

Issue no. 49

# Time to set your New Year's resolution for your MPF

MPF  
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A balanced perspective on your MPF



### Time to set your New Year's resolution for your MPF

There is no doubt that 2022 was one of the most challenging years for the MPF in recent memory. Before we look ahead to 2023, what can we learn from the events of 2022?

### Disappointing investment returns in 2022

2022 marked a dramatic change in investor psychology. The continuing global impact of covid-19; the conflict between Ukraine and Russia; escalating worldwide inflation; rapid rate hikes by the U.S. Federal Reserve and other Central Banks; all led to high investment volatility and disappointing investment returns in 2022.

We show below several popular MPF fund types, including their average 1 year and 10 year investment returns to 31 December 2022. With the exception of the MPF conservative funds, the other 3 fund types all showed double digit negative average returns over the 1 year period to 31 December 2022. The situation changed when we considered a longer time horizon of 10 years where all fund types have shown a positive average investment return.

Fund Type	Equity Content	1 year investment return to 31 December 2022	10 year investment return to 31 December 2022
Hong Kong Equity Funds	> 90%	-19.0%	1.6%
Global Equity Funds	> 90%	-20.8%	5.7%
Mixed Assets Funds	40 - 60%	-17.0%	1.8%
MPF Conservative Funds	0%	0.4%	0.3%

Source:MPFA

Despite the negative performance in 2022, let's not forget that saving for retirement is a long-term phenomenon. Further, while it is expected that there will be short-term fluctuations from time to time, we should all be mindful of our own investment horizon when selecting the MPF funds in which to invest. Over the long term, younger people who are far away from retirement may reasonably look forward to higher expected returns available from equities, while others closer to retirement may wish to consider less risky assets to ensure there is less volatility in their retirement savings as they approach retirement. Keeping calm and not overreacting to daily market movements are an essential part of retirement savings strategy.

### New funds continue to be launched by MPF providers

While 2022 has been relatively quiet in terms of the introduction of new MPF funds, a few MPF providers have launched funds with a specific focus on post-retirement protection. Looking ahead, we expect MPF providers to proactively introduce new fund options to enhance the diversity of their existing fund range.

### Improving member information

Another important MPF development during 2022 was the launch of the Key Scheme Information Document (KSID) with effect from 30 June 2022. The KSID provides key information relating to an MPF scheme in a simplified and standardized format prescribed by the MPFA (*under the revised Code on Disclosure for MPF Investment Funds issued by the MPFA in December 2021*).





### **Abolishing MPF/ORSO offsetting for Severance Payment (SP) / Long Service Payment (LSP) to be implemented in 2025**

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 was passed by the Legislative Council on 9 June 2022, with implementation expected in 2025. Only employer voluntary contributions made to an MPF scheme (or the equivalent amount in an ORSO scheme) can be used to offset the employer's SP/LSP obligations in respect of service after the transition date.

Based on the latest proposals, the Government is expected to provide a subsidy over 25 years to reduce employers' SP/LSP obligations. In addition, it is expected that a Designated Savings Account (DSA) will have to be set up into which employers will need to make contributions to meet their future SP/LSP obligations. Whilst some of the details have not yet been finalised, we believe it is the right time to start considering the financial and operational implications of the proposed changes to allow sufficient time to plan accordingly.

### **The eMPF platform - onboarding starting from 2024**

Another key MPF development is the introduction of the eMPF platform. All MPF providers and their schemes will be onboarded into the eMPF in phases starting from early 2024. It is expected that all providers / schemes will be on the new platform by 2025.

The eMPF platform is expected to bring major changes in the flow of administration processes and will improve administration efficiency. From member enrolment, submission of remittance statements, contribution payments to member terminations, all of these will be centralized in one standardized eMPF platform, regardless of the MPF provider(s) used.

With the eMPF platform, employers will no longer need to adapt to the new format and administration procedures when they change MPF provider. In other words, employers will have greater flexibility to introduce more MPF providers for their employees to choose from. Similarly, employees will also benefit in the areas of member enrolment, fund switching, asset transfers and withdrawal.

The MPFA will provide both technical and communication support to both employers and employees. Employers may now sign up to the MPFA's website to receive technical specifications in relation to the Application Programming Interface (API) and remittance statement file formatting for internal system enhancement and preparation.

### **Looking ahead**

As the market anticipates inflation to stabilize and interest rates to peak in 2023, the investment performance of many MPF funds has been relatively positive in recent weeks. As companies turn their focus to growth, we anticipate an increase in the need to attract and retain critical talent. With that in mind, companies may wish to consider the following ideas for 2023 relating to the MPF:

- Review and monitor the existing MPF provider in terms of fund choices, investment returns, fees and services in order to achieve a better overall offering for employees. Where suitable, add a provider to enhance choice and to suit different needs and preferences;
- Review whether the design of your retirement scheme(s) and your LSP offsetting policy should be changed or updated in light of the upcoming abolishment of MPF / ORSO offsetting; and
- Focus on employee communication and building engagement to help employees manage and plan their retirement savings. Retirement benefits are one of the more significant benefits within the employment package and are often one of the higher cost items.

We hope that the year of rabbit brings continued growth and development to the MPF market in HK. Companies should take this opportunity to connect with their employees, provide informative updates and help them maximize their savings in the MPF for a satisfying and well earned retirement.

