

**For discussion on  
18 December 2018**

**Legislative Council  
Panel on Financial Affairs**

**Funding requirements for  
a centralized electronic platform for the  
administration of Mandatory Provident Fund registered schemes  
and related expenses**

**PURPOSE**

The decentralized administration of Mandatory Provident Fund (MPF) registered schemes, a number of cumbersome administration processes, the proliferation of MPF accounts and a high volume of paper-based transactions have contributed to the high administration cost of the MPF System. This paper briefs Members on our proposal to set up a centralized electronic platform (Centralized Platform) to facilitate standardization, streamlining and automation of MPF scheme administration processes to maximize operational efficiency so as to create room for fee reduction, and to create a predominantly paperless MPF experience.

**PROPOSAL**

2. The Government proposes to commit a public funding of \$3,367.15 million for the development of the Centralized Platform to handle MPF scheme administration processes and related expenses.

## **Background and Justifications**

3. The MPF System is a privately managed retirement protection system which was first developed 20 years ago based on individual service providers' capabilities to set up their own scheme administration platforms. Under the statutory framework constituted by the Mandatory Provident Fund Schemes Ordinance (MPFSO) (Cap. 485), MPF schemes are administered by individual trustees approved by the Mandatory Provident Fund Schemes Authority (MPFA). As such, administration of MPF schemes has been operating under a decentralized landscape. At present, there are about 4.3 million scheme members and over 9.6 million accounts in 30 MPF schemes administered by 14 trustees either internally or through third-party administrators (currently, there are 12 scheme administration platforms) (see **Annex A**), with around 30 million MPF administration transactions per year and up to 100,000 paper-based transactions on a daily basis.

4. The multiple business models, data standards, process designs and administration system infrastructure make it difficult to achieve standardization and economies of scale. In addition, scheme members with multiple accounts under different schemes have to manage their MPF accounts with different trustees separately and the awkward user experience may impact on their motivation to actively manage and consolidate their MPF accounts. Neither is it conducive to initiatives to increase scheme members' autonomy in choosing MPF schemes and funds, e.g. Full Portability<sup>1</sup>. For employers and human resources (HR) practitioners, they may have to adapt to a new set of MPF administration procedures when the employers change their MPF trustees.

5. According to a consultancy study on the administrative costs of the MPF System commissioned by the MPFA in 2012, two of the main causes of high administration costs were –

- (a) high percentage of manual and paper-based administration

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<sup>1</sup> Full Portability means scheme members have the option of switching both the accrued benefits of their contributions and their employer's contributions from a scheme to another.

processing (65% of the 30 million administration transactions processed in the System were paper-based or executed via paper-based cheques); and

- (b) lower industry co-operation to resolve industry-wide issues collectively and efficiently, limiting the ability to spread infrastructure costs across the System.

6. Two of the recommended industry-wide cost savings measures are (i) transition to end-to-end online and electronic payments and data processing to reduce costs and streamline processing; and (ii) consolidation of MPF schemes, investment funds, trustees and administration platforms. In 2014, the MPFA formulated a conceptual model to centralize certain MPF scheme administration functions as well as to standardize, streamline and automate processes. With the policy support of the Financial Services and the Treasury Bureau (FSTB), the MPFA engaged a consultant in 2015 to conduct a technical feasibility study and a high level financial cost and benefit analysis on the conceptual model. The 2015 study confirmed the feasibility of the conceptual model and, after further deliberation between the Government and the MPFA, a comprehensive solution that centralizes data as well as most scheme administration processes was found to be able to deliver the greatest cost savings and user satisfaction. The conceptual model envisaged a range of administration processes for supporting registration, enrolment, contribution, transfer of benefits, benefits withdrawal and record keeping and maintenance, to be conducted electronically via a centralized platform.

7. In 2016, the MPFA commissioned a further supplemental study on the comprehensive solution to explore issues regarding the ownership of the Centralized Platform, mechanism for distribution of financial benefits to scheme members and impact on key stakeholders. The study re-affirmed the feasibility of the Centralized Platform regardless of the ownership arrangement. It also pointed out that -

- (a) only a non-profit model can ensure that the benefits derived are fully passed on to scheme members;

- (b) stakeholders' concern about data privacy can be alleviated if the Centralized Platform is under a public arrangement; and
- (c) government funding for the implementation of the Centralized Platform without recovering it from the MPF System will maximize the benefits passed on to scheme members.

8. The Government has accepted the recommendation of the MPFA and agreed to provide funding, subject to the approval of the Legislative Council (LegCo), to design and build the Centralized Platform as a public utility. The recurrent costs of the day-to-day operation of the Centralized Platform will be recovered from trustees as service charge for using the Centralized Platform on a non-profit-making basis. There are views that even the recurrent operational costs should not be recovered from trustees so as to maximize possible transfer of benefits to scheme members in terms of fee reduction. However, the Government considers that doing so is tantamount to asking taxpayers to subsidize trustees' commercial operation.

9. Under the direction of the Financial Secretary, a Working Group on eMPF co-chaired by the FSTB and MPFA was set up on 2 June 2017 to steer the development of the Centralized Platform. Members of the Working Group comprise representatives of the Office of Government Chief Information Officer (OGCIO) and the existing 14 active trustees. With the support of trustees, the Working Group has completed a set of high level Technical Specifications covering 18 major areas of the MPF scheme administration process (see **Annex B**) which enables the Government and the MPFA to estimate the costs for designing and building the Centralized Platform. The high level Technical Specifications will also be the basis for developing the tender documents for inviting bids for designing and building the Centralized Platform.

