

Legislative Council - Panel on Financial Affairs
eMPF –
Funding requirements for
a centralized electronic platform for the
administration of Mandatory Provident Fund registered schemes
and related expenses



18 December 2018

Summary of proposal

- Public funding for the development of the Centralized Platform to facilitate standardization, streamlining and automation of MPF scheme administration processes. To maximize operational efficiency, reduce overall administration cost so as to create room for fee reduction
- A change management process. Project timespan of 9 years (from 2019/20 to 2027/28). **Average expenditure of about \$0.37 billion per year.** Target to complete building the secured and reliable Centralized Platform by 2022 and start data migration thereafter
- Includes a one-off capital expenditure and recurrent expenditure for the first 8 years (including expenses for hardware, software, network connection, data centres, stringent testing and measures to protect data security, and related IT staff costs)
- **Estimated savings is over \$1.1 billion on average per year** for 20 years. Other savings not included

Background and justifications

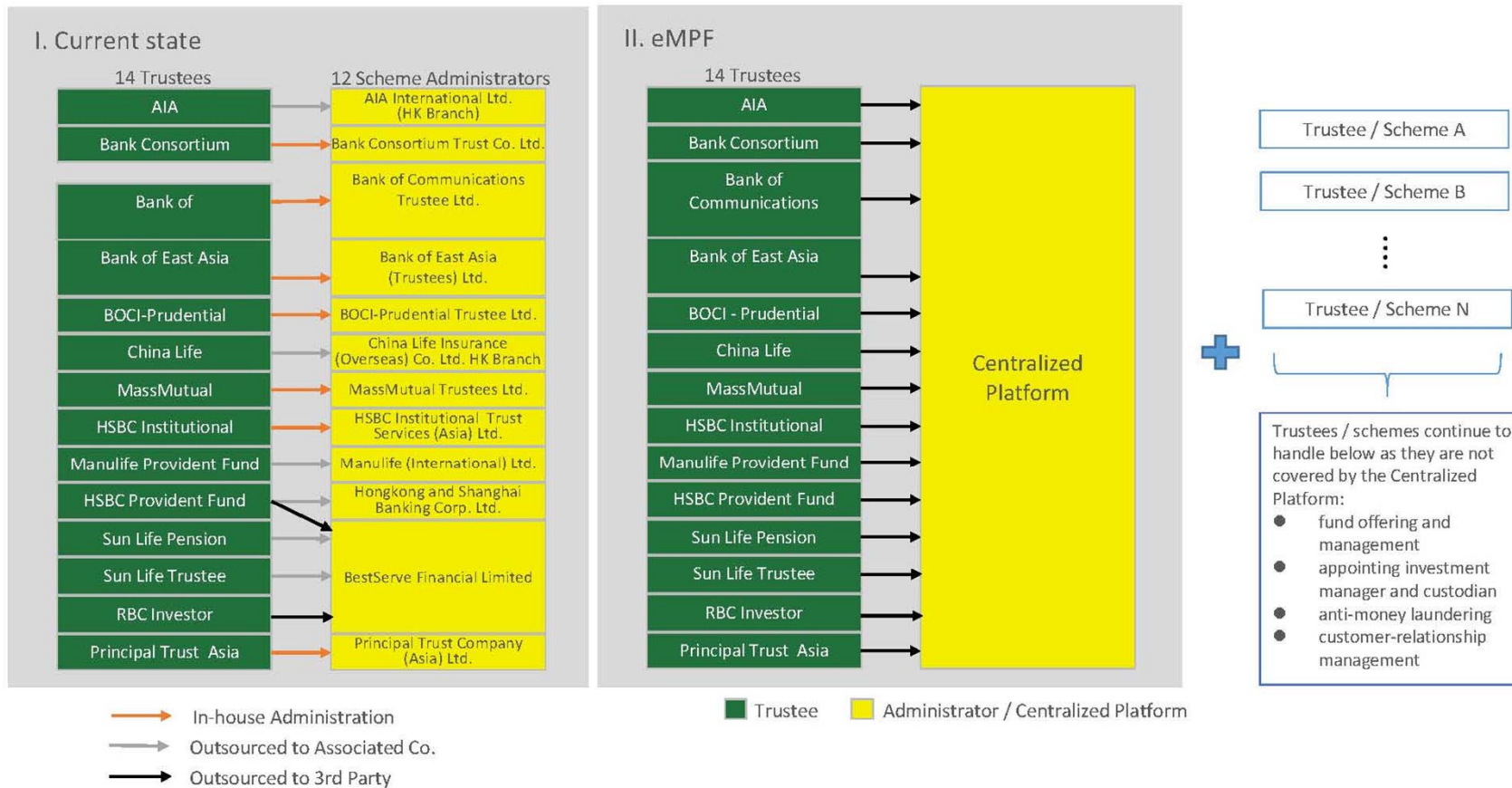
- About 4.3 million scheme members
- > 9.6 million accounts
- 30 MPF schemes
- 14 trustees (12 scheme administration platforms), multiple standards and processes
- 65% of the 30 million annual MPF transactions were paper-based

