INFORMATION NOTE

Default pension arrangements in the United Kingdom and Australia

1. Introduction

1.1 The level of management fees charged by various Mandatory Provident Fund ("MPF") schemes has aroused public concerns in recent years.[1] In December 2011, the Mandatory Provident Fund Schemes Authority ("MPFA") commissioned a consultancy firm to conduct a cost study of the trustee and scheme administration costs of MPF system. MPFA published the consultancy study at the end of November 2012, and proposed four MPF reform directions featuring (a) capping the fees of MPF funds; (b) mandating the provision of low-fee funds in MPF schemes; (c) providing a type of basic, low-fee, default fund arrangement; and (d) introducing a non-profit operator to run a simple and low-fee MPF scheme.

1.2 On 1 November 2013, the management board of MPFA endorsed the direction of enhancing regulation of default funds of MPF schemes[2] to become the "core" and "easy choice" solution for scheme members. MPFA is of the view that such "core funds" will be able to simplify scheme members' investment decision making. With the "core funds" in place, those scheme members who do not make an investment choice will have their contributions automatically invested in a strategy that has been designed as the best-fit average long-term investment solution. On 24 June 2014, MPFA released a consultation document on the introduction of a "core fund" in Hong Kong and launched a three-month consultation to run until 30 September 2014.

[1] According to the consultancy report published by the Ernst & Young Global Limited in 2012, the average fund expense ratio in Hong Kong was 1.74%. This was higher than the corresponding figures in the following four places with similar retirement schemes in place: Mexico (1.32%), Australia (1.21%), the United States (0.83%) and Chile (0.6%).

[2] At present, employees who have not chosen any funds will have their contributions invested in the default funds of the relevant MPF schemes. The type of default funds of each MPF scheme varies. As a result, the investment outcome of the default arrangements may also be very different.

1.3 Australia and the United Kingdom ("UK") have recently introduced low-cost default pension product/scheme to complement their existing pension products/schemes. In Australia, trustees of superannuation fund[3] are required to set up a simple, low-cost default superannuation product, MySuper, to replace existing default funds. In the UK, the government has established a low-charge pension scheme, the National Employment Savings Trust ("NEST"), to help employers provide workplace pension[4] coverage for their employees. The purpose of this information note is to study the NEST scheme in the UK and the MySuper products in Australia, with special reference to their fee structure, management, portability and employee/employer contributions. The salient features of NEST and MySuper are compared in the **Appendix**.

2. National Employment Savings Trust in the United Kingdom

2.1 In 2002, the then Labour government set up the Pension Commission with the remit of reviewing the UK pension system. The Commission issued two reports during 2004-2005 and a final statement in April 2006. According to the Pension Commission, the UK risked a pension crisis with people living longer into retirement. Yet the State Pension was inadequate to support an ageing population and not enough workers were contributing to private pension schemes. As such, the Pension Commission proposed a number of recommendations to help more people save for retirement, which included the auto enrolment of employees into workplace pension schemes and the creation of a low-charge national pension saving scheme.

2.2 In response to the Pension Commission's recommendations, the UK government enacted the *Pensions Act 2008* to phase in a series of workplace pension reforms from October 2012, with the objective of helping employees save more for their retirement so that they would not have to rely solely on State Pension. In particular, the *Act* requires employers to automatically enrol eligible employees in a qualifying pension scheme and, unless the employees opt out, make minimum contribution to that scheme.

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3 In 1992, Australia introduced the Superannuation Guarantee as a workplace pension to provide higher incomes in retirement for employees. Superannuation is the amount deducted regularly from employees' income to be paid into the Superannuation Guarantee schemes.

4 A workplace pension – sometimes known as a company pension or a works pension – is a way of saving money for retirement that is arranged by the pensioner's employer.

2.3 NEST is one of the qualifying pension schemes whereby eligible employees without current workplace pension can be automatically enrolled into this national pension saving scheme. Auto-enrolment would reduce the need for marketing and advertising to attract members and ensure economies of scale in the scheme, thereby significantly reducing costs. In so doing, NEST provides those without access to a workplace saving scheme the opportunity to save in a scheme with low management costs previously only available to those in large occupational pension schemes. As at March 2014, NEST enrolled over 900 000 members working for more than 3 000 employers.