## **ANTICIPATED BENEFITS**

10. Although the Centralized Platform is a piece of infrastructure to

facilitate standardization, streamlining and automation of MPF scheme administration processes, the implementation of a centralized electronic platform is more of a change management process involving all the stakeholders of the MPF System than an information technology (IT) project. In addition to potential fee reduction as a result of operational efficiency, the transition also provides an opportunity for the MPFA and trustees to critically review the existing statutory requirements relating to scheme administration in order to streamline and reduce the regulatory burden on trustees and corresponding regulatory activities. Key anticipated benefits are set out below –

- (a) Enhanced user experience – for scheme members, examples of such enhanced user experience include easier viewing of MPF accounts across different schemes, tracing of contributions, checking balances, more convenient fund switching and more convenient application for benefits withdrawal. We envisage that the system will reduce the time required for processing instructions and support more real-time functions. The system can incorporate the Government’s Electronic Identity<sup>2</sup> (eID) as an option to provide a simple, convenient and secure means for member registration and logging in online services. With a more user-friendly and yet secure online environment, the Centralized Platform may encourage scheme members to manage their MPF accounts more actively and effectively. For employers and HR management practitioners, online transactions, standardized administrative procedures and automation can reduce paper work, human errors, as well as inadvertent delayed or default contributions. Employers and HR practitioners also do not need to learn new MPF administration procedures if they change MPF trustees. In general, there should be reduction in the time, efforts, and cost involved in managing MPF transactions by employers.

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<sup>2</sup> eID is one of the digital infrastructures for smart city development in Hong Kong to provide local residents with a single digital identity and authentication method to conduct government and commercial online transactions and to sign documents digitally. It will be provided free for all Hong Kong residents starting from mid-2020.

- (b) Reduction of regulatory work and compliance burden – the transition to the Centralized Platform provides an opportunity for trustees to rationalize workflow. While trustees will continue to serve as the scheme trustees and remain accountable for their fiduciary duties towards scheme members, their administrative burden and the associated compliance burden should be reduced significantly after the streamlining, automation and centralization of administration processes by the Centralized Platform. Correspondingly, there should also be a reduction in the MPFA’s regulatory work in this respect. Having said that, the MPFA would have to manage new operational risks arising from operation of the Centralized Platform.
- (c) System-wide benefits – the Centralized Platform provides much potential for improving reliability, accuracy and operational efficiency of MPF scheme administration. It also allows economies of scale in system upgrading and maintenance. Leveraging on the trustworthy identity verification offered by eID, we envisage that the member registration can be streamlined. All these will help create room for fee reduction. However, the magnitude of reduction in administration costs will not be realized in the inception years due to expenditure by trustees in system adjustments for interfacing and inter-operability. It would take time for the Centralized Platform to stabilize given the extent of streamlining of processes and data standardization. Also, the actual cost savings will depend on the extent of digital take-up by the public and the length of the transition process because we envisage that there may be an interim duplication of certain scheme administration processes between the Centralized Platform and trustees during the transition phase.
- (d) Member benefits – the Employee Choice Arrangement launched in 2012 brought about a change to the employer-based MPF System by giving employees the right to transfer the MPF benefits derived from their own contributions to a trustee and scheme of their own choice. The Centralized Platform will also

pave the way for Full Portability in future.

- (e) Adaptability and scalability for further improvements – the present decentralized environment makes system-wide improvements to accommodate new measures to enhance functionalities and operational efficiency difficult as there could be incompatibility among different systems. With one administration platform as well as standardized administration process and data design, the infrastructure is more adaptable to system-wide changes for improvements and introduction of new functions such as Full Portability. We will also attach importance to the scalability of online transaction processing and database management system in designing the infrastructure to ensure that it has the capability to handle growth in transactions brought by new functions in future.

## **FEATURES OF THE CENTRALIZED PLATFORM**

11. The Centralized Platform is a common electronic platform to assist all trustees in the discharge of their scheme administration duties by streamlining, standardizing and automating scheme administration through the provision of (1) automated processing capability with one set of common standards which enable data and payment instructions to be routed to trustees from the Centralized Platform for further processing; (2) an user interface connecting the Centralized Platform with MPF trustees that would enable access by employers and members (employees and self-employed persons); and (3) a database containing necessary data to support its operation. As system efficiency should be a guiding principle, there should be minimal duplication of data storage between the eMPF platform and individual trustees as far as possible. This would help reduce the likelihood of data inconsistency. Employers can also utilize the user interface to make MPF contributions for their employees. Each trustee's MPF scheme administration system is connected to the Centralized Platform, the data and instructions from employees and employers can then be channeled to the trustees and the trustees will also provide updated

information and data to the Centralized Platform to enable it to facilitate trustees in scheme administration. A more detailed description of the anticipated functions and an illustration of the proposed infrastructure are at **Annex C**.

### **Cost and benefit analysis**

12. The estimated development cost of the Centralized Platform is \$3,367.15 million. This does not include the costs related to trustees such as the costs for changes to IT systems and processes, as well as the cost for data cleansing, etc.

