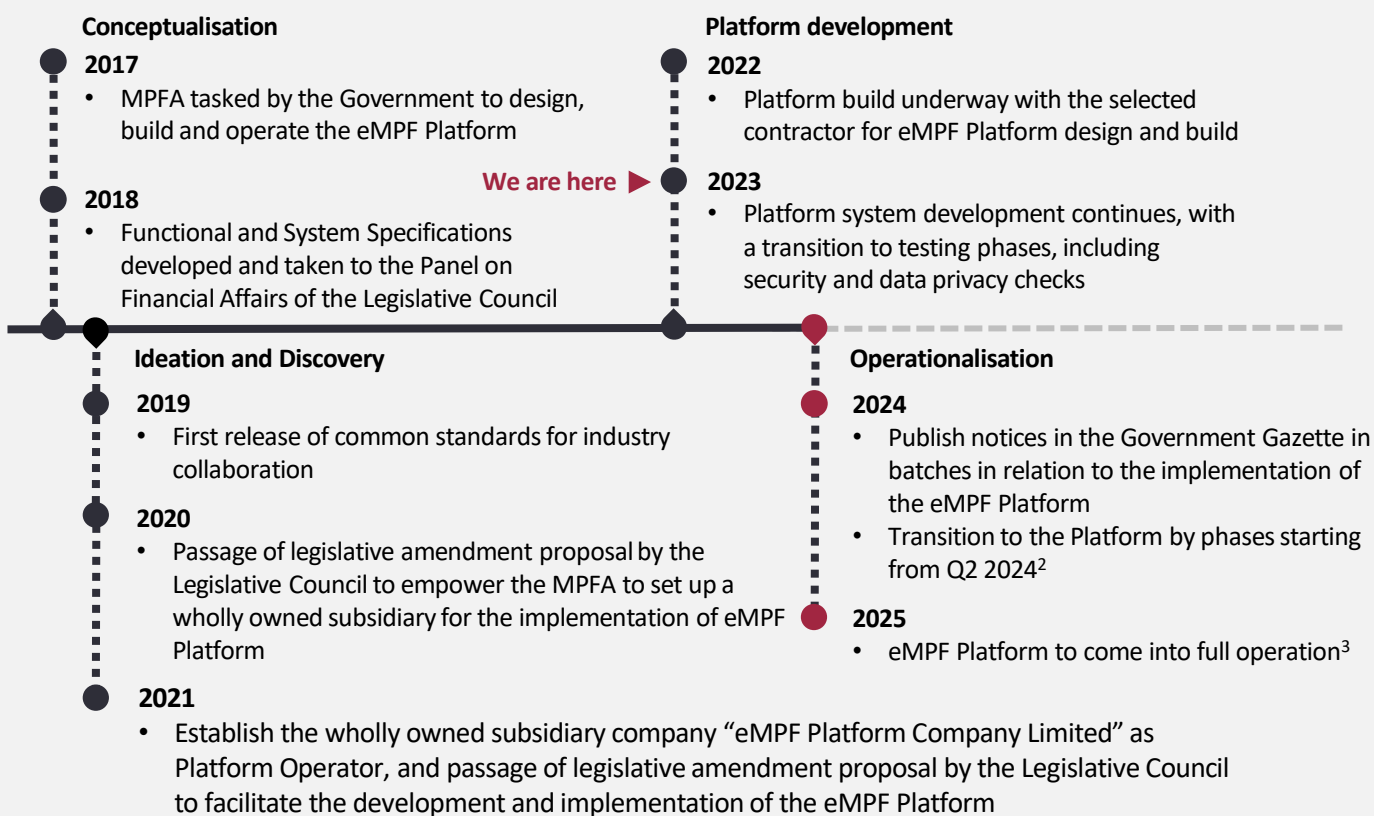
How far have we come?

The eMPF Platform development has been a collective effort from the Hong Kong Government (“the Government”), Mandatory Provident Fund Scheme Authority (“MPFA”), eMPF Platform Company Limited and industry participants.