2.4 Unlike other pension schemes, NEST has a public service obligation to accept any employer who wants to use it to fulfil his or her auto-enrollment duty for qualifying employees. Yet the target groups which NEST aims to serve are the ones that commercial providers have found difficult to serve profitably, including low to moderate earners, smaller employers, and employers with a high labour market churn. In addition, NEST is designed to work alongside existing pension schemes. In particular, it should not lead employers to abandon their existing good quality schemes or affect the existing market of providers, much of which have been providing pensions for employers and individuals outside of NEST's target market. To ensure that NEST focuses on its target groups and avoid undermining the existing pensions market, the UK government has placed a cap on annual contributions to NEST and restricted transfers between NEST and other pension schemes.

Governing body

2.5 NEST Corporation is the trustee body responsible for running the NEST scheme on a not-for-profit basis. It was set up under the *Pensions Act 2008* as a non-departmental public body that operates at arm's length from the government and is accountable to Parliament through the Department for Work and Pensions ("DWP"). NEST Corporation comprises a Chair and up to 14 trustee members, who are appointed by the Secretary of State for the Department for Work and Pensions to set up and manage the NEST scheme.

2.6 NEST Corporation is funded by loans and grants from DWP as well as deductions from members' accounts.[5] In 2012-2013, the net expenditure after interest was £61 million (HK$739.9 million) while the contribution charges collected from scheme members were only £61,000 (HK$739,930). The shortfall was funded by means of loans from DWP, which will subsequently be repayable from the deductions made from the contribution charges payable by scheme members.

Coverage under automatic enrolment

2.7 Under the *Pension Act 2008*, employers are required to automatically enrol their employees into, and contribute to, a qualifying workplace pension saving scheme such as NEST. Employees covered are those who:

(a) are not already in a workplace pension scheme;

(b) are at least 22 years old but under State Pension age[6]; and

(c) earn more than a minimum earnings threshold (£10,000 or HK$121,300 in 2014-2015).

2.8 The date employers start automatically enrolling their employees into NEST in general depends on the size of their company and is being rolled out between October 2012 and February 2018 ("staging date") (see **Table 1**).

Table 1 – Auto-enrolment date

Staging date	Companies
October 2012-February 2014	Large employers (250 or more employees)
April 2014-April 2015	Medium employers (50-249 employees)
June 2015-April 2017	Small employers (49 employees or less)
May 2017-February 2018	New employers (established after April 2012)

Source: Department for Work and Pension.

[5] See paragraph 2.14 for members' contribution charges.
[6] The State Pension age ranges from 60 to 68 depending on the year the individual was born.

Government tax relief

2.9 The UK government provides tax relief to those enrolled in the NEST scheme. To be eligible, an employee (a) must be under age 75; (b) has relevant UK earnings chargeable to income tax for the tax year; (c) is a resident in the UK at some time during the tax year; and (d) was a resident in the UK at some time during the preceding five tax years and when joining the pension scheme.

2.10 Under the tax relief scheme, an employee can claim back the income tax from his or her after-tax contributions made to NEST. A basic-rate taxpayer (who pays 20% income tax) automatically receive 20% tax relief on the contributions made to NEST. This means for every £80 (HK$970) he or she pays into his or her NEST scheme, the government automatically adds £20 (HK$243) to his or her NEST retirement account.

2.11 The maximum amount of contributions on which an employee can claim tax relief is the higher of (a) the basic amount (currently set at £3,600 (HK$43,668) per year); or (b) the amount of the employee's UK earnings for the tax year. This provision aims to incentivize pension savings by employees, including those who have no relevant UK earnings to be qualified for tax relief on contributions into a government-registered pension scheme (including NEST) up to the basic amount.