13. According to the MPFA's consultant, assuming the digital take-up rate will increase to 90% in 5 years, the cumulative quantifiable future financial savings that could be derived was estimated to be in the region of \$22.5 billion to \$ 23.6 billion spread over 20 years. Any financial savings materialized will create room for fee reduction.

14. The above cost and benefit analysis is of indicative reference value only. We will need to update the analysis at a later stage. Also, the benefits in terms of cost savings will depend on the revised business processes under the Centralized Platform.

### **THE MPFA TO OWN AND OPERATE THE PLATFORM**

15. The Government has evaluated four options of institutional arrangements for owning and operating the Centralized Platform, namely, a privately-owned model, setting up a dedicated statutory body, forming a government-owned company, and tasking the MPFA to own and operate the Centralized Platform. The Government considers that tasking the MPFA for the project is the optimal option after taking into account the following considerations –

- (a) securing public trust and confidence in centralized scheme administration in terms of data protection and achieving maximum



efficiency and a non-profit-making operation;

- (b) ensuring an optimal timeframe for establishing the institutional set-up;
- (c) ensuring a lean institutional structure and cost efficiency;
- (d) ensuring a clear chain of command as well as better alignment of objectives and priorities between the MPFA and the operator of the Centralized Platform;
- (e) ensuring smoother collaboration among the MPFA, operator of the Centralized Platform and MPF trustees in the streamlining, standardization and automation of MPF scheme administration; and
- (f) maximizing operational flexibility.

16. As the Centralized Platform is a publicly-funded utility, the Government will work with the MPFA to set out the guiding principles for owning and operating the Centralized Platform with the ultimate objectives of maximizing operational efficiency in scheme administration and reducing regulatory burden. The Government plans to sign a “Grant Agreement” with the MPFA to ensure that the project would be delivered in accordance with the policy objectives and guiding principles. The MPFA will be responsible for designing, building and operating the Centralized Platform. Through public tendering, the MPFA will commission contractor(s) to design and build the IT infrastructure of the Centralized Platform including the online portals for employers and employees and interfacing with the IT systems of existing trustees. The MPFA will be the legal owner of the IT infrastructure and relevant intellectual property rights. It will work out an agreement with trustees on data management including issues such as the ownership and sharing of data to enable efficient and effective centralized handling of scheme administration processes to save costs and reduce regulatory burden on the

one hand, and enable trustees to exercise their fiduciary duty in servicing their respective scheme members on the other.

17. Since operating the Centralized Platform will require operational knowhow and experience in scheme administration, the MPFA may have to procure resources as necessary via different channels, e.g. by contracting out certain operation of the Centralized Platform through competitive processes though, in parallel, there will be a team of core MPFA staff for acquisition of the know-how for operating the Centralized Platform from the service provider who will be contractually required to execute the knowledge transfer within a reasonable period of time. During the progress of knowledge transfer, we will continue to engage trustees through the Working Group on eMPF as appropriate. We will further consult the trustees on whether it is optimal to combine the contract for the IT infrastructure with the service contract for operating the Centralized Platform.

18. We envisage that the MPFA will set up a committee to take up the preparatory work initially before setting up a company eventually as the legal entity to own and operate the Centralized Platform (with the necessary legislative amendments to empower the MPFA to set up the company). The FSTB and the OGCIIO will continue to participate in the whole process of developing the Centralized Platform to provide policy steer and technical input as and when necessary through the Working Group on eMPF.

19. We need to emphasize that the entity owning and operating the Centralized Platform is not a regulatee of the MPFA. Neither is the entity competing with the trustees. The entity will operate the Centralized Platform to facilitate central handling of scheme administration processes to help provide an effective solution for enhancing scheme members' satisfaction and the cost-effectiveness of the MPF system.

## CHALLENGES

20. We will not underestimate the complexities and difficulties in taking this project forward. Some of the key challenges identified are –

- (a) Legislative overhaul – as explained in paragraph 19 above, the legal entity owning and operating the Centralized Platform is neither a trustee nor a regulatee of the MPFA. The transition represents a process of centralization of scheme administration processes for overall system operational efficiency. The statutory responsibilities of the trustees will be correspondingly reduced to the extent of the reduced scheme administration processes subsumed under the Centralized Platform after the transition, although trustees still owe their fiduciary duties to scheme members. This means that the Government, the MPFA, and trustees need to carry out a comprehensive overhaul of the MPFSO to identify necessary legislative amendments to streamline scheme administration workflows by reducing administrative burden, re-align regulatory responsibilities and support the establishment and operation of the Centralized Platform. The legislative exercise will be crucial as the Centralized Platform cannot commence operation before the legislative framework is in place. As such, the Government and the MPFA have already started the preliminary legal analysis and will engage trustees in the legislative review exercise very soon. The Government considers that the guiding principle in pursuing the necessary legislative changes is to find the optimal arrangements to maximize operational efficiency.
  
- (b) Risk management – the concentration risk of a centralized administrative platform is apparent. This means we need thorough risk analysis, robust testing and trial runs before commencement of operation as well as reliable system resilience, back-up, recovery and contingency arrangements, not to mention the significance of cybersecurity measures to protect data privacy and minimize the chance of data breach, security

incidents and system unavailability. Another area of significant risk is data standardization and cleansing to facilitate inter-exchangeability and data migration. We are not starting with a clean slate of building a new system but have to manage the migration, standardization and cleansing of data to facilitate the inter-operability of the existing administrative systems of 14 trustees and the Centralized Platform. How to ensure that customer service rendered by trustees will not be disrupted while managing the data exchange or migration, standardization and cleansing process will require detailed planning and collaboration. The Government believes that recognition of the huge risks involved should not be an excuse for not pursuing the standardization process but should serve as a reminder of exercising utmost care and diligence in risk management and cyber-security protection.