MPFA has been tasked by the Government to design, build and operate the eMPF Platform, stakeholders across the industry have been brought in, starting with the design of the eMPF Platform model and development blueprint, establishment of an MPFA wholly owned subsidiary as the eMPF Platform operator “eMPF Platform Company Limited”, selection of contractor for developing and operating the eMPF Platform, policy submissions and discussions with legislators, and ongoing liaisons with the industry players.



A timeline of completed milestones¹ on eMPF Platform development



¹ Latest Progress of the eMPF Platform Project - Legislative Council Panel on Financial Affairs,

<https://www.legco.gov.hk/yr2023/english/panels/fa/papers/fa20230317cb1-205-5-e.pdf>, Accessed 17 March 2023

² The five early adopters are YF Life Trustees Limited, China Life Trustees Limited, Bank of Communications Trustee Limited, Standard Chartered Trustee (Hong Kong) Limited and Bank of East Asia (Trustees) Limited. “MPFA Blog – eMPF platform targets full operation in 2025”, Mandatory Provident Fund Schemes Authority, <https://www.mpfa.org.hk/en/info-centre/press-releases/20230716>, Accessed 24 July 2023

³ The transition will be carried out in ascending order of the value of assets under management by each Trustee,

<https://www.legco.gov.hk/yr2023/english/panels/fa/papers/fa20230317cb1-205-6-e.pdf>, Accessed 17 March 2023

How is the market responding?

Capitalising on market opportunities: Positive anticipation towards change



Better variety in MPF products:

The eMPF Platform will promote innovation and drive greater competition among MPF scheme providers, i.e. MPF sponsors and trustees. This may result in the introduction of more diverse MPF products to the market.



Greater ease for members on managing MPF accounts:

Through the platform, members can directly manage all of their subscribed MPF funds in one single login.



Centrally sourced MPF-related information:

The industry is receptive to receiving communications and aggregated MPF account information via a one-stop electronic means as this reduces the time spent handling enquires.



Levelling the learning curve:

Users no longer need to learn how to administer multiple accounts under different schemes (should they have more than one provider). This will lead to better engagement and a greater sense of empowerment on their retirement planning.

Unlocking market receptivity: Navigating awareness and concern

It is expected that the general public may exhibit the following concerns around the eMPF initiative:



Adequacy of customer support on the transition to new platform



Sufficiency of information security measures for privacy protection



Potential temporary administrative inefficiencies caused at the initial stage by change of roles and responsibilities

While the market is largely receptive towards the launch, there may be an insufficiency on the following areas of eMPF operationalisation:

- **The detailed trustee and scheme onboarding schedule to eMPF Platform**

The detailed timeline and transition to the eMPF Platform after the platform launch have not been completely spelled out, leading to concerns about the possibility of insufficient time to adequately plan for future customer experience and risk mitigation measures.

- **The publicity plan to the general public**

There has not been sufficient large-scale marketing campaign on the eMPF Platform, the public is lagging behind in their understanding and awareness of the eMPF Platform, community-wide marketing and publicity campaign will be launched prior to the onboarding of the first scheme. Details of which will be publicised in due course.

How the industry is addressing public concerns

- **MPF scheme providers and the MPFA are prioritising member and employer education** on the eMPF Platform initiative, focusing on its benefits, onboarding process, and driving early adoption.
- Community-wide marketing and publicity campaign will be launched to introduce a new eMPF ecosystem (including the cost savings), process, and roles of MPF stakeholders after full operationalisation. MPF scheme providers are reinforcing customer support to handle inquiries, provide re-education, and facilitate the transition.
- Industry players are also allocating resources on investment education, financial literacy, and customer support in preparation for the eMPF Platform adaptation and transition.

Foreign market insights and learnings for members and employers

Global examples of digitalising pension systems can serve as a reference and learning for the eMPF initiative. Australia's and Singapore's pensions reforms are discussed due to their similarity and applicable insights for Hong Kong's MPF transformation.

AUSTRALIA

Digitising the Superannuation fund via the SuperStream initiative⁴

Digitalised since
2014

Superannuation is Australia's retirement benefit programme launched in the 1990s, that requires employers to set aside money for their members.