Contribution

2.12 Auto-enrolment requires a minimum total level of contribution to be made to NEST as a percentage of the employees' qualifying earnings.[7] The minimum total contribution comprises (a) a minimum employer contribution; and (b) contributions from the employee and the government (through tax relief) if the employer only pays the minimum contribution. As shown in **Table 2**, the levels of minimum total contribution are being introduced gradually.[8] It started at a lower rate of 2% in October 2012 and will rise to 8% by October 2018.

7 Qualified earnings is a band of gross annual earnings used to calculate the minimum contribution to workplace pension schemes, including salary, wages, commission, bonuses, overtime, statutory sick pay and statutory maternity, paternity and adoption pay. For the 2014-2015 tax year, it covers a band between £5,772 (HK$70,014) and £41,865 (HK$507,822).

8 At present, the minimum total level of contribution is 2% of the employee's qualifying earnings. If the employer only contributes 1%, the rest will be made up by the employee's contribution (0.8%) and tax relief from the government (0.2%).

Table 2 – Minimum contribution rates

Period	Minimum total contribution (as a percentage of the employee's qualifying earnings)
October 2012 – September 2017	2%, of which the employer must pay 1%.
October 2017 – September 2018	5%, of which the employer must pay 3%.
October 2018 onwards	8%, of which the employer must pay 5%.

Source: National Employment Savings Trust.

2.13 The government has set an annual contribution limit on the amount paid into the NEST retirement accounts and this limit is adjusted annually to reflect the average earnings in the UK. For the 2014-2015 tax year, the limit is set at £4,600 (HK$55,798). Any amount contributed over the limit will be refunded, or put in the scheme member's account against the annual contribution limit of the ensuing year.

Fees

2.14 The NEST scheme has a low-charging structure made up of an annual management charge ("AMC") and a charge on contribution:

(a) an AMC of 0.3% charged on the total value of a member's fund each year; and

(b) a contribution charge of around 1.8% on each new contribution into NEST.

2.15 The 0.3% AMC together with the 1.8% contribution charge average out at approximately an AMC of 0.5%, which is the rate currently only available to higher earners or members of large workplace pension schemes. The imposition of contribution charge on NEST members is to repay the government loans borrowed for funding the start-up costs of establishing NEST. Once the start-up costs have been recovered, the government will consider dropping the contribution charge.

Management of NEST contributions

2.16 The NEST scheme offers a variety of investment funds to its members. When employees join NEST, their money will be invested in a NEST Retirement Date Fund based on their State Pension age. For example, an employee due to start collecting his or her State Pension in 2040 will be invested in the NEST 2040 Retirement Date Fund. Employees can change their retirement date at any time they like and their retirement fund will be switched to a new fund.

2.17 The Retirement Date Funds invest in three phases, i.e. the Foundation, Growth and Consolidation phases, with clear objectives for each one based on how far a member is from his or her retirement date. The Foundation phase (approximately five years) refers to the early years of a member's working life when a savings habit is being built. The objective for this phase is to preserve the value of contributions in real terms to encourage members to save. The Growth phase (approximately 30 years) is where the maximum growth in assets is being targeted through asset classes which are expected to grow in value relative to inflation quicker than other investments. The Consolidation phase (approximately 10 years) prepares a member's assets for retirement. The primary objective of this phase is to reduce exposure to volatile return seeking assts and invest in a way that best matches members' retirement income plans.

2.18 For members who have preferences about how to manage their retirement funds, NEST offers other funds such as the Ethical Fund, Sharia Fund, Higher Risk Fund, Lower Growth Fund and Pre-Retirement Fund. Each fund has a unique investment portfolio catering to members' needs.[9]

Portability

2.19 NEST retirement accounts are fully portable with the objective of creating one large system of portable accounts to reduce ongoing costs primarily for account maintenance, as well as turnover costs for maintaining a chain of legacy accounts and setting up new ones. If an employee decides to change job, the new employer can contribute to same portfolio that the employee maintains at NEST. In addition, more than one employer can contribute to an employee's NEST retirement account at the same time, making it suitable for those with more than one current employment.