- (c) Master Data Management (MDM) and Data Governance – in computing, MDM aims to remove duplicates, standardize data, incorporate rules to eliminate incorrect data from entering the system in order to create and maintain an authoritative, reliable, sustainable, accurate and secure source of master data. Currently, there are more than 9.6 million MPF accounts in 30 schemes administered by 14 active trustees. Formulating a strategy for effective MDM in an environment involving existing IT systems of 14 trustees and the Centralized Platform could be more challenging, if not equally challenging, than data exchange or migration, standardization and cleansing during the transition. The process of MDM could be a very time-consuming process in the case of the MPF system and could be a major cause for delaying the launch of the Centralized Platform. In computing, Data Governance generally refers to the process of maintaining data quality, integrity and security. Here, we are referring to the issues of ownership, usage, distribution and sharing of data between the Centralized Platform and trustees. At present, the existing 14 active trustees own the database of their respective scheme members. When the Centralized Platform is put in place,

we need to define clearly the circumstances under which data may be used, amended or erased. There should be legislative provisions and detailed rules on the circumstances and manner trustees may use the data of a scheme member to which they may gain access through the Centralized Platform. We do not envisage insurmountable problems in working out the protocol of data ownership, usage, distribution and sharing as well as the safeguards for personal data privacy in compliance with the Personal Data (Privacy) Ordinance (Cap. 486) although it can be a time-consuming process because parties concerned need to analyze different MPF transaction scenarios in finalizing the protocol. The Privacy Commissioner for Personal Data will be consulted at an appropriate juncture.

- (d) Digital take-up by users – no matter how robust and efficient the Centralized Platform is, its benefits to all stakeholders will not be realized, or optimized, if employers and scheme members are reluctant or slow in transitioning from paper-based transactions to electronic transactions. Although employers and scheme members welcome the implementation of electronic centralized administration of MPF schemes for improved user experience, the existing usage rate of electronic services by employers is discouraging. The relatively low usage rate by employers (especially, those micro, small and medium enterprises that constitute more than 98% of business units in Hong Kong) may give rise to the potential issue, under the Centralized Platform, of a continued high volume of manual and paper-based administration process (similar to the current situation encountered by trustees and administrators), which would not help reduce costs. Promoting digital take-up by users is a process of inducing behavioural change that goes beyond the scope of project management for developing the Centralized Platform. The Government considers that such promotion should be done as early as possible before the Centralized Platform is in place. As such, a dedicated task force to promote digital take-up has been formed under the Working Group on

eMPF. The agreed strategy is to enhance collaborative publicity and incentives for managing MPF transactions electronically in the first place. A situational report on digital take-up is at **Annex D**. Subject to further consultation with stakeholders including LegCo Members, the Government considers that if the digital take-up rate remains discouraging after step-up publicity and incentive programme, charging employers and schemes members for paper-based transactions could be the last resort.

## **IMPLEMENTATION PLAN**

### **Development Roadmap and Target**

21. Subject to Members' support and funding approval from LegCo, we have set an initial target to have the Centralized Platform ready by 2022 for data migration and transition from the existing systems operated by trustees or their administrators. The proposed high-level development roadmap is as follows –

<b>Milestones</b>	<b>Target Commencement Date</b>	<b>Target Completion Date</b>
i. Request for proposals	Q1 2019	Q2 2019
ii. Tendering exercise	Q2 2019	End 2019
iii. Tender award	Q1 2020	-
iv. System design and development of the Centralized Platform by phases <sup>3</sup>	Mid 2020	2022

<sup>3</sup> Under the current conceptual design, the Centralized Platform consists of different systems including a central database, an instruction gateway, an user interface, connectivity with trustees and security infrastructure, etc. The exact development schedule of the Centralized Platform can only be determined after the tender is awarded.

Milestones	Target Commencement Date	Target Completion Date
v. Review and redesign of business processes under the Centralized Platform	Mid 2020	End 2021
vi. Submission of legislative proposal to LegCo	2021	2022
vii. Data cleansing and standardization, implementation of business process reengineering in preparation for transition to the Centralized Platform	2022	-
viii. Data migration and phased commencement of the Centralized Platform	after 2022	-
ix. Measures to encourage digital take-up by employers and scheme members	Ongoing	-

It should be noted that the above timeframe is based on the Technical Specifications worked out with trustees. The Technical Specifications will be subject to changes depending on the final technology solution chosen for the project.

