

To: LegCo Panel on Financial Affairs  
Date: 30 June 2008  
From: Ka Shi Lau, Chairman  
Hong Kong Retirement Schemes Association (“HKRSA”)

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**Subject: The views of Increasing Employees’ Control over MPF Investment**

(1) Brief Introduction of HKRSA

香港退休計劃協會於1996年成立。主要目的是為保障退休計劃及其成員的最佳利益。協會的使命包括向業界人士推廣最佳守則、提升會員對退休保障及有關財務課題的認識、以及推廣退休保障的專業教育和培訓。

(2) Views of HKRSA on Increasing Employees’ Control over MPF Investment

1. HKRSA supports the current proposal of the Government/MPFA. The proposal, which would allow employees to choose schemes and funds that fulfill their investment objectives as well as retirement needs, is in line with HKRSA’s belief in employee choice. Also, as employees are expected to take a more active interest in managing their MPF accounts, their awareness of retirement protection would be enhanced by the proposal. This, too, is in line with HKRSA’s mission of promoting such awareness.
2. HKRSA is of the views that promoting the understanding of the MPF system and promulgating the importance of making informed investment decisions between MPF funds are vital to add value to scheme member’s retirement protection. As such, before the implementation of the proposal, adequate communication and investment education campaign are required.
3. We note that there are over 300 constituent funds under 37 master trust schemes and industry schemes approved by the MPFA. Many of them have different investment policies and objectives. We therefore would expect that the MPFA would publish an official set of educational materials to assist employees in making investment decisions i.e. how to choose & evaluate MPF schemes and funds. Those materials should:
  - (i) Be written in layman terms;
  - (ii) Educate members that conservative/low-risk funds (such as capital preservative funds and market funds) are not an appropriate choice for long-term investment as the biggest

risk for members in retirement planning is inflation risk and these funds usually could not beat inflation over the long run;

- (iii) Encourage employees to regard or treat MPF as one of the means towards better retirement planning; and
4. According to the estimation of the MPFA, the proposal will result in around 60% of MPF benefits being portable between registered schemes. Given the fact that employees are not all sophisticated, the Government/MPFA is asked to re-consider limiting the number of transfers to once per annum, especially in the initial years. MPF investment is a key retirement planning tool, therefore frequent switches between funds and between schemes are not advisable - as this might result in losses (e.g. exposure to market risks) to members if done inappropriately.
  5. To deepen employees' understanding of the MPF investment and, in particular, the risks and opportunities associated with different MPF funds, we would suggest that the MPFA to consider conducting public workshops in 18 Districts throughout HK.
  6. HKRSA would continue to provide the necessary assistance to the Administration/MPFA and co-operate with other stakeholders with a view to enhancing retirement protection for all relevant employees.