Background and justifications (con't)

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.

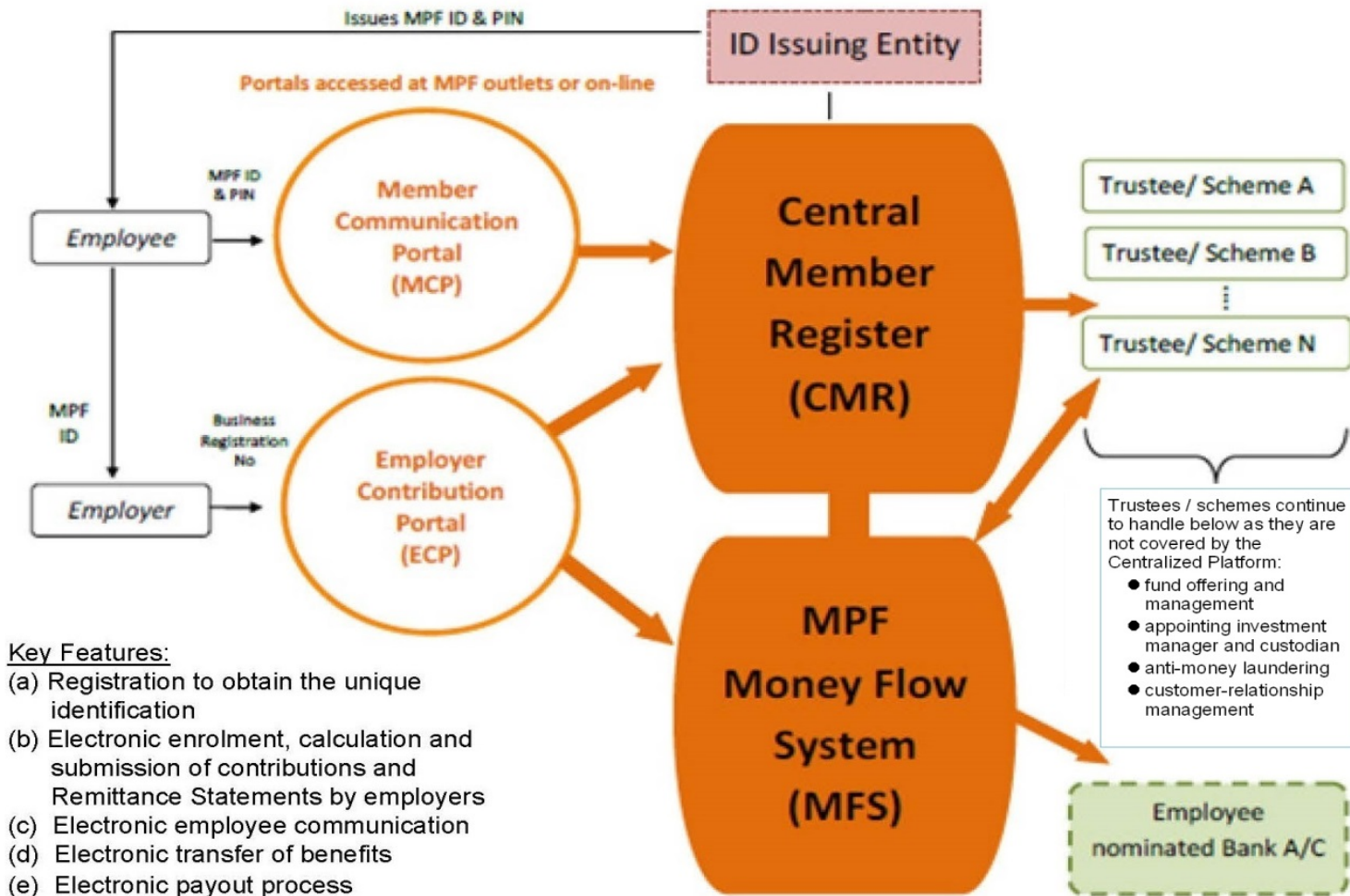
Under centralized administration, all trustees would use the Centralized Platform to handle MPF scheme administration processes/tasks. This would standardise and streamline administration processes, deliver enhanced user experience for members and employers, and create cost reduction through synergies.