## FINANCIAL IMPLICATIONS

### Non-recurrent expenditure

22. Based on the Technical Specifications, the Government and the MPFA have worked out a cost estimate for implementing the IT infrastructure of the Centralized Platform of \$3,367.15 million (covering capital expenditure of \$1,864.52 million from 2019-20 to 2025-26 and a one-off system maintenance, communication network and related expenditure of \$1,502.63 million from 2020-21 to 2027-28). The estimated cash flow requirements are set out below –

(\$'000)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25 and beyond	Total
(a) Hardware	-	32,996	70,706	54,209	51,852	25,925	<b>235,688</b>
(b) Software	-	37,114	79,531	60,976	58,325	29,161	<b>265,107</b>
(c) Implementation Services		49,166	109,159	112,118	111,951	60,610	<b>443,004</b>
(d) Project & IT staff and Consultancy Services	36,504	67,470	98,875	103,819	146,279	228,414	<b>681,361</b>
(e) Miscellaneous and Contingency	3,823	46,735	67,308	39,545	43,252	38,696	<b>239,359</b>
(f) Maintenance, communication network and related expenditure	-	4,860	35,124	83,677	128,902	1,250,068	<b>1,502,631</b>
<b>Total</b>	40,327	238,341	460,703	454,344	540,561	1,632,874	<b>3,367,150</b>

23. The capital expenditure of implementing the IT infrastructure includes purchasing hardware and software, acquiring implementation services (e.g. system design and application



development), IT and project staff costs, building data centres, data migration and acceptance testing, etc. The one-off system maintenance expenditure covers the costs of maintenance of the IT infrastructure hardware, software, application, data centres, etc. during the initial stage of operation of the Centralized Platform. The costs do not cover the seed money for the set-up and initial years of operation of the Centralized Platform company to be formed by the MPFA.

### **Recurrent expenditure**

24. The recurrent operational costs of the Centralized Platform will be recovered from trustees as service charge on a cost recovering basis.

### **CONSULTATION**

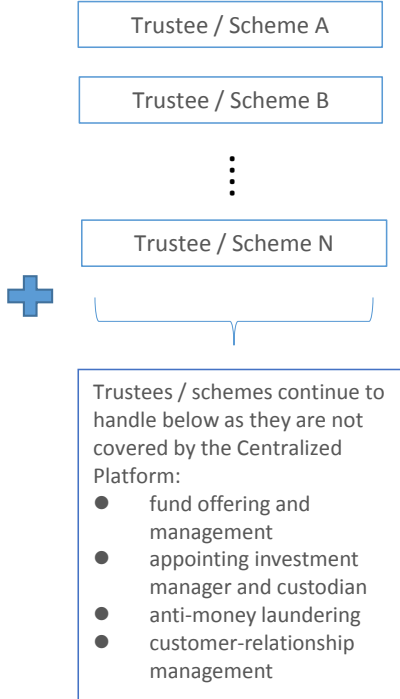
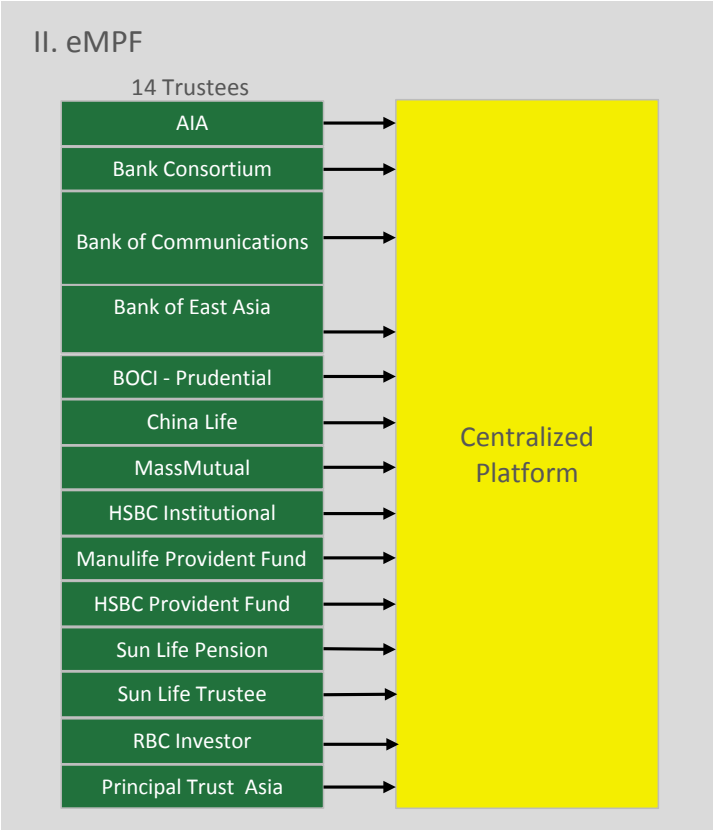
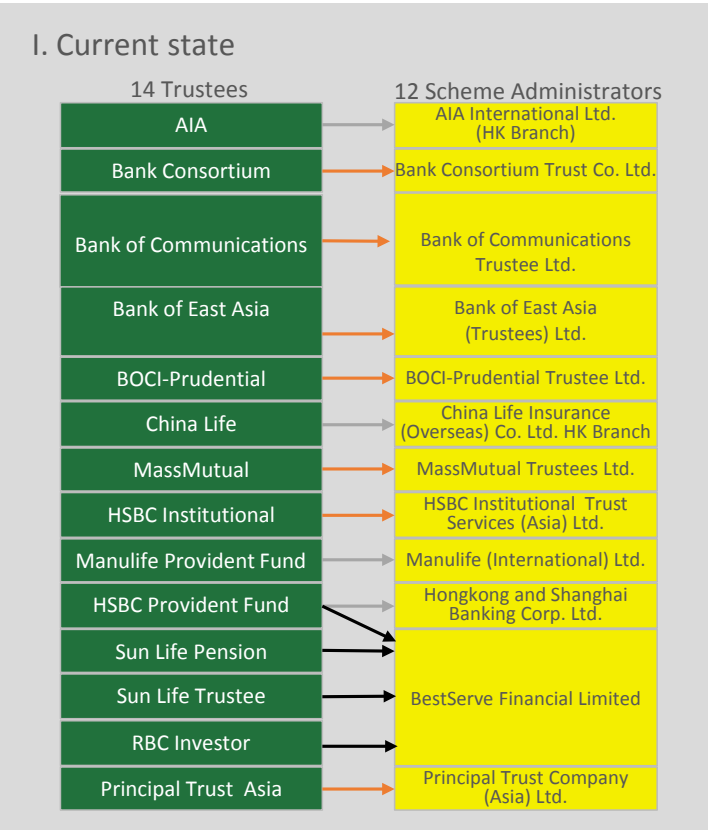
25. As the project is at the early technical intensive stage of system planning, analysis and requirements, the Government and the MPFA have been consulting the existing 14 trustees on the technical aspects so as to complete a set of Technical Specifications within a tight timeframe for cost estimation. In addition, the MPFA has set up a user committee to hear the views of employers, human resource practitioners and scheme members on their experience and expectation of handling MPF transaction by electronic means. We will conduct further target group consultation in the course of developing the Centralized Platform such that the functions will meet user expectations.

