



What 2021 told us and what to look out for in 2022

2021 was a challenging year from both general economic and financial market perspective. However, during these turbulent times, we are glad to see that the MPFA continues to stay focused and has been quite clear about its goals in 2022.

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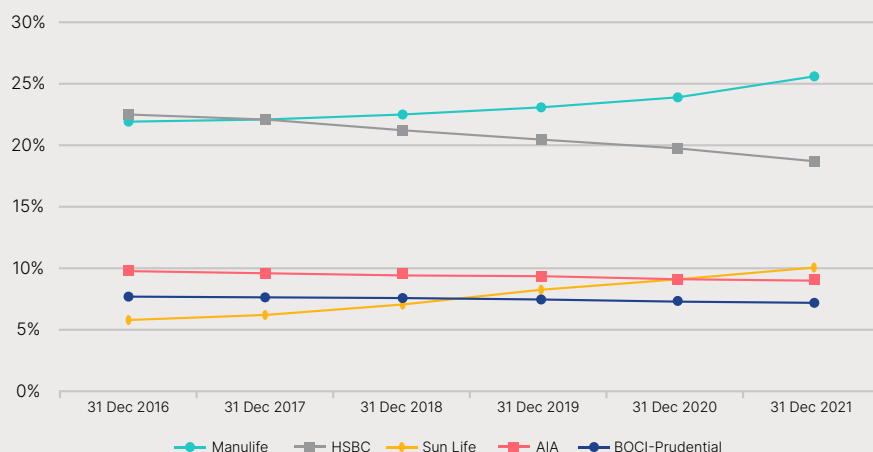
2021 overall market position

Cash inflow continued to be higher than cash outflow in 2021 which resulted in an overall growth in total asset value of 4%, to **HKD1.18 trillion** at end of 2021. However, the increase in assets for individual service providers varied widely.

There were no changes to the top 5 providers based on assets under management in 2021:

1. Manulife
2. HSBC
3. Sun Life
4. AIA
5. BOCI-Prudential

We show the growth of their market share since 2016 to the right, see next page for more information about the individual provider's market share.



2021 member preference and performance

The 3 most popular fund choice categories (based on assets under management) in 2021 were:

	Mixed Assets Funds - 81% to 100% Equity	Equity Funds - Hong Kong Equity Fund	Money Market Funds - MPF Conservative Fund
Total assets as % of total MPF assets	10.5%	9.5%	8.9%
Risk class	5 to 6	6	1
Lowest return in 2021	0.8%	-18.6%	0.0%
Average return in 2021	2.6%	-15.2%	0.01%
Highest return in 2021	4.5%	-9.1%	0.1%

What we can learn from the above:

- Members' preferences are diversified, with some investing in very aggressive funds (high equity content) and others being overly prudent, with assets invested in the MPF Conservative Funds, where returns are close to zero. **We are particularly concerned for those members who are far from retirement age investing MPF Conservative Funds where the return, whether short-term or long-term, cannot beat inflation.**
- The average 2021 return across all MPF schemes was a disappointing -0.3%, as announced by MPFA. The returns for individual funds and fund categories varied widely, especially for funds invested in equities. **This demonstrates the merits of investment diversification, and the importance of finding a good service provider offering a wide variety of fund choice.**

2021 service enhancements

Some providers actively enhanced their services to members especially in electronic services, for example, adding more features to their website and mobile apps, enhancing e-enrolment process, etc. We see a clear trend from the MPFA to service providers and employers to moving services online to help improve the employee experience, with faster and more comprehensive information.

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What 2021 told us and what to look out for in 2022 (continued)

2022 what is ahead of us?

eMPF progress

- Remains MPFA top priority in 2021
- MPFA will undertake consultations with users (employees, employers, intermediaries, providers etc.) this year
- Maintains target to transition providers to eMPF (with the intention of starting with smaller providers) by 2023, and to complete in 2025

Stay tuned for updates!