Features of the Centralized Platform

- A common electronic platform -
 - centralized processing of registration, enrolment, contribution, transfer of benefits, benefits withdrawal and record keeping and maintenance
 - automated processing capability with one set of common standards
 - two core systems (one for handling member data and transaction data and the other for handling payments instructions)
 - central registration which issues a unique MPF ID
 - an user interface connecting the Centralized Platform with MPF trustees that would enable access by employers and scheme members (employees, self-employed persons and personal account holders) (e.g. employers can make MPF contributions for their employees)
 - data and instructions from employees and employers can be channeled to the trustees

The Conceptual Model of the Centralized Platform

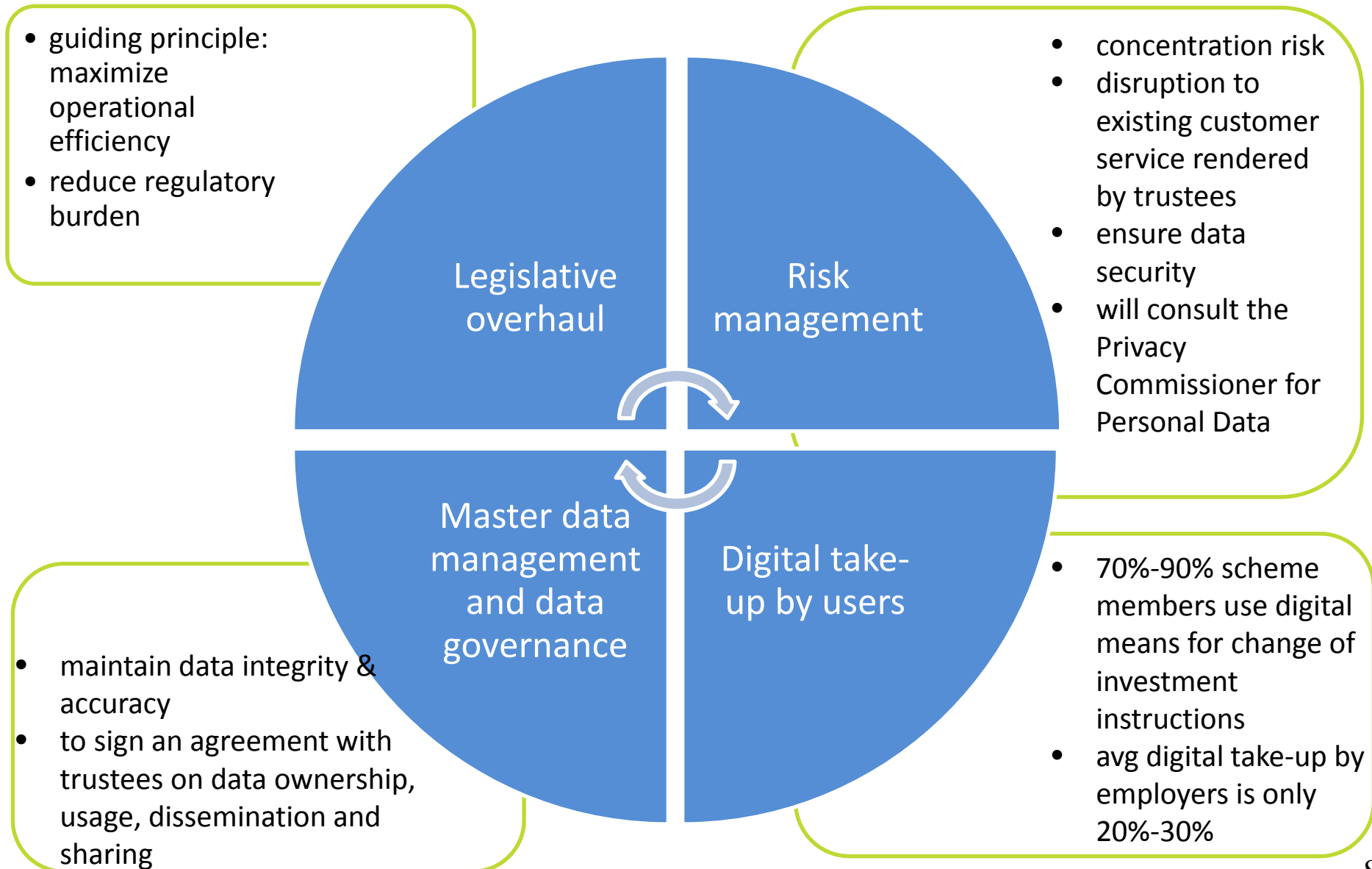


Note: The MFS is a payment gateway for transmitting payment instructions.

Implementation Details

- Public tender for -
 - A. Infrastructure
 - B. Operation
- To formulate strategies and measures on data management and governance
- MPFA to set up a company to own and operate the Centralized Platform. The company is neither a trustee nor a regulatee of MPFA
- Trustees continue to owe fiduciary duties to their scheme members

