

Press Release

Bill for improving MPF default investment arrangements to be gazetted

Wednesday, November 11, 2015

The Mandatory Provident Fund Schemes (Amendment) Bill 2015 (the Bill) will be gazetted on November 13 to improve the Mandatory Provident Fund (MPF)'s default investment arrangements.

The Bill proposes to mandate each MPF trustee to provide a highly standardised and fee-controlled Default Investment Strategy (DIS) in each MPF scheme.

According to the Bill, the DIS will adopt globally diversified and age-based de-risking investment principles, with assets invested in local and overseas markets. Trustees will be required to gradually reduce a scheme member's exposure to relatively higher risk investments as he approaches the age of retirement.

On management fees, the Bill proposes to introduce a statutory fee control mechanism, mandating that a trustee must not charge management fees higher than the prescribed maximum level, which is an annual rate of 0.75 per cent of the net asset value of the DIS constituent funds.

The Secretary for Financial Services and the Treasury, Professor K C Chan, said that the DIS will not only provide MPF scheme members with a simplified investment option that is consistent with the overall objective of retirement savings, but it will also directly address concerns of some members of the public over "high fees" and "difficulty in making choice" in some MPF schemes.

He added, "The proposed fee cap is only a starting point. We expect that the fee cap will have a benchmarking effect, driving fee reduction or consolidation of other MPF constituent funds, thus strengthening the MPF System as one of the important pillars of the retirement protection system for the working population.

"We hope that the Legislative Council will support the Bill and complete the scrutiny process as soon as possible so as to allow scheme members to

invest in the DIS early and enjoy the benefits of the fee cap."

The Chairman of the Mandatory Provident Fund Schemes Authority (MPFA), Dr David Wong, said, "We are glad to see the gazettal and the tabling of the Bill after months of hard work in finalising the legislative proposal. The introduction of the DIS will be a major reform of the MPF System. It is particularly important for those who do not make their own choice."

"Upon passage of the Bill, the MPFA will work hand in hand with MPF trustees to launch the DIS by end 2016," Dr Wong said.

Upon commencement of the Bill, the MPF accrued benefits of new scheme members who have not made any investment choices will be invested according to the DIS directly.

The Bill will also prescribe transitional arrangements, stipulating that the accrued benefits of existing scheme members who have not made any investment choices will be transferred to the DIS. MPF trustees will also be required to allow all other scheme members to choose the DIS in future.

The Bill also includes other amendment proposals to enhance the operational efficiency of the MPF System.

The Bill has been uploaded to the website of the Financial Services and the Treasury Bureau (www.fstb.gov.hk/fsb/topical/mpfbill2015.htm). It will be introduced into the Legislative Council for first reading on November 25.

Ends