[9] The Ethical Fund invests in companies that meet its ethical criteria, whereas the Sharia Fund adopts an investment approach based on Islamic law. The Higher Risk Fund seeks high returns by investing in assets with high volatility. For the Lower Growth Fund, it aims to preserve the nominal value of capital invested by allocating fund in low-risk money market instruments. The Pre-Retirement Fund provides a savings vehicle for members close to retirement by investing in liquid assets.

Latest development

2.20 In 2011, the Pensions Select Committee of the UK Parliament conducted an inquiry into automatic enrolment in workplace pensions and NEST. According to the report published in March 2012, the cap on annual contribution to NEST and the prohibitions on transfer between NEST and other pension schemes have unintended consequences on two fronts. The annual contribution limit results in severe complexity for businesses, as employers with higher paid employees cannot use NEST as their single pension scheme. The ban on individuals transferring existing pension savings into NEST is disruptive both for individuals who would like to consolidate separate pension savings into their NEST scheme, as well as for employers who would like to operate a single occupational pension scheme.[10]

2.21 Against the above, the government has announced that restriction on individual transfers in and out of NEST will be lifted to coincide with the start of the "pot-follows-member" regime[11], possibly in 2016. Moreover, the contribution cap and the prohibition of bulk transfers[12] of existing schemes are to be removed in 2017.

3. MySuper in Australia

3.1 Superannuation is a vital part of the Australian economy. It is the largest source of long-term savings in Australia and the second most significant source of wealth for many Australians after the family home. To ensure the superannuation system operating in members' best interest, the Australian government commissioned the Super System Review in May 2009 to examine measures to remove unnecessary costs and better safeguard the retirement savings of Australians.

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10 See UK Parliament (2012).

11 Under the "pot-follows-member" regime, employees who have built up retirement funds by saving into workplace pension schemes will have these savings automatically move with them when they change jobs. Currently, when an employee moves to a new employer, their retirement savings will not follow him or her unless he or she makes arrangements for a transfer.

12 A bulk transfer is where an employer transfers members' accounts from one trust-based scheme to another without the consent of each individual member.

3.2 The Super System Review was led by Jeremy Cooper, a former Deputy Chairman of the Australian Securities and Investments Commission. The Cooper Review was released in July 2010. A key recommendation of the Review was to establish a low-cost default superannuation product – MySuper – to replace existing default superannuation funds. At that time, about 12 million Australians held a superannuation account and approximately 80% of them had their superannuation contributions paid into default superannuation funds.

3.3 In response to the Cooper Review, the Australian government tabled *the Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011* on 3 November 2011 to establish the framework for the introduction of MySuper to replace existing default superannuation funds. The *Bill* was passed on 28 November 2012 and superannuation contributions must be paid to a MySuper product from 1 January 2014 if the employee has not made an investment choice for those contributions.

3.4 According to the Australian government[13], the intention of MySuper is for trustees of superannuation funds to create a range of easily comparable and simple products, which will in turn promote the product competition on net costs and returns. The Treasury estimates that MySuper would reduce the total fees paid by its scheme members by around AUS$550 million (HK$4,125 million) per year, rising to around AUS$1.7 billion (HK$12.8 billion) per year over the longer term, thereby leaving members with higher retirement balances. For an average member, MySuper and SuperStream[14] proposals would, in the long run, bring a 40% fee cut that would lift his or her final superannuation balance by around AUS$40,000 (HK$300,000) or 7% after 37 years in the workforce.

[13] See Australian Government (2010).

[14] SuperStream is a package of reform measures to enhance the "back office" of superannuation so as to create a simplified administration process for processing everyday superannuation transactions.

Governing authorities

3.5 The regulation of superannuation funds, including the newly-developed MySuper products, is shared among three regulators. They are the Australian Prudential Regulation Authority, the Australian Taxation Office and the Australian Securities and Investments Commission. The Australian Prudential Regulation Authority is responsible for the prudential regulation[15] of all regulated superannuation funds, except for the oversight of self-managed superannuation funds by the Australian Taxation Office. The Australian Prudential Regulation Authority also licenses superannuation trustees and may impose penalties on those trustees who breach their responsibilities. Meanwhile, the Australian Securities and Investments Commission is tasked with overseeing the superannuation schemes and ensuring that trustees of registered superannuation funds comply with their obligations regarding the provision of information to fund members.

