



HKRSA SEMINAR:

Taking Charge of Your Future

Although Hong Kong's Mandatory Provident Fund (MPF) is almost 20 years old, the city's largest public retirement savings plan falls short in several areas, particularly with regards to adequacy, efficiency, and decumulation options.

In a bid to find solutions to address the shortcomings, the Hong Kong Retirement Schemes Association (HKRSA) organized a seminar on May 8 that brought together stakeholders to discuss how to strengthen the plan and help members save more for their post-work lives.

In her keynote speech, Marie-Anne Kong, a Partner and Asset and Wealth Management Industry Leader at PricewaterhouseCoopers, gave an overview of the latest developments related to the MPF and the Occupational Retirement Schemes Ordinance, Hong Kong's second largest retirement system.



She said the combined assets of the two plans now top HK\$1.1 trillion (US\$141 billion), a "sizeable" sum that's equivalent to about 10% of total assets under management in Hong Kong's mutual fund industry.

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The second keynote speaker was Cheng Yang-Chee, Chief Corporate Affairs Officer and Executive Director of the Mandatory Provident Fund Schemes Authority (MPFA).

He said the MPF system measures well in some areas against international benchmarks in the World Bank’s Outcome Based Assessment Framework, which evaluates the effectiveness of global pension schemes. Those areas include coverage, sustainability and security. But he said the MPF falls short of standards in efficiency and adequacy.

In terms of efficiency, he said although fees for MPF products have dropped 28% since 2007 and the plan’s assets have since surged 237%, many members still consider the current 1.52% average fund expense ratio to be high.

As for the pension fund’s adequacy, Mr. Cheng pointed out that this April, the Hong Kong government announced tax deductible voluntary contributions and deferred annuities to encourage members to save more for retirement.

“We believe the more people know how to manage their money and MPF accounts, the better for the system...and they can exercise their consumer right by choosing suitable schemes for their benefits,” Mr. Cheng said.

Greater Awareness

The keynote speeches were followed by a panel discussion chaired by Lau Ka-Shi, an Executive Committee member of the HKRSA who is also Managing Director and Chief Executive Officer CEO of BCT Group, a HK-based MPF provider.

Jason Yu, Head of Multi-asset Product for North Asia at Schrodgers Hong Kong, who was one of the panelists, shared results of a survey by Schrodgers last year. It found that on average, respondents start saving for retirement at age 45, and they expect to retire when they are 63 years old.

They save an average of around HK\$10,000 (US\$1,282) for retirement every month, and accumulate around HK\$2 million per individual.

Given the growing demand for better retirement protection, he suggested that pension managers should diversify their product mix with a whole-life-model that covers investment needs for both the accumulation and decumulation phases.

Another panel member, Billy Wong, Acting CEO of Mercer Hong Kong, said although employers are major stakeholders in the MPF system, they are not “well represented” in terms of satisfaction because their contributions are for the benefit of employees, and not themselves. He suggested that employers should encourage employees to make voluntary contributions and explain the tax deduction advantages.



Meanwhile, Mr. Cheng, who was also on the panel, emphasized that the eMPF’s launch does not “start from scratch”. The MPFA has begun preparatory tasks such as process standardizations and developing the infrastructure to ensure that the platform can be implemented in a stage-by-stage manner, he said.

Ms. Lau wrapped up the panel by summarizing the key points raised. In a nutshell, she said pension adequacy, decumulation solutions, and the eMPF will be key areas of focus for the industry. Voluntary contributions, tax incentives, and greater financial literacy will be able to help improve the MPF’s adequacy, while product innovation and broadening the scope of its investments are key to accommodate pension needs through the various life stages.

Janet Li, Chairman of the Executive Committee of the HKRSA who is also Wealth Business Leader for Asia at Mercer, closed the seminar by thanking the speakers and inviting active participation from retirement scheme stakeholders to develop and promote better retirement outcomes for Hong Kong.



How to Prepare for the Future?

Mr. Louis Heung, Chairman of the Board of Directors of HSBC Provident Fund Trustee Hong Kong Limited (HPFT), shared his valuable insights and some future trends related to the retirement schemes industry on 8 Oct 2018. During the hour-long sharing, he spoke about different ways to engage pension scheme members as well as some key takeaways from his experience. He also gave us some personal thought about the financial crisis.

Communication is Key

Louis believes that member engagement is one of the most crucial elements when we discuss retirement scheme operations. He used to look after investments under the retirement schemes for 2 universities with around 8,000 staff each. When explaining different investment options to the pension scheme members, he believes that pension scheme managers should always find the most suitable language for the members to understand better. By going back to basic language, the pension scheme members would be more engaged to listen, and they could plan accordingly. Louis suggests that managers could try providing up-to-date information online for convenience.