Superannuation Members
23.4m

The pension scheme went through a major reform known as "SuperStream" in 2014. **SuperStream introduced a centralised pension infrastructure that standardised data and maintained a high level of flexibility for members.** It introduced a common data standard and streamlined contribution processing, reduced administrative costs for employers, serving as a key solution to the administrative burden.

Assets managed⁵
2.36
trillion (USD)

Takeaway: SuperStream offered an opportunity for active maintenance of member account and funds⁶

The SuperStream programme has brought about benefits beyond operational efficiency; members reported greater ease in account consolidation and a reduction in the number of duplicate accounts; while employers reported of experiencing less reworked operations. This has enabled a stronger fund performance as indicated through the increased digital transaction volumes and faster rollovers of monies across funds.

SINGAPORE

Digitalisation of Central Provident Fund⁷

Digitalised by
2024

The Central Provident Fund ("CPF") is Singapore's mandatory social security savings scheme introduced in the 1950s, funded by contributions from members and employers.

CPF Members
4.5m

The CPF has initiated a migration and consolidation exercise to operationalise its government administered common digital pension platform by 2024. The transformation initially focused on the core functionalities with selected users, then gradually scaled up to meet the needs of its broader members through iterations of design and infrastructure fine-tuning.

Assets managed⁸
0.41
trillion (USD)

Takeaway: CPF established the foundation for a more agile and adaptive future⁹

The digitalisation of CPF helps develop a foundation that supports ongoing innovations. With the goal of creating an agile tech ecosystem, a standard and unified interface allow for an enterprise architecture that allows for timely iterations and incorporation of emerging technology.

⁴ "SuperStream" (June 2016), Australian Taxation Office, www.ato.gov.au/Super/SuperStream/, Accessed 21 July 2023

⁵ As at 30 June 2023. "APRA releases superannuation statistics for June 2023" (Aug 2023), Australian Prudential Regulation Authority, <https://www.apra.gov.au/news-and-publications/apra-releases-superannuation-statistics-for-june-2023>, Accessed 23 August 2023

⁶ "SuperStream benefits report" (March 2019), Australian Taxation Office, <https://www.ato.gov.au/misc/downloads/pdf/qc53178.pdf>, Accessed 24 July 2023

⁷ "How CPF works" (July 2023), Central Provident Fund Board, www.cpf.gov.sg/Member/cpf-overview, Accessed 21 July 2023

⁸ As at 30 June 2023. "CPF account balances" (Aug 2023), Central Provident Fund Board, <https://www.cpf.gov.sg/member/infocenter/reports-and-statistics/cpf-statistics/balances-statistics>, Accessed 23 August 2023

⁹ "Central Provident Fund Board Annual Report 2019", Central Provident Fund Board,

https://www.cpf.gov.sg/content/dam/web/member/infocenter/documents/CPF_AnnualReport2019_Part1.pdf, Accessed 5 September 2023

3 Expected changes and impact towards members and employers

From a manual, paper-based process to an up-to-date, digitised journey

In anticipation of the eMPF Platform operationalisation, members and employers should be aware of the changes in their user journeys.

With the current MPF operation process, members with multiple accounts and employers offering multiple MPF schemes to their employees must go to multiple platforms for matters related to scheme administration and operation, which requires tremendous manual labour and handling, resulting in potential human errors and operational costs. The eMPF Platform will give rise to operational benefits and mitigate the current problems derived from operational complexity.

The eMPF Platform will offer unparalleled convenience, allowing members to access their retirement savings information anytime, anywhere.