Features of MySuper products

3.6 Starting from 1 January 2014, only government-registered MySuper products can receive default superannuation contributions from employers.[16] By 1 July 2017, trustees of superannuation funds offering MySuper products are required to transfer the existing balances of their default members to a MySuper product. The arrangement is to ensure the vast majority of default members obtain the full benefits of MySuper while allowing the industry to prepare for and manage the transition.

[15] Prudential regulation involves the imposition of prescriptive rules or standards requiring financial institutions to control risks and hold adequate capital and liquidity.

[16] This means that from 1 January 2014 an employee's superannuation savings may end up in two different superannuation funds. This duplication occurs as the existing superannuation savings remain in the employee's default superannuation fund while new superannuation contributions are paid into a MySuper product from 1 January 2014.

3.7 A MySuper product must comply with a regulated set of features, including (a) a single, diversified investment option; (b) a minimum level of insurance coverage[17]; (c) an easily comparable fee structure with a list of allowable fee types; and (d) rules governing fund governance and transparency. To comply with the above requirements, superannuation fund trustees are obliged to publish a product dashboard listing key information for each MySuper product, thereby allowing members to easily make comparison and informed choices. The information so provided include (a) the return target; (b) the returns for previous financial years; (c) a comparison between the return target and the returns for previous financial years; (d) the level of investment risk; and (e) a statement of fees and other costs.[18] The product dashboard must be publicly available at all times on the fund's website. Any change to the dashboard is required to be updated within 14 days of change, or 28 days if the change is related to fees and costs for the current financial year.

Coverage

3.8 MySuper is one of the superannuation products offered under the Australian Superannuation Guarantee scheme, a mandatory workplace pension scheme covering not only full-time employees but also part-time employees and fixed-term workers. The self-employed are not required to contribute to a superannuation scheme. However, they can contribute to a superannuation fund voluntarily as a form of retirement savings and claim tax deductions for their contributions.

Employer contributions

3.9 Employers are required to contribute at least 9.25% of an eligible employee's earnings to a government-registered superannuation fund, up to a maximum of AUS$49,430 (HK$370,725) a quarter. To increase the self-provision for retirement as well as enhancing the fiscal sustainability of the public pension, the government plans to increase the minimum Superannuation Guarantee contribution rate from 9.25% to 12% over a ten-year period from 2013 to 2022 (see **Table 3**).

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[17] Types of insurance currently offered with superannuation products include life, total and permanent disability, income protection and trauma insurance.

[18] The statement generally only shows the total amount of fees/costs incurred by an average scheme member in a financial year.

Table 3 – Minimum Superannuation Guarantee contribution by employers

Year commencing	Contribution rate
1 July 2013	9.25%
1 July 2014	9.5%
1 July 2015	9.5%
1 July 2016	9.5%
1 July 2017	9.5%
1 July 2018	10%
1 July 2019	10.5%
1 July 2020	11%
1 July 2021	11.5%
1 July 2022	12%

Source: Australian Taxation Office.

3.10 Under the Superannuation Guarantee scheme, employees who are over the age of 18 and earn at least AUS$450 (HK$3,375) per month are entitled to compulsory employer contribution to their superannuation accounts. An employee aged under 18 is only eligible for the employer superannuation contributions if he or she works more than 30 hours a week, and earns at least AUS$450 (HK$3,375) per month.

3.11 To provide incentive for mature employees to remain in the workforce, the government has recently removed the upper age limit of the Superannuation Guarantee scheme which was previously set at 70 years of age. Starting from 1 July 2013 onwards, employers are also required to make Superannuation Guarantee contributions for eligible employees aged 70 or above.

