

Press Release

Government welcomes consultation conclusions and recommended way forward on MPF "core fund"

Thursday, March 12, 2015

The Financial Services and the Treasury Bureau has welcomed the endorsement of consultation conclusions and recommendation of the way forward on the "core fund" by the Management Board of the Mandatory Provident Fund Schemes Authority (MPFA) today (March 12).

According to the recommended way forward, a Mandatory Provident Fund (MPF) trustee would be required to set up a "core fund" as the default fund under each MPF scheme. The "core fund" should be invested based on the standardised strategy set by the MPFA and be designed to reduce investment risks with reference to a scheme member's age. In addition, the management fees of the "core fund" should not exceed 0.75 per cent of the assets under management per annum.

The Government and the MPFA conducted a public consultation on the proposal of strengthening the regulation of default investment arrangements under MPF schemes by introducing the "core fund" from June 24 to September 30, 2014. A total of 266 submissions were received. According to the consultation results, more than 80 per cent of the responses supported the direction of establishing the "core fund", more than 70 per cent of the responses considered that a standardised investment strategy should be adopted by the "core fund", and more than 60 per cent of the responses agreed with the proposed level of fee control.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said, "Introducing the 'core fund' will help address the public's concerns over the high fees and complexity of choice of some MPF schemes. The proposed fee cap of 0.75 per cent is only a starting point and may be further lowered in future.

"We expect that the 'core fund' will facilitate benchmarking, and, in turn, drive down the overall MPF fees."

Professor Chan pointed out that some 20 per cent of MPF scheme

members had not made an investment choice at present and the "core fund", as the default fund, would protect the interests of these scheme members. Other scheme members might also choose to invest in the "core fund". As such, the "core fund" would assist in strengthening the MPF as a privately managed retirement protection system.

"Regarding operation, the Government considers that the 'core fund' should be operated by the market and will not consider the operational model of establishing a public trustee. We and the MPFA will consider measures to facilitate market operation, with a view to achieving the policy objectives of driving down costs and fees," he added.

The Financial Services and the Treasury Bureau will commence the drafting of an amendment bill based on the recommended way forward, with a view to introducing it into the Legislative Council within this year and launching the "core fund" in 2016.

Ends