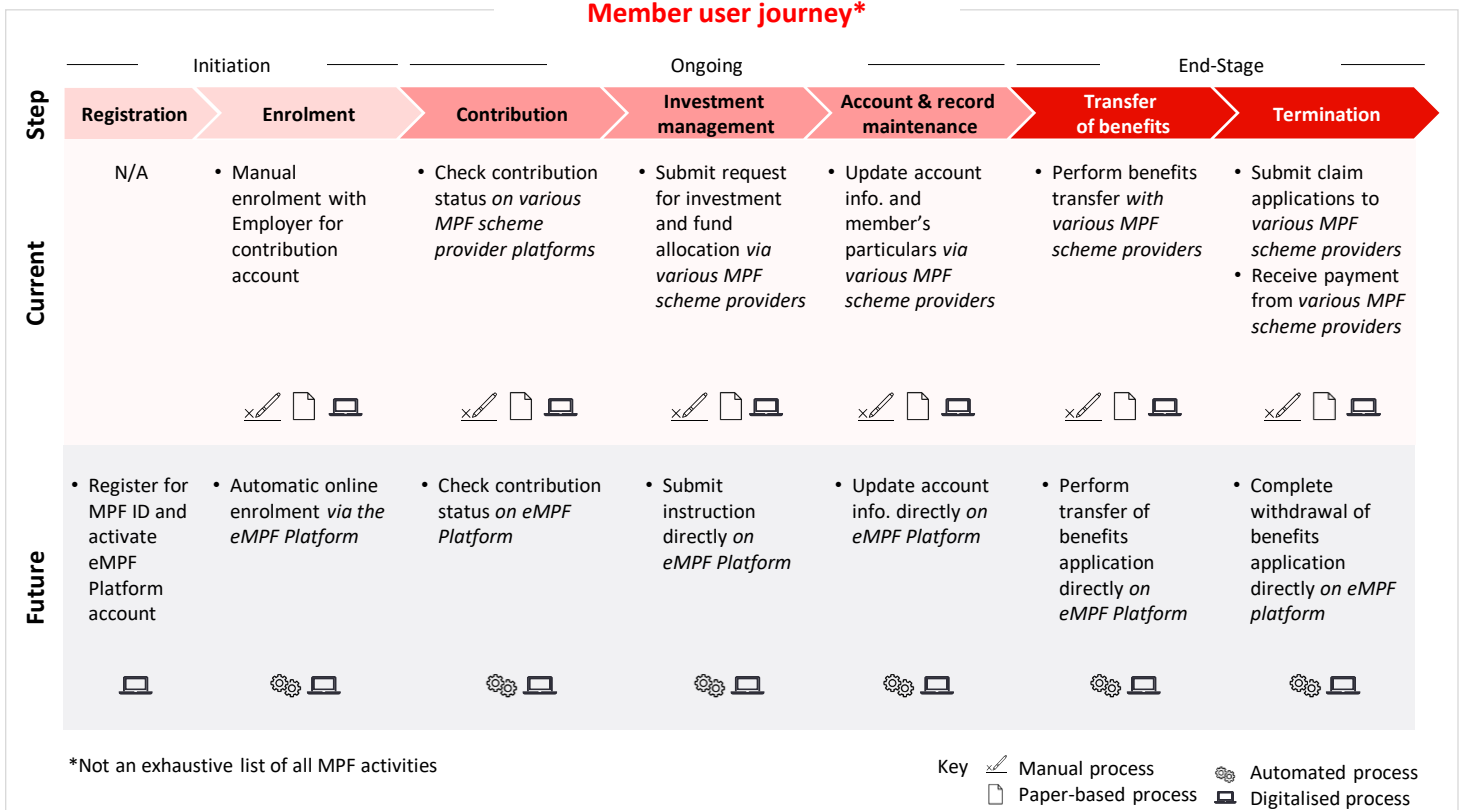
Real-time viewing of account balance across schemes will be readily available, facilitating active MPF account management, aiding members in setting achievable financial goals and tracking their progress. Members would also be able to easily switch providers directly on the platform. This increased flexibility, accessibility and transparency fosters greater financial literacy and ownership, allowing members to take better control of their retirement savings.

Nonetheless, **it is expected to take time for a full market adoption of the eMPF Platform.**

Industry players should gradually and systematically encourage the use of digital platform through step-by-step, smaller achievable milestones.



Member user journey*



From segregated, non-standardised processes to a consolidated, one-stop-shop

The eMPF Platform is set to offer a comprehensive solution for members and employers.

Employers will benefit from a streamlined account management processes. Within the Platform, employers can easily complete registration procedures, enabling a swift and efficient employee account set-up and enrolment. Contribution processing and transaction history management will be simplified, ensuring accurate and timely fund transfers. By leveraging the eMPF Platform, employers will gain access to robust reporting capabilities, empowering them to generate reports and leverage data insights for better decision-making.