3.12 Employees can boost their superannuation savings by adding their own contributions on top of the compulsory employer contributions. Likewise, an employer can make payments above the compulsory Superannuation Guarantee contribution as:

(a) a reward for an employee's performance;

(b) a type of co-payment, where the employer's contribution increases in line with the employee's voluntary contribution; or

(c) a salary sacrifice where the employer makes a contribution that would otherwise be paid as salary.

Government co-contribution

3.13 To assist eligible individuals build up their personal savings for the future, the Australian government has put in place the Super Co-contribution scheme as a financial incentive. For an eligible employee who makes voluntary superannuation contribution from after-tax pay, the government will match his or her contribution with the Super Co-contribution either partially, or in full, subject to the following income thresholds:

(a) if the employee earns the lower income threshold (which is set at AUS$34,488 (HK$258,660) for 2014-2015) or less per year, the government will match 50% of his or her superannuation contribution, up to a maximum of AUS$500 (HK$3,750);

(b) if the employee's annual income exceeds the lower income threshold, the maximum Super Co-contribution will be reduced by 3.333 cents (HK$0.25) for each dollar of income over the lower income threshold, up to the higher income threshold (which is set at AUS$49,488 (HK$371,160) for 2014-2015); and

(c) if the employee earns more than the higher income threshold, he or she is not eligible for the Super Co-contribution.

Fees

3.14 To lower the fees charged for MySuper products, the government has imposed restrictions on unnecessary and excessive fees, such as banning commission in relation to retail investment products and limiting the types of fees a trustee can charge for MySuper products. The trustee, or the trustees, of a regulated superannuation fund that offers a MySuper product may charge one or more of the following fees: (a) administration fee; (b) investment fee; (c) buy and sell spreads; (d) switching fee; (e) exit fee; (f) activity fee; (g) insurance fee and (h) advice fee. [19,20] Trustees of superannuation fund are obliged to disclose the above fees in a product disclosure statement, with the objective of improving product transparency to the clients by allowing them to easily compare various MySuper products among trustees.

Management of MySuper contribution

3.15 MySuper is offered by many superannuation funds. At present, the Australian Prudential Regulation Authority classifies Australia's superannuation funds into five main market segments, namely (a) corporate funds; (b) industry funds; (c) public sector funds; (d) retail funds and (e) small funds. Among these five market segments, it was estimated that MySuper accounted for a significant percentage of the corporate funds segment (80%), industry funds segment (78%) and public sector funds (66%). **Table 4** shows the estimated MySuper assets by market segment as at June 2013.

[19] See *Superannuation Industry (Supervision) Act 1993.*

[20] Buy and sell spreads, switching fees and exit fees are charged on a cost-recovery basis.

Table 4 – Estimated MySuper assets by market segment as at June 2013

Market segment	Market value (AUS$ million) as at June 2013	Percentage of MySuper assets within the market segment
Corporate funds	67,804	80%
Industry funds	329,678	78%
Public sector funds	245,576	66%
Retail funds	465,503	22%
Small funds	507,200	0%
Total superannuation market	**1,615,761**	**36%**

Source: Association of Superannuation Funds of Australia (2014).

<u>Portability</u>

3.16 Superannuation funds, including MySuper, are fully portable. An employee can choose not only the superannuation fund to invest, but also the trustee to manage his or her fund by rolling over the money to that trustee[21] In other words, an employee can roll over the accumulated balance in his or her existing superannuation fund to a new superannuation fund when he or she changes job.

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[21] Based on the telephone reply from the Australian Prudential Regulation Authority on 29 April 2014.

Appendix

Salient features of National Employment Savings Trust ("NEST") and MySuper

	The United Kingdom	Australia
Management of retirement scheme	• NEST is a national retirement scheme managed by a public body.	• MySuper products are managed by superannuation fund trustees in the private sector.
Governing authority	• The Department for Work and Pensions.	• The Australian Prudential Regulation Authority, the Australian Taxation Office, and the Australian Securities and Investments Commission.
Details of scheme		
Date of Implementation	• 1 October 2012.	• 1 January 2014.
Full participation date	• February 2018.	• 1 July 2017.
Default fund	• If a member does not choose a fund, his or her contributions will be invested in one of the NEST Retirement Date Funds that matches the year he or she will be eligible to take the State Pension.	• If a member does not choose a fund, his or her contribution will be default to a MySuper product.
Coverage	• Targeting at employees and employers whom commercial providers have found difficult to serve profitably, including low to moderate earners, small employers, and employers with high labour market churn.	• All employers and employees.