Louis shares that as pension schemes are long-term investments, they are not supposed to be traded daily. He encourages pensioners to start investing as early as possible because it has been proven that the longer the stay in the game, the better the investments.

Risk is another element that investors should pay attention. Depending on individuals' risk appetite, investors should understand risk and reward trade-off by recognizing implication of a financial loss.

Another highlight was about the role and responsibilities of a Trustee board. Louis explains that the Trustee board has fiduciary duty to look after

assets for their retirees and oversees the operations of service providers. Trustee board usually comes up with a strategic direction, gives advice and provides support while the daily operation is still up to the operative executives.

The Past and The Future

Ten years after the Global Financial Crisis, Louis notices some huge changes in terms of retirement schemes, investment products, and investment style. After the crisis, there are more regulations about retirement schemes which bring more responsibilities for the trustee boards. Another big change would be the number of new investment products available for investors which make it more challenging to pick the right investment products. Asset managers have to prepare and learn about different products in order to provide the best recommendations for investors. Louis also notices a trend where Hong Kong investors are more comfortable with passive investment by investing in tracker funds as they are easier to understand.

Louis has witnessed a lot of changes in the investment community for the past 30 years. Looking forward, he believes that there will be more capital available for all market players. In the Q&A session, he expresses his opinions about the future trend. He foresees that there will be more investment choices for investors to choose from, but it might not necessarily be good for them. He thinks pension providers should see if the products fit the pensioners' need before launching them. He believes the way to prevent the next financial crisis is that people in the industry should cooperate closely with the regulators and maintain a balance between too much and too little regulations.

Note: Mr. Louis Heung was no longer the Chairman nor an Independent Non-Executive Director of HPFT since 1 July 2019.

Annual Dinner 2019



Our 2019 Annual Dinner at the Renaissance Hong Kong Harbour View Hotel on 16 May 2019 was a great success! It was with great honour to celebrate this wonderful evening with the presence of more than 200 guests.



The evening began with a Cocktail Reception with String Quartet performance as the background music. Then it commenced with Magic performances and interactive quiz. The night ended with a lucky draw.

We appreciate your support. The HKRSA will continue its mission to encourage the development of long-term policies on retirement protection in Hong Kong.



We thank you our sponsors and guests for making this event a successful one and look forward to seeing you at next year's Gala Dinner.



HKRSA Executive Committee (2019-2020)

We are pleased to inform you that the Members of the Executive Committee of the HKRSA (2019-2020) was selected at the Twenty-third Annual General Meeting (AGM) on 16 May 2019 and the office bearers of the Executive Committee were appointed at the Executive Committee meeting on 19 July 2019.

We would like to take this opportunity to express our sincere gratitude to your support over the year and we look forward to your continuous support.

Chairman



Janet Li

Immediate Past Chairman



Vanessa Wang

Vice Chairman



Doris Ho

Honorary Secretary & Legal Adviser



Cynthia Chung

Honorary Treasurer



Candy Ng

Other Committee Members



Calvin Chiu



Hayly Leung



Ka Shi Lau



Lowana Yick



Peter Wong



Tony Archer



Vincent Chow

HKRSA Sub-Committees (2019-2020)

Members of the 3 Sub-Committees of the HKRSA (2019-2020), namely Business Strategy Committee, Profile & Events Committee and Members Communication Committee, were also appointed at the Executive Committee meeting on 19 July 2019.

	Chairman	Vice Chairman	Other Committee Members	
Business Strategy Committee	Vanessa Wang	Miranda Poon	Alan Young	Bob Lee
			Candy Ng	Elaine Hwang
			Janet Li	Keith Yuen
			Lily Kwok	Nancy Chan
			Peter Wong	
Members Communication Committee	Sabrina Leung	Hayly Leung	Cynthia Chung	Doreen Siu
			Doris Ho	Janet Li
			Ka Shi Lau	Vincent Chow
Profile & Events Committee	Tony Archer	Alan Young	Alan Taylor	Byron Chim
			Calvin Chiu	Elaine Lau
			Jonathan Watkin	Ka Shi Lau
			Rosemarie Kriesel	

Upcoming HKRSA events

HKRSA Seminar – Addressing Retirement Readiness from a U.S. Perspective

Date & Time: 6 Sep 2019 (9:30am – 11:00am)

Cross Straits Pension Forum 2019 in Macau – Open Forum

Date: 24 Oct 2019

Upcoming External events

HKIB 11th Annual Banking Conference (26 September 2019)

“The New Future of Banking and Bankers – Greater Bay Area and Digitalisation”

HKIFA 13th Annual Conference (1 November 2019)

“Sustainability and the Greater Bay Area”

Members who are interested in the external events can register with the respective organisers.
More details to the above events can be found in HKRSA’s website.

Produced by the Members Communication Sub-committee