**Financial Services Branch  
Financial Services and the Treasury Bureau  
December 2018**

# Processing of Scheme Administration under the Centralized Platform

Apart from a small number of trustees who outsource to SunLife's scheme administrator (BestServe), each trustee operates MPF scheme administration services through its own scheme administrator.

Under centralized administration, all trustees would use the Centralized Platform to handle MPF scheme administration processes/tasks. This would standardise and streamline administration processes, deliver enhanced user experience for members and employers, and create cost reduction through synergies.



- In-house Administration
- Outsourced to Associated Co.
- Outsourced to 3rd Party

- Trustee
- Administrator / Centralized Platform

**Major Scheme Administration Processes**

1. Registration with the Centralized Platform;
2. Enrolment in MPF schemes;
3. Mandatory contribution;
4. Voluntary contribution;
5. Default contribution recovery;
6. Member investment relating to member account (e.g. fund switching);
7. Transfer of benefits;
8. Acceptance of other monies;
9. Payment of benefits;
10. Offsetting of Severance Payment and Long Service Payment;
11. Handling of unclaimed benefits;
12. Front end employer and member portals design;
13. Giving notices and documents;
14. Reporting to the MPFA;
15. Data maintenance and generation of Management Information System reports;
16. Connectivity between the service centre and the Centralized Platform for handling of paper based transactions and customer service;
17. Complaint handling and enquiries management system; and
18. Fee collection mechanism (may be required)

## **Functions of the Centralized Platform**

### **A. Registration**

There is central registration which issues a unique MPF ID and an MPF PIN to each employer and individual person who participates in the MPF System as an employee, self-employed person or personal account holder. The MPF ID will be used to ascertain the identity of the employer or the person in the MPF System. The registration is once in an employer's or a person's lifetime. The employer and the person will use the MPF ID and PIN to log in to the employer portal and member portal respectively to authenticate the identity in order to carry out MPF transactions in future. Authentication of identity is performed electronically and no signature is required. The registration information is kept on a central register. The central register is the key component to enable a number of functions that are performed (e.g. tracing of employees' (EEs') accounts) on the Centralized Platform.

### **B. Enrolment**

2. The central register is able to accommodate EEs' choice of MPF schemes. When an EE starts working with an employer (ER), the employment of the EE is reported to the central register and hence the trustee of the relevant MPF scheme, via the communication portal. The enrolment is complete once the new employment details have been reported to the central register and the trustee has completed the enrolment set-up. An electronic notification (e.g. SMS or email) will be sent from the central register to EE, confirming the enrolment. The EE can check his enrolment information (e.g. name of the ER, name of trustee and investment choice) and personal particulars at any time via the member portal. Notice of Participation, in paper form, will not be issued to the EE.

3. When an EE joins a scheme, the EE can log in to the member portal to specify investment fund choice or otherwise, the initial investment fund choice will be set to the default investment strategy. Trustee of the scheme has to provide the fund information to the EE via the Centralized Platform so as to allow the EE to make informed investment decisions.

## **C. Contribution**

### (i) Calculation and submission of contribution payments and related information (e.g. remittance statements (RS)) by ERs

4. ERs enter EE's MPF ID and relevant income information on the ER portal which calculates the amount of contributions required and generates payment advice. The ER portal also allows ERs to upload their electronic contribution data files that the ERs have prepared. Electronic payment gateway will be provided at the ER portal to allow ERs to pay contributions electronically by initiating a payment instruction. Once the payment has been confirmed by the ER's bank, the contribution data and payment status will be sent to the relevant trustee/scheme based on the scheme as recorded against the EE's MPF ID on the central register.

### (ii) Communication to EE

5. An electronic notification (e.g. SMS or email) will be sent to the EE upon trustee's receipt of contributions. EE can check whether the ER has made contributions correctly and on time via the member portal at any time. If contributions are not properly made, EE may report the default contribution case to MPFA directly.