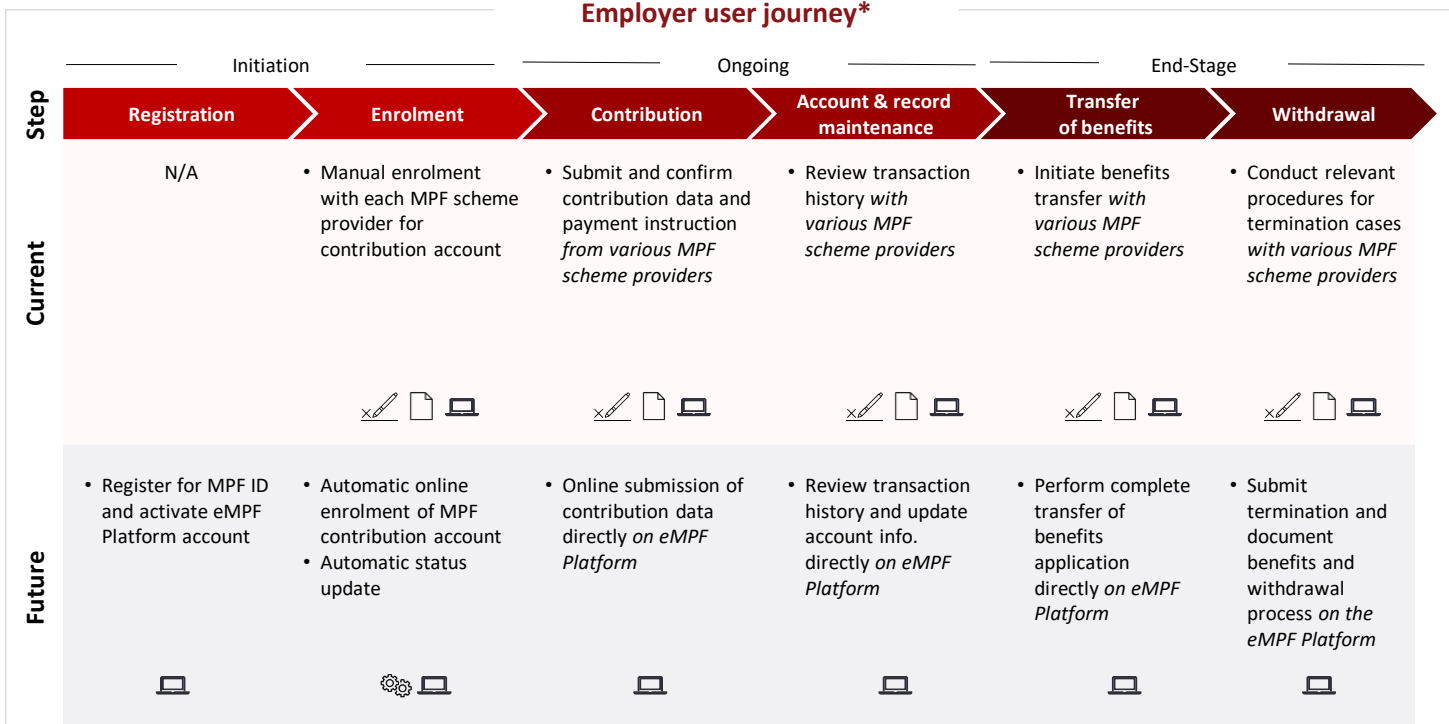
Similarly, **the eMPF Platform will provide members with a smooth and convenient experience through its unified platform to manage multiple accounts, if applicable.** From the initial registration process to joining new schemes, the Platform will guide members through each step effortlessly. Members

will be able to easily manage multiple MPF accounts with different trustees, eliminating the need for separate logins and simplifying account management. The Platform will facilitate smooth transfer processes from existing schemes, enabling members to consolidate their retirement savings efficiently. Additionally, the eMPF Platform will enable members to update personal particulars, change investment options, and make voluntary contributions. Members will also be able to submit claims and access general customer support through the Platform, ensuring a comprehensive suite of services.

