MPF System and Digital Transformation

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MPFA Facebook Corporate Fan Page

http://www.facebook.com/mpfa.hk
Five Pillars of Old-aged Protection

- **Pillar 0**: Non-contributory, publicly financed and managed system
- **Pillar 1**: Mandatory, contributory and publicly managed system
- **Pillar 2**: Mandatory, privately managed, fully funded contribution system
- **Pillar 3**: Voluntary savings
- **Pillar 4**: Informal support, other formal social programmes and other individual assets

- Advocated by the World Bank
- As Pillar 2, MPF (mandatory contribution) aims to provide for basic retirement need
- Each pillar is complementary to one another
<table>
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<tr>
<th>Pillar</th>
<th>World Bank’s Multi-pillar Framework</th>
<th>Retirement Protection in Hong Kong</th>
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</table>
| 0      | Non-contributory, publicly financed and managed system | • Old age allowances  
• Comprehensive Social Security Assistance Scheme |
| 1      | Mandatory, contributory and publicly managed system | N/A |
| 2      | Mandatory, privately managed, fully funded contribution system | • MPF System (Mandatory contributions)  
• MPF exempted ORSO schemes |
| 3      | Voluntary savings | • Voluntary contributions to MPF  
• Retirement savings-related insurance |
| 4      | Informal support, other formal social programmes and other individual assets | • Public housing & healthcare  
• Public transport fare concession  
• Community Care Fund’s elderly programmes  
• Annuity launched by HKMC |
**Major Features of MPF System**

- **Mandatory (except for exempted persons)**
- **Privately managed**
- **Managed under trust**
- **Employment based**
- **Fully funded, financially sustainable**
- **Defined contribution**
- **Employer chooses scheme; Employee chooses his/her own investment portfolio***
- **Decentralized administration**

* ECA/Semi-portability allows employees to choose their own MPF trustee(s) and scheme(s) once a year
A Snapshot on Some Statistics of MPF System

- 12 Scheme Administration Platforms
- 4,300,000 Scheme Members
- 10 Million Accounts
  - 4.2 Million Contribution Accounts
  - 5.8 Million Personal Accounts
- 14 Trustees
- 417 Funds
- 100,000 Paper Transactions Everyday
- 30 Schemes
Every Year:

- Nearly 2m New Accounts are set up
- Over 200,000 transactions processed for Withdrawals
- 1.6m Transactions processed for transfer of benefits such as Employee Choice Arrangement & consolidation of personal accounts
- Over 1,000 Complaints received by trustees / service providers
Of total 415,000 employer accounts*, 98.1% with less than 50 employees

Top 3 Industry Types (47.7% of employer accounts)

1. Wholesale/Retail/Import & Export Trades
2. Construction
3. Catering

- 701,000 employees are under MPF Industry Schemes (most are casual employees in the construction and catering industries)
- Representing 27% of all employees

* While there are 290,000 employers, there are 415,000 employer accounts because of multiple enrolments
Three Elements of MPF Scheme

01 Investment Management

02 Safekeeping of Assets

03 Scheme Administration
Current MPF Scheme Administration
Current State of MPF Scheme Administration

Digital Users
39% Employers (on average)
Diverse distribution; less than 10% for some trustees

Manual Users
61% Employers (on average)

By Post
Hundreds of service outlets

~30,000 MPF Intermediaries

Paper submission of data and cheque payment

Thousands of Full-time Staff Equivalent provide services to users

14 Trustees

12 Administration Platforms

*No of employers: 290,000
Current State of MPF Scheme Administration (cont’d)

14 Trustees

12 Administration Platforms

Managed by trustees themselves

Outsourced to related companies

Third party administration appointed by trustees
Digital Transformation - eMPF Platform
Objectives of eMPF Platform

- Standardize
- Streamline
- Automate

Scheme administration
Vision of eMPF Platform

- Transform and enhance the MPF System
- Paperless MPF experience to over 4 million members and 300,000 ERs
- Benefit ERs, EEs, MPF industry and MPFA
- Create room for reducing MPF management fees
- Pave way for future reforms – e.g. full portability
Visionary Expectations on eMPF Platform

- MPF System version 2.0
- A brand-new ecosystem – not refilling bottles with old wine
- A platform for the people, HK and beyond
- No one is left behind
- Smart city transformation
- Public utility, yet commercially viable & with unlimited possibilities
- Instant application when launch
- Long-term commitment to operate the platform
- Future proof
Latest Progress
• RFP exercise is now in progress

• RFP package is divided into 3 categories:

<table>
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<tr>
<th>Category A:</th>
<th>Category B:</th>
<th>Category C:</th>
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<tbody>
<tr>
<td>• eMPF Solutions</td>
<td>• Infrastructure</td>
<td>• MPF Scheme Operation Services</td>
</tr>
<tr>
<td>• Application Maintenance</td>
<td>• Maintenance</td>
<td>• Transformation Services</td>
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<tr>
<td></td>
<td>• Information Security</td>
<td>• User Delivery Services</td>
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“More than just an IT project”

1. **New MPF ecosystem**
   a combination of hardware, software and services

2. **Fintech x MPF operations**
   “Best of breeds”

Vision for the Design
Current User Behaviour

39% employers as digital users (Diverse distribution: less than 10% for some trustees)

65% of transactions are still paper-based

Most scheme members don’t actively manage their MPF accounts via electronic means

Current system delivers generally satisfactory services

High Degree of User Diversity

Diverse cohorts in the MPF System

Diverse degrees of digital literacy and experience

Complexity of eMPF Platform

More than just an IT project

A change management process (to overcome a 20-year-old inertia)

MPFA and MPF industry to promote digital take-up

Practical Application

Digital transformation and transition

100% accuracy
Governance Model

Set up a wholly-owned eMPF Platform Entity

Own the Platform & oversee the operation of the outsourced operator

Operate the eMPF Platform and provide relevant services
Various functionalities of eMPF Platform

- Registration and Enrolment
- Contribution Handling
- Benefits Management and Payment
- Issuing Notices/Documents, Reporting
- Customer Services
- Data Maintenance and Historical Data Migration

- eMPF Platform is just like an aircraft carrier
- Enormous amount of components/services are needed for its smooth functioning, thus creating huge business opportunities for companies of different scale/nature
Way Forward
## Development Roadmap

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<tr>
<th>Year</th>
<th>Event</th>
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<tr>
<td>2019</td>
<td>• Release of RFP package to enrolled tenderers starting from 9 December</td>
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<tr>
<td>2020</td>
<td>• Submission of proposals by enrolled tenderers by the deadline on 9 April (HKT 17:00)</td>
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<tr>
<td></td>
<td>• Tender award</td>
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<tr>
<td></td>
<td>• System design and development</td>
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<tr>
<td>2021</td>
<td>• Submission of legislative amendment proposal to Legislative Council to streamline administration workflows and reduce regulatory burden, etc</td>
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<tr>
<td>2022</td>
<td>• Target completion date of system design and development</td>
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Thank you