

**For discussion  
on 14 March 2025**

**Legislative Council Panel on Financial Affairs**

**Mandatory Provident Fund Schemes Authority  
Budget for Financial Year 2025-26 and  
Latest Development of the eMPF Platform**

**PURPOSE**

This paper highlights the main features of the Proposed Budget of the Mandatory Provident Fund Schemes Authority (“MPFA”) for the financial year (“FY”) 2025-26, and provides updates on the development of the eMPF Platform.

**BACKGROUND**

2. MPFA is established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“MPFSO”) to regulate, supervise and monitor the operation of the Mandatory Provident Fund (“MPF”) System.

3. Section 6J of MPFSO requires MPFA to prepare, before the end of each FY, a corporate plan for the next FY, which should include a budget of estimated expenditure for achieving the corporate objectives. The draft corporate plan, together with the budget of estimated expenditure, must be submitted to the Financial Secretary for approval.

**KEY CORPORATE ACTIVITIES IN FY2025-26**

***Implementation of the eMPF Platform***

4. Implementation of the eMPF Platform<sup>1</sup> remains the top priority of MPFA. Subsequent to the launch of the Platform in June 2024, six MPF schemes have been onboarded so far. MPFA will continue to oversee the onboarding preparation of the remaining MPF schemes and the overall operation of the Platform, as well as monitor the work of the eMPF Platform Company Limited (“eMPF Company”) in continuously enhancing the Platform’s functionalities and improving user experience. It will also promote the key features and onboarding arrangements of the Platform to facilitate digital uptake. Details about the latest development of the eMPF Platform are set out at **Annex A**.

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<sup>1</sup> The eMPF Platform is a central integrated electronic platform to standardise, streamline and automate existing MPF scheme administration processes.

### ***MPF Fund Investment***

5. As at end-2024, the total net asset value (“NAV”) of the MPF System was about \$1,300 billion, achieving a net return of 8.6% in 2024. Equity funds and mixed assets funds (accounting for around 80% of the total NAV altogether) recorded average net returns of 15.3% and 7.3% respectively in 2024, whereas the core accumulation funds under the default investment strategy (“DIS”) recorded an average net return of 9.3%.

6. To enable the industry to provide better and more diversified investment options and to achieve diversification of risks and better investment outcome, MPFA will continually review and refine the regulation of MPF investments, including the scope of permissible asset classes. MPFA will also step up promotion of the DIS to scheme members and has commenced a holistic review on the DIS to meet the evolving needs of scheme members.

7. The Financial Secretary mentioned in the 2025-26 Budget Speech that the MPFA will consult the public on specific proposals of MPF “Full Portability” this year and submit recommendations to the Government thereafter, such that MPF “Full Portability” can be launched soon after full implementation of the eMPF Platform. MPFA will fully cooperate with the Government in this regard.

### ***Regulation and Supervision of the MPF Industry***

8. MPFA will maintain ongoing dialogue with MPF trustees with the aim of promoting the importance of value for money and driving down fees of managing MPF funds. To help the industry to keep pace with new developments, MPFA will continue to collaborate with the Government and other financial regulators to support the further development of the green and sustainable finance market in Hong Kong, and promote the responsible use of innovation and technology by MPF trustees and intermediaries.

## FY2025-26 PROPOSED BUDGET

9. A summary of the MPFA's Proposed Budget for FY2025-26 is summarised as follows, with details at **Annex B**.

(HK\$ million ("M"))	FY2024-25 Approved Budget <sup>2</sup>	FY2024-25 Revised Estimates <sup>2</sup>	FY2025-26 Proposed Budget	Increase/(decrease) from FY2024-25 Approved Budget		Increase/(decrease) from FY2024-25 Revised Estimates	
				\$	%	\$	%
<b>Income</b>	496.92	541.90	541.80	44.88	9.0%	(0.10)	(0.0%)
<b>Operating Expenditure</b>	616.17	608.63	631.24	15.07	2.4%	22.61	3.7%
<b>Deficit</b>	(119.25)	(66.73)	(89.44)	(29.81)	(25.0%)	22.71	34.0%
<b>Balance of Capital Grant</b>	1,997.78	2,131.53	2,042.09	44.31	2.2%	(89.44)	(4.2%)
<b>Capital Expenditure</b>	49.78	49.38	28.23	(21.55)	(43.3%)	(21.15)	(42.8%)
<b>Total Expenditure</b>	665.95	658.01	659.47	(6.48)	(1.0%)	1.46	0.2%
<b>Total Expenditure<sup>3</sup></b>	632.91	625.91	620.25	(12.66)	(2.0%)	(5.66)	(0.9%)