The launch of the eMPF Platform marks a significant milestone in retirement savings management in Hong Kong. It signifies a shift towards digitalisation and automation, where businesses can stay ahead of the curve and reap the benefits of increased efficiency, reduced administrative costs, and improved user satisfaction.



Employer user journey*



*Not an exhaustive list of all MPF activities

Key Manual process Automated process Paper-based process Digitalised process

4 How MPF members and employers can benefit from the eMPF Platform

USER EXPERIENCE

Centralised source of data and user accessibility

The eMPF Platform serves as a one-stop platform for all members and employers under the MPF scheme as a central source of information. It will consolidate functions such as account overview and fund switching, to offer greater flexibility and convenience.



What this means for members and/or employers

- Members will have a holistic view over their accrued benefits, supported by greater control in managing their assets. Through the one-stop view of all accounts and contribution details, this will especially benefit members who have had multiple jobs and accumulated multiple MPF accounts (including voluntary contributions).
- Members can also make more informed investment decisions via a consolidated view of their MPF positions on the eMPF Platform. They will be able to monitor their contributions, investment performance, and account balances at their fingertips at any time and from anywhere.



USER ADMINISTRATION

Data source of truth

The digital footprint of the eMPF Platform enhances transparency and clarity, which improves MPF account management and operation activity of users.

The MPF account contributions and modifications of personal particulars are recorded and maintained on the eMPF Platform, which provides a comprehensive database that can be used for clearer communications between members, employers and, MPF providers and administrators.



What this means for members and/or employers

- Both members and employers can rely on the audit trail to provide a complete record of actions taken on the platform to serve as a proof of record.
- Employers can track and reconcile their MPF contributions, which helps employers to identify and resolve any discrepancies or errors in a timely manner.



STREAMLINED WORKFLOW

Simplifying MPF account management

Employers can perform a range of actions on the eMPF Platform, including enrolments and contributions, where the current manual and segregated document submission process is eliminated.

The eMPF Platform is expected to come with a user-friendly interface that replaces the existing paper submission processes, which streamlines reporting processes, enhances the efficiency and effectiveness of communication and reporting needs.



What this means for members and/or employers

- MPF scheme providers are expected to be driven to differentiate via various means including better MPF product offerings, member empowerment, financial literacy education, investment planning, and retirement planning.
- Members will be able to report via the Platform if they come across any contribution in default, expediting the filing of any potential non-compliance cases to the MPFA.
- Employers can reduce the risk of errors and time in handling the paperwork, as error will be detected and notified immediately. The streamlined processes also help prevent delays or default contributions due to administrative errors, reducing the potential contribution surcharges and risk of compliance issues.

COST SAVINGS

Reduction in administrative cost

The uptake of administration operations to the eMPF Platform is expected to increase the cost efficiency of administration and subsequently reduce the scheme administration fee.

It is estimated that a 90% digital take-up rate will be achieved within five years after the full implementation of eMPF Platform. The average MPF administration fee will reduce by around 30% during the first two years of operation of the eMPF Platform.¹⁰



What this means for members and/or employers

- The eMPF Platform improves operational efficiency for members and employers. Its initial development and maintenance costs are covered by the Government and will run on a not-for-profit and cost recovery basis, driving an overall cost reduction that benefits members and employers by alleviating their cost burden on MPF account maintenance.

¹⁰ “Updated background brief on development of a centralized electronic platform for the administration of Mandatory Provident Fund registered schemes” (April 2022), Legislative Council Panel on Financial Affairs, <https://www.legco.gov.hk/yr2022/english/panels/fa/papers/fa20220404cb1-156-9-e.pdf>, Accessed 24 July 2023

5 Anticipated challenges deriving from the eMPF Platform



With the large-scale reform underway, the adoption of the eMPF Platform will come with challenges that potential users – members and employers – should be aware of and identify measures for mitigation.



Phased onboarding

Importance of managing the migration and onboarding process

The onboarding of trustees and their schemes to the eMPF Platform is subject to the orderly transition sequence, with the goal of completing the entire onboarding process by 2025. This covers a data volume of 11 million MPF accounts across 26 schemes and 13 trustees, which vary in the assets under management ("AuM") size and the required level of technical and operational risks involved in data migration.