## **D. Transfer of Benefits**

6. EE can log in to the member portal to request for a transfer of benefits from one MPF scheme to another where eligible to do so. After the request is made, the central register will notify the existing trustee and the new trustee of the transfer request. The existing trustee will transfer the benefits to the new trustee. An electronic notification (e.g. SMS or email) will be sent by the central register to the EE upon completion of the transfer. EE can check the transfer status and details via the member portal at any time.

## **E. Benefits Withdrawal**

### (i) Payout process

7. On satisfying the grounds for withdrawal of MPF benefits, EE

can apply to withdraw benefits via the member portal. EE will be required to nominate a self-named bank account into which the relevant trustee will direct the withdrawal amount. The trustee will make payment, whether in the form of lump sum or by instalment, to the EE's bank account electronically. An electronic notification (e.g. SMS or email) will be sent to the EE upon completion of the withdrawal. EE can check the withdrawal status and details via the member portal at any time.

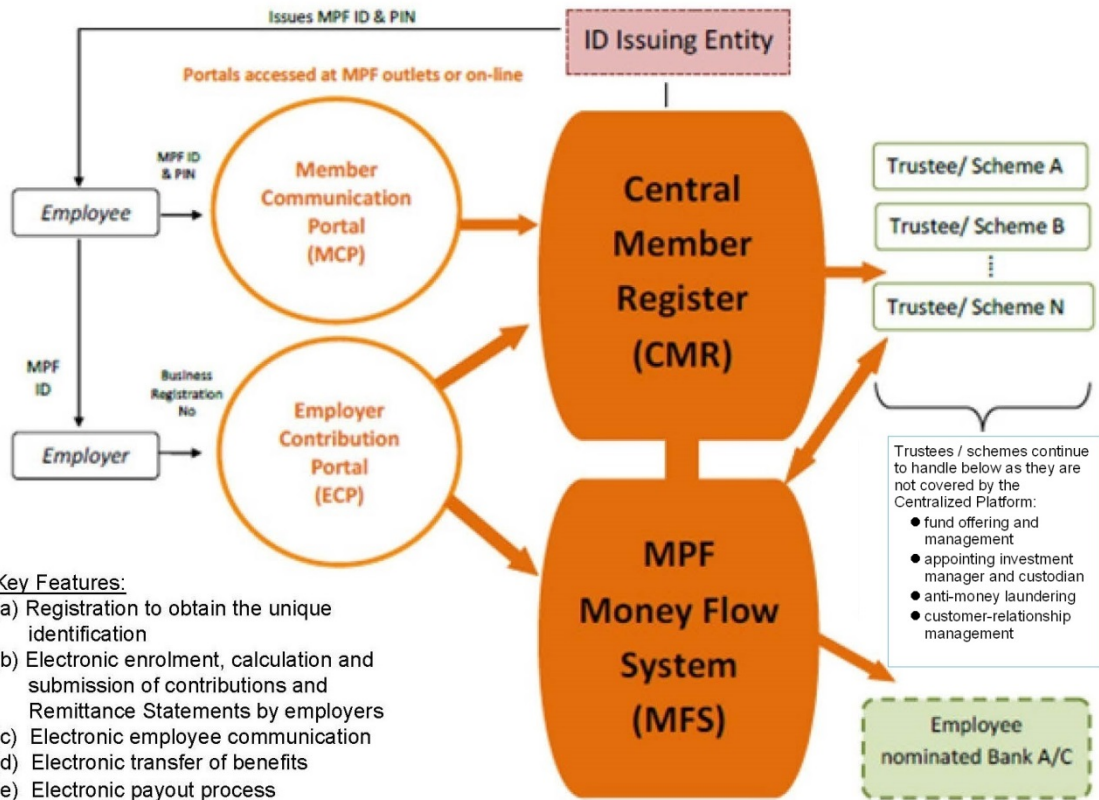
(ii) ER to make claim for offsetting

8. If the ER needs to offset Severance Payment (SP)/ Long Service Payment (LSP) paid or payable to an EE from the EE's account, the ER can apply for the claim via the ER portal. If the relevant benefits are located in multiple accounts of the EE with different trustees/schemes, the central register will decide the sequence of offsetting based on pre-defined logic, and process the request accordingly. The relevant trustees will make the payment to the ER's designated bank account

## **F. Record Keeping and Maintenance**

9. The central register maintains the records of EEs, such as MPF ID, the location of MPF accounts, funds chosen by EEs, contribution data and payment information. The EE can access information of all his MPF accounts electronically at one-stop with one single password. The EE can also update his personal particulars to the central register and hence the trustee of the scheme that the EE is a member of via the member portal.

## The Conceptual Model of the Centralized Platform



Note: The MFS is a payment gateway for transmitting payment instructions.

**Situation Report on Progress Made in Promoting Digital Take-Up by  
Mandatory Provident Fund (MPF) Participants**

**Background**

Currently, all trustees are offering digital services for MPF participants to manage their MPF-related matters. According to the information provided by trustees, there is room for wider adoption of those digital services by the MPF participants. The more MPF participants adopt electronic transactions, the higher the cost-efficiency will be brought by the Centralized Platform. To this end, behavioural change of MPF participants to adopt digital means of transactions should start now rather than when the Centralized Platform is ready. In the light of that, the Mandatory Provident Fund Schemes Authority (MPFA) and trustees were tasked by the Working Group on eMPF to stage a publicity campaign on digital take-up in order to pave way for the implementation of the Centralized Platform.