10. For FY2025-26, there will be a projected **operating deficit of \$89.44M**, which is \$29.81M or 25% lower than the estimated deficit of \$119.25M under the Approved Budget for FY2024-25 and \$22.71M or 34% higher than the revised estimated deficit of \$66.73M for FY2024-25.

### *Income*

11. In 1998, the Government provided MPFA with a Capital Grant of \$5 billion for meeting its set-up and operating costs before it could operate on a self-financing basis and recover its costs from the collection of statutory and other fees, including the annual registration fee ("ARF")<sup>4</sup> on MPF registered schemes payable by MPF trustees, and fees from MPF intermediaries and registered

<sup>2</sup> It includes unspent balances of \$27.62M (comprising respective balances from One-off Projects of \$2.44M and Capital Expenditure of \$25.18M) subsequently carried forward from FY2023-24 to FY2024-25 as approved by the Management Board of MPFA in June 2024.

<sup>3</sup> Excluding the costs to be recouped from eMPF Company.

<sup>4</sup> In relation to the registered MPF schemes, MPFA did not collect ARF from the inception of MPF System until October 2020 when MPFA started collecting ARF at a rate of 0.03% per annum on the NAV of registered MPF schemes. MPF trustees must ensure that no ARF payable by them is charged, whether in whole or in part, to MPF scheme, a constituent fund of MPF scheme or a member of MPF scheme. The rate of 0.03% is applicable for the first six years and will be subject to review from the seventh year with a view to achieving full-cost recovery in the long term for MPFA.

schemes under the Occupational Retirement Schemes Ordinance (Cap. 426) (“ORSO schemes”). Another major source of income is investment income from the Capital Grant. As at the end of FY2024-25, the estimated balance of the Capital Grant is \$2.13 billion.

12. The estimated total income for FY2025-26 is about **\$541.80M**, recording a nominal decrease of \$0.10M compared to that of the Revised Estimates for FY2024-25 (\$541.90M). When compared with the Approved Budget for FY2024-25 (\$496.92M), the estimated income for FY2025-26 is \$44.88M or 9% higher. Major sources of income are –

- (a) ARF (\$397.84M)<sup>5</sup>;
- (b) investment income (\$58.56M);
- (c) interest income on bank deposits (\$26.50M); and
- (d) fee income from MPF intermediaries, ORSO schemes and financial penalties (\$18.42M).

### ***Total Expenditure***

13. In preparing the Proposed Budget for FY2025-26, MPFA has committed to align with the Government’s measures in containing its operating expenditure<sup>6</sup>. After reviewing the workload for the coming FY and identifying room for consolidating internal resources, a proactive step has been taken to achieve a reduction of 2% of the MPFA’s total expenditure as compared with the Approved Budget for FY2024-25, in which MPFA has already implemented a 1% reduction in the MPFA’s operating expenditure and a headcount freeze.

14. In calculating the 2% reduction for FY2025-26, the costs to be recouped from the eMPF Company has been excluded to ensure that the reduction is limited to expenditure solely relevant to the business activities of MPFA. Accordingly, the estimated total expenditure (excluding the costs to be recouped from eMPF Company) for FY2025-26 is expected to be \$620.25M, which is 2% lower than that of the Approved Budget for FY2024-25 (\$632.91M) and 0.9% lower than that of Revised Estimates for FY2024-25 (\$625.91M).

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<sup>5</sup> An assessment of ARF income against the cost which should be recovered by ARF is at **Annex C**.

