

**Bills Committee on
Mandatory Provident Fund Schemes (Amendment) Bill 2015**

**List of follow-up actions arising from the discussion
at the meeting on 11 January 2016**

The Administration was requested to provide the following information:

- (a) written response to the deputations' written submissions received and views expressed at the meeting;
- (b) further elaboration on the rationale for –
 - (i) adopting the "opt-out" approach in respect of the Default Investment Strategy ("DIS") for the accrued benefits of members to whom proposed Division 2 of Part 4AA would apply; and
 - (ii) the use of two constituent funds ("CFs") (i.e. the Core Accumulation Fund and Age 65 Plus Fund) and the de-risking investment principle under the DIS;
- (c) the fund expense ratio (after taking into account the discount on fees and charges offered to scheme members) of the existing Mandatory Provident Fund CFs which were classified as mixed assets funds;
- (d) regarding the proposed section 34DC(3), an itemized list of the fees and expenses other than the management fees permitted to be charged to the Core Accumulation Fund and Age 65 Plus Fund of the DIS, and whether such fees and expenses were recurrent or one-off in nature;
- (e) elaboration on the interpretation of the fees and expenses permitted to be charged under the proposed section 34DC(3)(b), including the approximate amount of such fees and expenses currently charged by the trustees to the existing mixed assets funds, and to address members' concern on the possibility of the trustees circumventing the fee control by alternating fee charging practices;
- (f) elaboration on the operation of the transitional transfers of the accrued benefits in pre-existing accounts of scheme members to whom proposed Division 2 of Part 4AA would apply, to and invested in the DIS after commencement of the Bill;

- (g) the estimated number of existing default scheme members whose accrued benefits would not be transferred to and invested in the DIS under the proposed section 34DB(2) (i.e. the member had reached 60 years of age before the commencement of the Bill), and the estimated amount of accrued benefits involved;
- (h) elaboration on the mechanism for reviewing and amending Schedule 10 (in respect of investment principles) and Schedule 11 (the percentage for calculation of the cap on the payment for services relating to the DIS) to the Bill;
- (i) elaboration on the interpretation of "underlying investment fund" and "underlying investment fund fee" as set out in the proposed section 34DC(5); and
- (j) whether the Administration would consider introducing a performance-based mechanism for charging of management fees by the trustees (e.g. suspension of fees in case of negative investment returns, or when such returns were not keeping up with inflation) of the Core Accumulation Fund and Age 65 Plus Fund of the DIS.

Council Business Division 1
Legislative Council Secretariat
13 January 2016