# Other MPF resources

## 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 are available on MPFexpress [\[Click Here\]](#). Visit our website to find out more.

Article	Content
What happened to MPF in 2022?	First impressions of the MPF's performance in 2022 might reasonably be of continued market volatility and poor investment performance. Let us provide a brief recap of 2022 and look forward to the development of the MPF in 2023.
Can I take my MPF benefits if I retire early?	Most members are aware that you need to be age 65 before you can start to withdraw your retirement savings from the MPF system. However, some companies have a retirement age which is earlier than 65, and other companies may allow employees to retire early. In such cases, can the employee withdraw their MPF benefits before age 65?
e-Enrolment in MPF - Convenient and Efficient	With advanced technology, members are used to handling day-to-day routines through electronic means. In recent years, MPF providers have also launched electronic services to actively improve members' user experience and enhance operational efficiency.
The Remarkable Report Card of the MPF Default Investment Strategy (DIS)	As at June 30, 2022, the total assets invested in the two component funds making up the default investment strategy amounted to approximately HK\$78 billion, accounting for 7.4% of all MPF assets. Of this amount, about a quarter of the account holders are invested in the default investment strategy itself.
Do you have enough retirement savings?	The overwhelming conclusion of the survey is that, in the context of employee benefits, people want more help in the area of retirement, especially those over the age of 40 or those with a monthly income of over HK\$16,000.

## MPF market share

Do you know how your MPF sponsor ranks in terms of the market share within the entire MPF market? This information is available on MPFexpress [\[Click Here\]](#). This section provides the latest MPF market distribution information and helps you understand the relative MPF asset sizes of different sponsors in the MPF market.

# Highlight of investment performance up to 31 December 2022

The annualised performance over 1-year and 5-year periods ended 31 December 2022 of each MPF fund type was as follows:

Performance ended 31 December 2022		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	-14.9	-18.6	-23.5	0.7	-0.3	-1.3
	Equity content 60% - 80% Funds	-13.5	-17.1	-21.4	0.8	-0.5	-3.9
	Equity content 40% - 60% Funds	-15.5	-17.0	-19.3	0.1	-0.9	-1.7
	Equity content 20% - 40% Funds	-14.0	-15.8	-18.2	-0.6	-1.4	-2.0
Default Investment Strategy Funds	Core Accumulation Funds	-14.5	-16.2	-21.3	3.1	2.5	1.9
	Age 65 Plus Funds	-13.2	-14.6	-15.4	0.7	0.2	-0.3
Equity Funds	Hong Kong Equity Funds	-14.2	-19.0	-24.5	0.2	-4.3	-6.7
	Hong Kong Equity (Index Tracking) Funds	-13.0	-13.5	-16.4	-4.4	-5.6	-6.1
	China Equity Funds	-16.5	-21.4	-27.1	-4.4	-6.1	-8.7
	Greater China Equity Funds	-21.5	-25.9	-29.0	1.9	-0.7	-4.0
	Asian ex Japan ex HK Equity Funds	-21.2	-21.7	-22.0	-1.1	-1.5	-1.8
	Asian ex Japan Equity Funds	-20.9	-22.8	-24.9	0.0	-2.0	-6.5
	Pacific Basin ex Japan Equity Funds	-16.5	-19.7	-25.4	2.3	-1.8	-7.4
	Global Equity Funds	-17.3	-20.8	-28.3	4.6	2.4	-2.6
	United States Equity Funds	-17.7	-22.9	-37.0	7.6	6.2	3.1
	European Equity Funds	-11.2	-15.2	-31.1	3.3	0.4	-1.7
	Japanese Equity Funds	-11.3	-12.8	-14.1	0.3	-0.6	-1.6
	Bond Funds	Hong Kong Dollar Bond Funds	-9.0	-9.4	-10.3	0.1	-0.3
Asian Bond Funds		-8.6	-10.6	-11.9	-0.3	-0.7	-1.2
Global Bond Funds		-13.0	-15.8	-19.6	-1.3	-2.5	-4.0
RMB Bond		-4.4	-5.8	-7.7	1.6	0.8	0.5
Money Market Funds	MPF Conservative Funds	1.4	0.4	0.1	1.4	0.6	0.1
	Hong Kong Dollar Money Market Funds	-0.8	-1.0	-1.2	0.4	0.4	0.4
	RMB and HKD Money Market Funds	-2.8	-3.9	-4.4	1.4	0.6	0.1
Others	Guaranteed Funds	1.0	-7.4	-16.2	1.0	-0.7	-2.8

Source: Based on unit price information downloaded from MPFA website

As of 31 December 2022

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.

## About WTW

At WTW (NASDAQ: WTW), we provide data-driven, insight-led solutions in the areas of people, risk and capital. Leveraging the global view and local expertise of our colleagues serving 140 countries and markets, we help you sharpen your strategy, enhance organisational resilience, motivate your workforce and maximise performance. Working shoulder to shoulder with you, we uncover opportunities for sustainable success - and provide perspective that moves you. Learn more at [wtwco.com](https://www.wtwco.com).



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The WTW logo, consisting of the lowercase letters 'wtw' in a bold, purple, sans-serif font.