<sup>6</sup> As announced in the 2025-26 Budget Speech, the Government will take measures to strictly control its expenditure, including increasing the rate of reduction in recurrent government expenditure from the original 1% to 2% in FY2025-26.

15. The decrease in the estimated total expenditure for FY2025-26 is mainly driven by a significant reduction in capital expenditure and other cost control measures in containing operating expenditure. These cost control measures include streamlining work procedures, leveraging technology, as well as a stricter control on budgeted new positions.

16. The changes in estimated expenditure mainly comprise the following key items –

- (a) **Personal Emoluments (“PE”)** – the estimated PE cost for FY2025-26 is \$425.36M, which is \$2.37M or 0.6% more than that of the Approved Budget for FY2024-25 (\$422.99M) and \$8.72M or 2.1% more than that of the Revised Estimates for FY2024-25 (\$416.64M). The increase is mainly due to a net increase of budgeted regular positions from 593 to 599 (+6) to take up additional work related to expanded regulatory oversight upon the launch of the eMPF Platform;
- (b) **Office Accommodation Expenses** – The estimated expenditure for FY2025-26 is \$50.46M, which is \$0.51M or 1% lower than that of the Approved Budget for FY2024-25 (\$50.97M) and is at the same level as the Revised Estimates for FY2024-25 (\$50.46M);
- (c) **Member Education and Engagement** – The estimated expenditure for FY2025-26 is \$7.48M, which is \$6.58M or 46.8% lower than the Approved Budget and the Revised Estimates for FY2024-25 (\$14.06M). The decrease mainly arises from reprioritisation of resources and adjustments in work arrangement;
- (d) **Information System-Related Expenses** – The item is primarily for maintenance of business operation systems and security equipment, investment information service charges and data communication line charges. The estimated expenditure for FY2025-26 is \$21.52M, which is \$2.42M or 12.7% more than the Approved Budget for FY2024-25 (\$19.10M) and \$2.54M or 13.4% more than the Revised Estimates for FY2024-25 (\$18.98M). The increase is mainly arising from the maintenance of more business operation systems and security equipment, including those for complying with the latest Government cybersecurity requirements, as well as virtual desktop infrastructure;
- (e) **One-off Projects** – The item is mainly for costs for project-based personnel and non-recurrent projects. The estimated expenditure for FY2025-26 is \$28.34M, which is \$15.72M or 124.6% more than the Approved Budget for FY2024-25 (\$12.62M) and \$14.07M or 98.6% more than the Revised Estimates for FY2024-25 (\$14.27M). The

increase is mainly for supporting new projects such as large-scale promotion of the eMPF Platform in tandem with its full operation in FY2025-26, digitalisation strategy study, and organising of events, including the 25<sup>th</sup> anniversary of MPF System, and the preparation for the International Organisation of Pension Supervisors (“IOPS”) 2026 Annual Meetings and the Organisation for Economic Co-operation and Development/IOPS Global Forum on Private Pensions in Q4 2026;

- (f) **Depreciation and Amortisation** – The estimated expenditure for FY2025-26 is \$42.73M, which is \$2.80M or 7% more than the Approved Budget for FY2024-25 (\$39.93M) and \$3.61M or 9.2% more than the Revised Estimates for FY2024-25 (\$39.12M). The increase is mainly because of the full-year effect of capital expenditure incurred during FY2024-25 as well as the addition of fixed assets in FY2025-26; and
- (g) **Capital Expenditure** – The total estimated capital expenditure for FY2025-26 is about \$28.23M, which is \$21.55M or 43.3% less than the Approved Budget for FY2024-25 (\$49.78M) and \$21.15M or 42.8% less than the Revised Estimates for FY2024-25 (\$49.38M), as the latter contains the unspent balances for projects carried forward from FY2023-24 which are expected to be largely utilised in FY2024-25.

### ***Capital and Reserve***

17. In FY2025-26, MPFA estimates an operating deficit of **\$89.44M**. The shortfall in operating expenditure will be met by the balance of the Capital Grant, which is expected to be reduced from \$2.13 billion to \$2.04 billion by the end of March 2026. To ensure long-term financial sustainability, MPFA will continue to exercise stringent control on its expenditure, and review the current rate of ARF as planned in 2026, with a view to attaining full-cost recovery in the long term.