Relevant Income review

- Maximum and minimum relevant income for contribution purposes (amongst other things) are required to be reviewed every 4 years
- MPFA will initiate a study this year with stakeholder groups to propose adjustments

LSP/SP Offset

- On 11 Feb 2022, the Government published the Bill proposing the abolishment of the offsetting practice. If approved, changes are expected to take effect in 2025
- The Bill had been introduced into the Legislative Council for scrutiny on 23 Feb 2022

Market changes

Market Share as of 31 December 2021

As of 31 December 2021, the number of MPF scheme is 27, no change from a year ago.

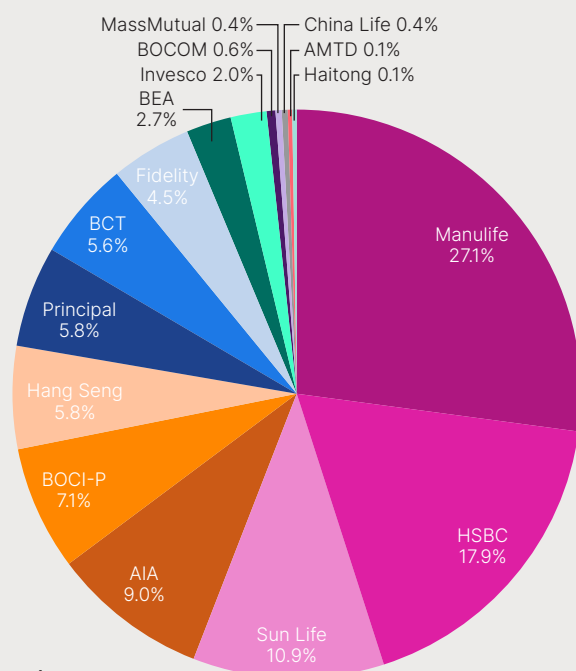
In Q3 of 2021, Manulife reached an agreement to acquire AGI's MPF and ORSO business. As a result, AGI's MPF scheme been renamed to Manulife RetireChoice (MPF) Scheme.

Investment Fund Changes in 2021

There were 411 investment funds available under 27 MPF schemes, including 6 news funds added and 3 funds removed in 2021 as follows:

The graph on the right shows the market share of MPF providers as of 31 December 2021.

Source: WTW MPF Performance Book, MPFA website



Additions

BCT (MPF) Pro Choice - BCT (Pro) U.S. Equity Fund
BCT (MPF) Pro Choice - BCT (Pro) SaveEasy 2045 Fund
BCT (MPF) Pro Choice - BCT (Pro) SaveEasy 2050 Fund
China Life MPF Master Trust Scheme - China Life Greater China Equity Fund
China Life MPF Master Trust Scheme - China Life US Equity Fund
Fidelity Retirement Master Trust - Fidelity RetireEasy Fund

Removals

AIA MPF - Prime Value Choice - Hong Kong Equity Fund
AIA MPF - Prime Value Choice - Japan Equity Fund
Manulife Global Select (MPF) Scheme - Manulife MPF 2020 Retirement

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Market changes (continued)

Changes in MPF services in 2021

There have not been many changes in the area of employer and employee services in 2021. We summarize below some changes. Do check if you are now enjoying them and, if not, you may want to provide feedback to your provider.

- Adding simplified Chinese to website
- Inclusion of daily fund price changes
- Comparison of returns for up to 5 funds
- 2-factor authentication on mobile apps
- New videos included on website, including market outlook, member enrolment, etc.
- Quarterly e-newsletters for employers and employees (including market news, MPF scheme updates, investment education corner)

Member education resources

Given the defined contribution nature of the MPF scheme, it is vital to provide sufficient member education so that employees can obtain the best value from their contributions and their employer contributions.

At WTW, we are keen to provide regular short educational articles to members on hot topics and recent events. Recent articles published by WTW is available on MPFexpress.com [\[Click Here\]](#). Visit our website to find out more.