Challenges



Costing

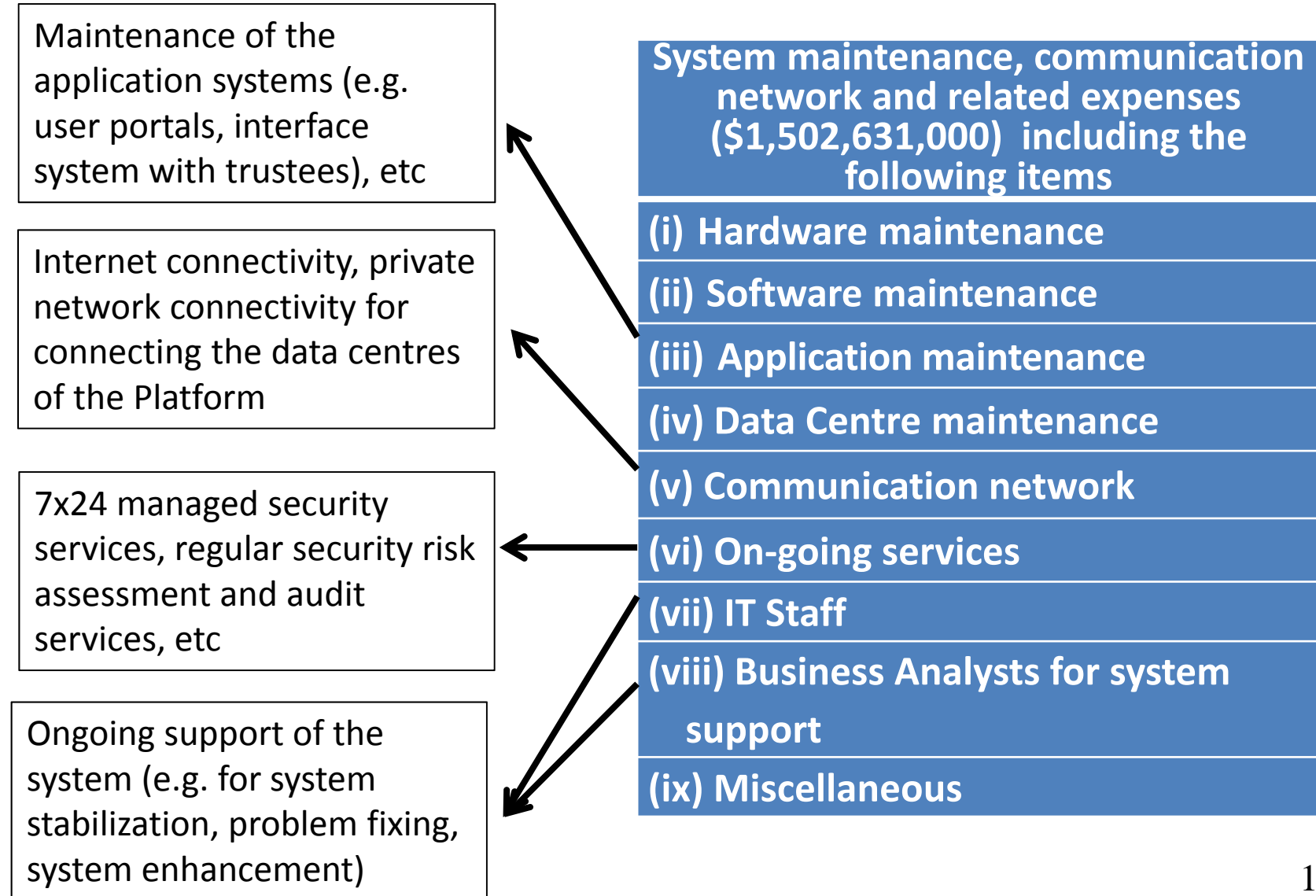
From 2019-20 to 2027-28, estimated total costs for 9 years

- analysis & standardization of processes and data
- design, development, testing, user acceptance of application systems (e.g. front end portals),
- data migration
- setting up servers, storage, network, security, etc.
- project governance, security risk assessment & audit, privacy impact analysis, quality assurance, etc.

	Total (\$'000)
(a) Hardware	235,688
(b) Software	265,107
(c) Implementation Services	443,004
(d) Project & IT staff and Consultancy Services	681,361
(e) Miscellaneous and Contingency	239,359
(f) Maintenance, communication network and related expenditure	1,502,631
Total	3,367,150

Costing (con't)

From 2020-21 to 2027-28 (covering 8 years), a one-off expenditure for system maintenance, communication network and related expenses



6 Years of Preparation

2012	Consultancy study on the administrative costs of the MPF System <u>Recommendations</u> : consolidation of administration platforms, electronic processing
2014	MPFA formulated a conceptual model of the centralized platform
2015	Technical feasibility study and financial cost & benefit analysis <u>Recommendations</u> : centralized processing of registration, enrolment, contribution, transfer of benefits, benefits withdrawal and record keeping and maintenance
2016	Supplemental study (issues regarding the ownership of the Centralized Platform, impact on key stakeholders, etc.) <u>Recommendations</u> : public arrangement, non-profit making, government funding
2017	Direction of the Financial Secretary, a Working Group on eMPF was formed <u>Objectives</u> : draw up Technical Specifications in Aug 2018; complete building the platform in 2022
2018	Completion of Technical Specifications and costing

Development roadmap

2019	Request for proposals, tendering exercise
2020	Tender award in Q1 System design and development in mid-2020
2021	Submission of legislative amendment proposal to LegCo Expect a comprehensive overhaul of the law to streamline scheme administration workflows and reduce regulatory burden, etc.
2022	Completion of the Centralized Platform
2022 to 2027-28	Data cleansing & standardization, business process reengineering, phased commencement of the Centralized Platform



End