**Fact-finding and Gap Analysis**

2. The MPFA had completed a fact-finding on the current state of digital take-up and gap analysis in early 2018. Currently, all trustees provide online access for scheme members to manage their MPF-related matters (commonly viewing account balances, changing investment instructions, providing scheme information). Some trustees have developed mobile applications to facilitate members in performing those functions anywhere and anytime. Scheme members have a high tendency to use digital services. Take the change of investment instructions as an example, the usage rate of such digital service vary among trustees ranging from 70% to 90%. Based on such finding, it appears that scheme members are apt in adopting digital tools to handle their personal matters given that the functions involved are simpler.



3. Apart from individual scheme members, trustees also offer digital services for employers to manage their MPF-related matters. All trustees make available some digital tools and channels for employers to submit contributions, which include prescribed spreadsheet and online e-contribution tools. Moreover, to improve user experience of employers, the majority of trustees also make available MPF Human Resources (HR) payroll software with MPF functionality so that the employers can handle their HR matters and MPF contributions through a single software. However, the usage rate of all these digital tools by employers varies among trustees from lower than 10% at one end to around 60% at the other end with average across the industry being 20 - 30%. It is observed that in general, trustees associated with stronger MPF intermediary network and customer service team providing personalized assistance to employers yield better digital take-up result.

4. Paper-based transactions require some level of manual intervention which is a significant driver of administration costs. If employers continue to manage their MPF-related matters through paper-based means, it will slow down the pace of cost and fee reduction in MPF with such adverse consequences borne by employee members. Employers should be the main focus for driving digital take-up.

5. Based on the above statistics, there is room to drive the digital take-up rate further especially for those trustees with e-service usage rate at the lower end of the spectrum. Without sustainable promotion efforts, the digital adoption rate will plateau at some point because of behavioural inertia. To this end and based on the findings from the gap analysis, the MPFA has developed a proposed campaign to promote digital take-up. In addition, as part of the initiative to promote digital take-up and to enhance the transparency of trustees' electronic services, the MPFA had also enhanced its Trustee Service Comparative Platform (TSCP) in February 2018 to cover the electronic services offered by trustees to employers. The new TSCP was publicized on online media at the publicity campaign on MPF account management from February to July 2018.

## **Progress**

6. Under the MPFA's proposed campaign to promote digital take-up, individual trustees should come up with a work plan with specific actions and timeline to promote its digital services while the MPFA would implement communication, publicity and education programmes to augment the overall impact of trustees' promotion activities.

### *Trustees' Work on Promotion of Digital Take-up*

7. The MPFA has shared the findings from the gap analysis on digital take-up with trustees. Based on those findings, individual trustees have developed and submitted their work plans on promotion of digital take-up to the MPFA. According to the work plans, trustees have started to promote digital take-up through various means (e.g. newsletter, website, promotional flyers, etc.). In addition, trustees will continue to provide adequate support to employers and scheme members in using the digital tools offered by trustees (e.g. provide demonstration video and handy guides, strengthen trustees' hotline and equip their staff with relevant knowledge, etc.). Apart from the publicity programmes and technical support, other actions have been / will be taken by different trustees include:

- (a) To enhance their existing digital tools to support additional functions (e.g. enrolment, surcharge calculation and acceptance);
- (b) To widen the scope of digital MPF activities (e.g. develop mobile apps) to provide more flexibility to employers and scheme members in performing MPF-related matters electronically; and
- (c) To offer incentives for promoting and sustaining digital take-up, etc.

### *The MPFA's Publicity Programmes on Promotion of Digital Take-up*

8. To kick off the MPFA's publicity programmes on promotion of digital take-up, an exhibition showcasing trustees' digital services was held concurrently with the "Good MPF Employer" Award (GMEA) Presentation Ceremony 2017-18 at Hong Kong Convention & Exhibition Centre on 9 October 2018. More than 500 guests attended the ceremony. The objectives of the exhibition were to deepen employers' awareness of trustees' digital

services and to encourage the employers to use them. At the exhibition, trustees displayed their latest digital tools and online systems, and demonstrated how these tools and services helped employers manage their MPF contributions more accurately and conveniently.

9. In addition, a special session was held during the ceremony in which two GMEA awardees talked about their experience in using digital services and the benefits of doing so. The two awardees also gave a briefing to the media before the event to share their digital experience.

10. The event attracted considerable media coverage with 15 news reports immediately after the event and the following day.

11. Following the exhibition, the MPFA will continue to promote digital take-up through various means by phases, which include:

- (a) To publish articles on newspapers, magazines, the MPFA and trustees' newsletters (Q4/2018);
- (b) To produce an infographic/animated video to broadcast through channels of the MPFA, trustees and stakeholder groups (Q1/2019);
- (c) To establish dedicated webpage on the MPFA website (Q1/2019);
- (d) To issue electronic direct mailing to employers, etc. (Q1/2019);
- (e) To collaborate with associations of employers/HR practitioners for talks, seminars and contribution articles (Q1/2019); and
- (f) To promote digital take-up at SME seminars on employers' MPF obligations organized by the MPFA (Q1/2019 onwards).

## **Way Forward**

12. The trustees will continue to improve measures and launch activities to promote digital take-up while the MPFA will continue to launch publicity campaign to supplement trustees' efforts.