Article	Content
Compare and select wisely amongst the different TVC promotions	When MPF members choose to enjoy the tax deduction brought by Tax Deductible Voluntary Contributions (TVCs), they should compare providers' promotional offers carefully.
How Fintech can improve MPF members' user experience	In the MPF world, significant resources have been invested in Fintech development to improve the efficiency of administration and members' user experience.
The case for annuities to supplement MPF retirement savings	The idea of integrating annuities with the MPF has led to some debate. We discuss how annuities and the MPF system can work together.
Steady income options from your MPF savings when you retire	The need to remain invested does NOT stop when you retire. We need to make sure we have enough money for our lifetime and can afford our desired lifestyle on retirement.
MPF members should continue investing after retirement	As employment-related income ceases after retirement, it is important to re-evaluate your future investment strategy and better utilise MPF as your investment vehicle.

Highlight of investment performance up to 31 December 2021

The **annualised performance** over 1-year and 5-year periods ended 31 December 2021 of each MPF fund type was as follows:

Performance ended 31 December 2021		1-year period			5-year period		
Fund category	Fund type	Highest % p.a.	Average % p.a.	Lowest % p.a.	Highest % p.a.	Average % p.a.	Lowest % p.a.
Mixed Assets funds	Equity content > 80% funds	4.5	2.6	0.8	9.9	9.2	8.3
	Equity content 60% - 80% funds	3.0	0.9	-1.5	9.3	7.7	2.9
	Equity content 40% - 60% funds	0.8	-0.8	-1.9	7.5	6.3	5.2
	Equity content 20% - 40% funds	-1.2	-2.2	-3.4	5.5	4.5	3.9
Default Investment Strategy funds	Core accumulation funds	11.6	9.9	9.1	n/a	n/a	n/a
	Age 65 Plus funds	1.9	1.0	0.6	n/a	n/a	n/a
Equity funds	Hong Kong equity funds	-9.1	-15.1	-18.6	12.5	6.8	4.5
	Hong Kong equity (Index Tracking) funds	-12.4	-13.0	-16.5	5.3	3.8	2.9
	China equity funds	-16.2	-19.3	-22.2	9.2	5.4	-0.7
	Greater China equity funds	-3.9	-7.3	-10.9	17.9	12.7	8.9
	Asian ex Japan ex HK equity funds	-2.9	-4.1	-8.0	10.2	9.3	7.6
	Asian ex Japan equity funds	1.6	-2.7	-8.9	12.3	10.4	4.2
	Pacific Basin ex Japan equity funds	6.3	0.1	-2.8	12.3	9.1	2.6
	Global equity funds	21.9	17.6	0.5	17.1	11.6	7.9
	United States equity funds	27.2	25.3	16.1	22.0	16.1	14.5
	European equity funds	27.3	16.7	4.9	14.7	7.8	4.4
	Japanese equity funds	9.6	5.6	3.1	7.1	6.2	4.9
Bond funds	Hong Kong Dollar bond funds	-0.8	-1.4	-2.0	2.7	2.3	1.6
	Asian bond funds	-0.5	-2.8	-5.7	3.5	3.0	2.5
	Global bond funds	-3.7	-5.2	-7.2	3.0	1.8	0.0
	RMB bond funds	2.8	2.2	1.5	4.2	3.3	2.7
Money Market funds	MPF conservative funds	0.5	0.1	0.0	1.3	0.5	0.1
	Hong Kong Dollar money market funds	-0.5	-0.5	-0.5	0.7	0.7	0.7
	RMB and HKD money market funds	3.3	2.6	2.2	3.5	2.7	2.2
Others	Guaranteed funds	1.0	-1.5	-3.4	4.1	1.7	0.2

Source: MPFA website / MPFexpress.com / WTW MPF Performance Book

Data as at 31 December 2021

Disclaimer: The information and data included in this table are provided for general information purposes only and do not constitute investment advice, nor should they be construed as an offer or solicitation or recommendation to invest in or deal in any scheme, fund, product, service provider or service referred to. As such, the information provided should not be relied upon for any investment or other financial decisions and no such decisions should be taken without seeking specific professional advice. Any use of or reliance on any information or materials contained herein is entirely at the reader's own risk and WTW and its affiliates accept no responsibility and will not be liable for any consequences howsoever arising from any such use or reliance. In addition, please be reminded that past performance is not an indication of future performance.