## **COMPARISON OF THE APPROVED BUDGET WITH THE REVISED ESTIMATES FOR FY2024-25**

### ***Income***

18. The revised total income for FY2024-25 (**\$541.90M**) is \$44.98M or 9.1% more than the Approved Budget (\$496.92M), mainly due to a higher estimate of ARF income and a higher estimate of investment income resulting from better-than-expected return.

### ***Total Expenditure***

19. The revised total expenditure (excluding the costs to be recouped from eMPF Company) for FY2024-25 is **\$625.91M**, which is \$7M or 1.1% less than the Approved Budget (\$632.91M), mainly due to a decrease in PE cost of \$6.35M attributable to staff turnover, the time lag in filling vacancies and savings in salary expenses for some replacements and new appointments.

### ***Capital and Reserve***

20. The revised operating deficit for FY2024-25 is **\$66.73M**, which is \$52.52M or 44% less than the Approved Budget (\$119.25M). After considering the actual balance of the Capital Grant as of 1 April 2024 (\$2.2 billion) and the decrease in revised operating deficit, the projected balance of the Capital Grant is expected to increase from \$2 billion to \$2.13 billion by the end of March 2025.

## **THE GOVERNMENT'S VIEWS**

21. FY2025-26 will be a critical year for MPFA, especially considering the expected full implementation of the eMPF Platform by the end of 2025, as well as formulation and implementation of other important policy initiatives. The Government is delighted to note that, despite the expanded scope of regulatory oversight over the years, MPFA has maintained a headcount freeze for three times and reduced its total headcount for six times in the past 10 FYs, and taken the initiative of adopting the recommendation of further reduction in recurrent expenditure as announced in the 2025-26 Budget. The Government believes that MPFA will continue to exercise fiscal discipline, contain its operating expenditure, and explore alternative ways such as smart work practice solutions and process re-engineering to absorb the incremental manpower demand consequential to the pursuit of its corporate objectives.

## **ADVICE SOUGHT**

22. Members are invited to note the Proposed Budget of MPFA for FY2025-26.

**Financial Services Branch**  
**Financial Services and the Treasury Bureau**  
**March 2025**

## **Latest development of the eMPF Platform**

### **PURPOSE**

This paper sets out the latest development of the eMPF Platform, including the tentative onboarding schedule of the remaining Mandatory Provident Fund (“MPF”) trustees/schemes to the eMPF Platform, and the relevant engagement, publicity and education activities.

### **LATEST DEVELOPMENT**

2. Six MPF schemes<sup>1</sup>, representing about 3% of the total assets-under-management (“AUM”) of the MPF System, have onboarded since the launch of the eMPF Platform on 26 June 2024. As at end-February 2025, around one-quarter of active scheme members of the onboarded schemes have registered with the eMPF Platform, equivalent to 0.8% of total AUM of the MPF System. Around 60% of active employers of the onboarded schemes have already registered with the Platform.

3. The eMPF Platform Company Limited (“eMPF Company”) has been aware of several incidents where employers and scheme members had encountered difficulties in adapting to and using the eMPF Platform, including difficulties experienced during account registration using facial recognition technology, unclear payment instructions causing multiple payments being made for those using direct debit, longer lead time required to tag contribution payments and recognise voluntary contributions, etc.

4. The eMPF Company attaches great importance to users’ feedback and has therefore requested PCCW Solutions Limited (“the Contractor”) to implement a series of enhancement measures to facilitate scheme members’ and employers’ transition to the eMPF Platform and improve user experience, including -

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<sup>1</sup> These are (i) MASS Mandatory Provident Fund Scheme (onboarded on 26 June 2024); (ii) China Life MPF Master Trust Scheme (onboarded on 29 July 2024); (iii) BCOM Joyful Retirement MPF Scheme (onboarded on 3 September 2024); (iv) SHKP MPF Employer Sponsored Scheme (onboarded on 2 October 2024); (v) BEA (MPF) Value Scheme (onboarded on 29 October 2024); and (vi) BEA (MPF) Master Trust Scheme (onboarded on 5 March 2025).