Appendix (cont'd)

Salient features of National Employment Savings Trust ("NEST") and MySuper

<table>
<tr><th></th><th>The United Kingdom</th><th>Australia</th></tr>
<tr><td colspan="3">Details of scheme (cont'd)</td></tr>
<tr><td>Scheme enrolment</td><td>• An employee is automatically enrolled in NEST if he or she:
(a) is at least 22 years of age but under State Pension age;
(b) earns more than £10,000 (HK$121,300) per year in 2014-2015; and
(c) is not already in a qualifying pension scheme with the existing employer.</td><td>• All full-time, part-time and fixed-term employees can join the Superannuation Guarantee scheme under which MySuper products are offered.</td></tr>
<tr><td>Fee</td><td>• NEST has an average annual charge of 0.5% comprising:
(a) 0.3% annual management charge; and
(b) 1.8% contribution charge on each new contribution into NEST.
• Once the set-up costs of establishing NEST have been recovered, the contribution charge is expected to be removed.</td><td>• There is no fee cap imposed on MySuper, but the government has imposed restrictions on charging unnecessary and excessive costs and limited the types of fees which a member can be charged.</td></tr>
<tr><td>Portability</td><td colspan="2">• Both NEST and MySuper are fully portable when an employee changes job.</td></tr>
<tr><td>Opt-out for employees</td><td>• An employee can opt out from NEST.</td><td>• An employee can opt out from MySuper and join other superannuation funds offered by the trustee.</td></tr>
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Appendix (cont'd)

Salient features of National Employment Savings Trust ("NEST") and MySuper

	The United Kingdom	Australia
Contribution		
Minimum total contribution	• Yes, comprising (a) a minimum employer contribution; and (b) contributions from the employee and the government (through tax relief) if the employer only pays the minimum contribution. • Minimum total contribution phases in between a period of six years: (a) October 2012 to September 2017 – 2%; (b) October 2017 to September 2018 – 5%; and (c) October 2018 onwards – 8%.	• Nil.
Minimum employer contribution	• Yes, according to the following schedule based on the employee's qualifying earnings: (a) October 2012 to September 2017 – not less than 1%; (b) October 2017 to September 2018 – not less than 3%; and (c) October 2018 onwards – not less than 5%.	• Yes, not less than 9.25% in 2013-2014, and will gradually increase to 12% by 2022.
Minimum employee contribution	• Required if the employer only pays the minimum contribution.	• No, but the employee can make voluntary contributions on top of the compulsory employer contributions.

Appendix (cont'd)

Salient features of National Employment Savings Trust ("NEST") and MySuper

	The United Kingdom	Australia
Contribution (cont'd)		
Eligibility requirements for receiving employer contribution	• If an employee is automatically enrolled in NEST, he or she is eligible to receive employer's contribution to his or her NEST account.	• To be eligible for employer contribution, an employee must : (a) be aged over 18 and earn at least AUS$450 (HK$3,375) per month; or (b) be under 18, work more than 30 hours a week and earn at least AUS$450 (HK$3,375) per month.
Government contribution	• For an eligible employee, the government contributes a tax relief of 20% to the employee's contribution.	• Low and middle-income employees benefit from a co-contribution scheme under which the government matches their superannuation contributions up to a maximum amount.
Contribution limit	• Yes, up to £4,600 (HK$55,798) for the 2014-2015 tax year. The limit is to be reviewed annually by the government. • Any amount over the limit will be refunded or put in the member's account against the annual contribution limit of the ensuing year.	• There is no limit on superannuation contributions. But contributions over the government-set contribution cap will result in additional tax borne by the employee concerned.

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