



PENSION SCHEMES ASSOCIATION
退休積金計劃協會

Volume 1 | Issue 1
December 2019

***PSA: a busy but
fruitful first two years***

***Target Operating
Model (TOM) is key***

A Fruitful First 2 Years

From the pre-launch preparation, the official establishment in February 2018, up until now, our objectives at Pension Schemes Association ("PSA") remain unchanged - to act as an Industry Think Tank on matters related to the development of the MPF system in Hong Kong.

There has been a lot of development in the MPF market during this two-year journey, and may we take the opportunity to share with you what we have accomplished.

FUTURE ADMINISTRATION

eMPF Centralised Platform ("CP")

The concept of CP was first mooted in November 2012. In 2015, MPFA recommended a conceptual model which envisaged a range of administration processes for supporting registration, enrolment, contribution, transfer of benefits, benefits withdrawal and record keeping and maintenance, to be conducted electronically via a centralized platform.

PSA have been actively engaging the plan sponsors to seek their views and opinions on this very important initiative and providing practical industry feedback to MPFA and FSTB; for example: a brainstorming session was held for the plan sponsors to exchange their views on a holistic deliberation of an eMPF model and a survey was sent at the same time to obtain the plan sponsors' views on such preferred model. We take every opportunity to share our experiences with the regulators as to what work and what don't work: Having a clear vision of the short term and long term target CP model will make the initiative successful; If day one CP doesn't handle both manual and digital MPF employer and member transactions will definitely increase the probability of failing such initiative. On all the important issues that we raised, not only did we state clearly the issues we identified, we also provide solutions and show our keen interests in partnering with the regulators to ensure the initiative would be a success. Both the FSTB and MPFA has been very receptive to our views, they had numerous open discussions with us to fully understand our angles and took on our proposals as appropriate.

We will continue to work closely with all plan sponsors, other industry participants and the regulators on this initiative.



Source: MPFA

PAYING HK\$180M LESS

New Annual Registration Fee ("ARF")

A new fee that cannot be charged back to members

In October 2018, FSTB advised to all Trustees that an ARF of 0.05% of the net asset value of the registered MPF schemes ("Schemes") will be charged to all Schemes effective January 2020. In addition, FSTB specifically advised that such ARF could not be charged back to scheme members in any form.

As an industry think-tank, PSA took a pro-active stance to discuss with the FSTB and recommended ways of implementations. By December 2018, FSTB advised that the ARF will be set at 0.03% for 6 years starting Jan 2020 and a review will take place then to determine if any adjustment is needed.

While this **2bp saving** sounds minimal, it translates into a **saving for HK\$180 mil** with the latest industry AUM of some HK\$900 bn.



66% MORE

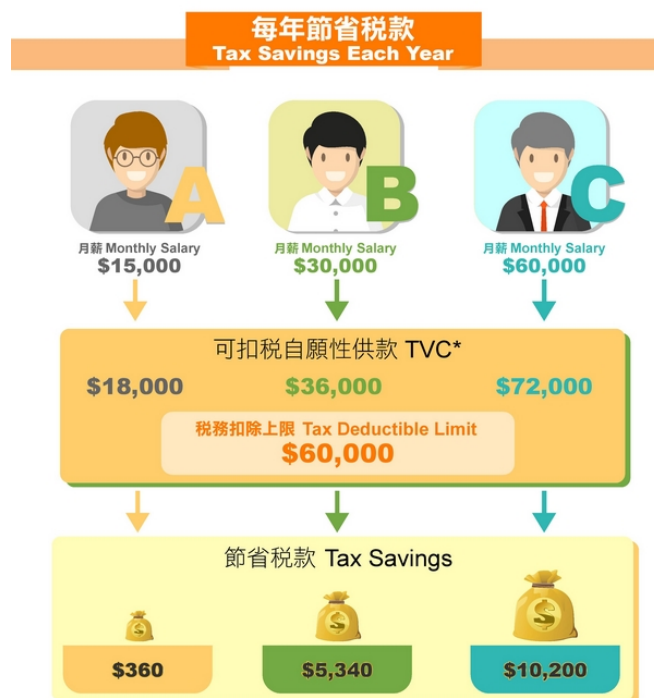
Tax Deductible for Voluntary Contribution ("TVC")

Higher tax deductible limit as incentive

Effective 1 April 2019, scheme members can make tax deductible voluntary contributions (TVC) and enjoy a tax deductible limit of HK\$60,000 (aggregate for TVC and deferred annuity).