What this means for members and/or employers

- Acquire a clear understanding of the onboarding schedule and arrangements of the enrolled MPF schemes. The phased onboarding schedule is expected to start with MPF schemes in ascending order of the value of AuM by trustees.
- Multi-account holders may have to manage multiple onboarding schedules to perform scheme management.
- It is important to proactively stay well-informed of the upcoming notices from trustees to proceed with ease and accuracy.



Roles and responsibilities

The need to clarify eMPF roles for members and employers

It is expected that most activities relating to MPF scheme administration previously rested with the MPF providers will be allocated to the eMPF Platform. Hence, in order to enable a smooth user experience for members and employers, there is a need for a clear communication about the segregation of activities held by MPF providers and those performed on the eMPF Platform, for example, MPF account enrolment, contribution handling, transfer of benefits handlings, etc.



What this means for members and/or employers

- The MPFA will lead a large-scale communication campaign alongside the industry players to provide clear instruction and tutorials on the eMPF Platform to help platform users learn to adopt and use the eMPF Platform.
- Members and employers should be aware of the specific functionalities and activities that will be migrated from trustees and sponsors to the eMPF Platform for better management of their MPF accounts during the transition.

6 Conclusion

eMPF's vision and how members and employers can prepare for the transition towards operationalisation

The establishment of eMPF Platform is expected to bring about greater operational efficiency for members and employers. The user-friendly and "one-stop" interface will enable members to maintain better management of their MPF accounts and funds, and make more informed decisions in their investments via a consolidated view of their MPF positions on the eMPF Platform. The standardised and automated scheme administrative processes can help employers reduce paper work, human errors, and inadvertent delay or default contributions that would result in contribution surcharge. Members and employers are encouraged to take the following actions today to prepare for the launch of eMPF and fully embrace the benefits brought about by the eMPF Platform:



What members and employers should do

- Address knowledge gaps and reduce reliance on manual MPF processes. Prepare for new technology through MPFA-led public campaigns for members and employers.
- Remain aware of the upcoming changes brought about by the future state of the eMPF Platform as well as the implementation approach.



What employers can do today

- Begin preparatory works for integrating payroll system with the eMPF Platform for streamlined contribution remittance and employee enrolment.
- Anticipate operational changes, use of new platforms for payroll and administration, communicate changes internally and allocate resources for operational transformation.
- Employers with multiple scheme providers should have an early start for the eMPF onboarding preparation as they might experience more significant changes in terms of ease and convenience.

The eMPF Platform is set to be a game-changer for the MPF industry in Hong Kong.

In summary, the Platform's benefits will include greater ease and convenience for members on managing MPF accounts, potential cost savings for members and employers, and centrally sourced MPF-related information for all of its users. The eMPF Platform will provide a source of truth for data, which will ensure accuracy and transparency in the MPF industry.

7 Useful resources

1. Official announcements from Mandatory Provident Fund Schemes Authority
www.mpfa.org.hk
2. The Government of the Hong Kong Special Administrative Region Press Releases
www.info.gov.hk/gia/general/202205/11/P2022051100326.htm
3. Financial Services and the Treasury Bureau website
www.fstb.gov.hk/en/financial_ser/MPF-system.htm
4. Pension Schemes Association website
pensionschemes.org



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About PSA

Pension Schemes Association (“PSA”) was established in 2018 with six founding partners. As the most prominent MPF sponsor association in the industry, PSA assumes the bridging role among stakeholders as to ensure the MPF system in Hong Kong can fulfil public and industry interests. In addition, PSA acts as a consultative body in liaising with relevant policy makers and regulatory bodies on matters related to the development of the MPF system. PSA also aims to enhance the trust and confidence in the MPF industry by partnering with industry stakeholders to cultivate public awareness of MPF. Currently, PSA is operated by the Board consisting of the below members (in alphabetical order):

AIA Company Limited

FIL Investment Management (Hong Kong) Limited

Hongkong and Shanghai Banking Corporation Limited

Manulife (International) Limited

Sun Life Hong Kong Limited

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