PSA has been a strong supporter for this initiative and had proposed FSTB to consider raising the deductible limit from its originally proposal of HK\$36,000 to HK\$100,000 and withdrawal conditions be set at 10 years after contribution or age 50 whichever is lower. We had also lobbied the Legislative Council members' support on our proposal.

While we were not able to achieve our wish of the HK\$100,000 deductible limit, the new approved deductible limit of HK\$60,000 represents a **66% increase to the original limit**.



Source: MPFA

MPF GOES GREEN

Paperless Initiative

Be environmental friendly – go paperless

In January 2019, PSA discussed with the Environmental Protection Department (“EPD”) and MPFA to explore the opportunity of a joint event to reduce the amount of paper used for MPF purposes. In 2018, the total paper used for members’ Annual Benefit Statement and Fund Fact Sheet was 72.7 million pieces of A4 paper!!!

In March, the first meeting was organised and chaired by PSA with representatives from PSA members, EPF and MPFA., the Main Group. All have committed to jointly work on this “MPF Goes Green” project. As a result, 3 workstreams were set up with representatives from PSA, EPF and MPFA. These workstreams are: Campaign, Customer Experience and Regulatory; they meet on a monthly basis and report back to the Main Group.

This initiative is on-going and a formal kick off is schedule to be in March 2020.



ADDRESSING THE RETIREMENT NEEDS

Pre and Post Retirement Solutions

How to spend the saving efficiently after retirement

At a lunch in January this year, MPFA invited PSA and HKIFA to form a working group together to explore ways to address the pre and post retirement needs of scheme members.

The first working group meeting was in May 2019 and attended by 4 members each from PSA and IFA. Since then, 2 more working group meetings were held. Both PSA and IFA have been providing ideas and suggestions on the following 5 areas:

1. Proposed solution simple and easy for scheme members to understand
2. Transparency to scheme members
3. Risk and return suitable for pre and post retirement solutions
4. Reasonable management fee
5. Legislative requirements

MPFA targets to issue guidelines for this initiative before the end of 2019.



MPFA'S DASHBOARD

Transparency Initiative by MPFA

An idea or an ideal

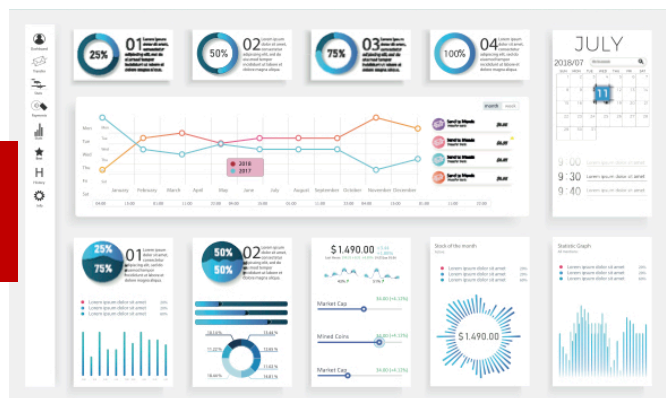
In April 2019, MPFA held the first work group meeting on requesting all scheme sponsors and trustees to standardise, on their respective on line platforms, the on line presentation of KEY scheme members' information – **a unified DASHBOARD for members.**

PSA wrote to MPFA regarding such request, stating that:

1. Dashboard already existed with all the required information. PSA does not see any value add to scheme members to standardise presentation of such information.
2. Formation and how the information is presented is a differentiation of the providers for their members.
3. With limited and competing resources, priorities should be given to the Centralised Platform project

Unfortunately, MPFA informed PSA that they would still like to continue with this initiative.

**Unified
Dashboard
for Members**



For illustration only
Source: Getty Images

LOOKING AHEAD...

PSA Initiatives in 2020

More to come...

- Actively Engage in eMPF
- MPF Goes Green for the entire industry
- Unravel misunderstanding of MPF

ABOUT US

In February 2018, six MPF scheme sponsors who collectively manage about 80% of MPF scheme assets collaborated as founding partners to spearhead the establishment of the **Pension Schemes Association.**

The primary objective of the Association is to increase the transparency of MPF business operation to the stakeholders, which in turn will enhance trust and confidence towards the MPF system and its service providers. Apart from acting as the representative body for MPF scheme sponsors in Hong Kong, the Association is prepared to act as a consultative body in liaising with relevant policy makers and regulatory bodies on matters related to the development of the MPF system in Hong Kong.