- (a) Beefing up manpower resources: Strengthening the Contractor's Project Team both in terms of the total number of headcounts (increasing by 60% by end-2025) and competencies;
- (b) Prompt resolution of operational issues: Conducting comprehensive root cause analysis and impact assessment once new issues are identified to avoid escalation/recurrence of issues;
- (c) Enhancement of case handling mechanism: Enhancing the case handling mechanism to expedite responses and strengthening user support by assigning dedicated case officers to handle each and every complaint;
- (d) Increase clarity of user interface: Refining the copy-writings of eMPF Platform to improve clarity for facilitating users' submission of administrative instructions on the eMPF Platform and minimising errors;
- (e) Step up trial use and user training: Scaling up and increasing the number of workshops/training sessions for scheme members, employers and MPF intermediaries to ensure their thorough familiarisation with the Platform's functionalities prior to onboarding;
- (f) Direct support to Platform users: Arranging more outreach services to provide one-on-one, hand-holding on-site support to employers in registering and using the Platform;
- (g) Independent auditor's assessment of system and operational controls of eMPF Platform: Engaging an independent auditor to assess system and operational controls of the eMPF Platform and driving the Contractor to further its efforts in improving the controls based on the recommendations of the auditor;
- (h) Security risk assessment and audit ("SRAA"): Engaging an independent auditor to perform a new round of SRAA with target completion by March/April 2025 as an ongoing annual exercise. eMPF Company will continue to drive the Contractor to further improve the security measures based on technology evolvments and recommendations of SRAA auditor. In addition, eMPF Company and the Contractor will continuously enhance the security and data protection measures based on the latest requirements promulgated by the Digital Policy Office and the Office of the Privacy Commissioner for Personal Data, and the industry's best practices; and
- (i) Trustee Working Group: Convening regular meetings with representatives from onboarded trustees and the Contractor to review the ongoing operations of the eMPF Platform, identify service improvement

opportunities, plan for digital uptake strategies and review the needs for future system enhancements.

## ONBOARDING SCHEDULE

5. Apart from ensuring the smooth operation of the eMPF Platform for the six onboarded schemes, the Mandatory Provident Fund Schemes Authority (“MPFA”) and eMPF Company have been working closely with the remaining trustees/schemes to pin down their respective target onboarding dates. The latest tentative onboarding schedule of the remaining trustees/schemes (excluding the two Industry Schemes (“IS”))<sup>2</sup> is set out below –

<b>MPF trustee/scheme</b>	<b>Tentative onboarding</b>
Principal Trust Company (Asia) Limited	7 May 2025
BOCI-Prudential Trustee Limited	Jun 2025
AMTD MPF Scheme, BCT (MPF) Pro Choice, BCT Strategic MPF Scheme, and Manulife RetireChoice (MPF) Scheme	Jun/Jul 2025
AIA Company (Trustee) Limited	Aug/Sep 2025
Sun Life Trustee Company Limited	Sep/Oct 2025
Manulife Provident Funds Trust Company Limited	Oct/Nov 2025
HSBC Provident Fund Trustee (Hong Kong) Limited	Nov/Dec 2025

6. eMPF Company and the Contractor are also working closely with the trustees operating the two IS (i.e. Bank of East Asia (Trustees) Limited and Bank Consortium Trust Company Limited) to finalise the business requirements of IS-specific system functionalities to cater for the unique features of IS. With the assistance from the two trustees concerned and labour unions of casual employees, a series of education programmes will be launched to promote eMPF account registration by scheme members of IS starting from Q3 2025 tentatively. At the same time, MPFA will continue to liaise with the Mandatory Provident Fund Industry Schemes Committee and major employers of casual employees to gauge their comments/views on IS’ onboarding and address their concerns. While bearing in mind that the eMPF Platform should achieve full implementation by 2025, eMPF Company will keep in view these developments and consider the onboarding arrangements of the two IS at an appropriate juncture.

<sup>2</sup> IS are specially designed for casual employees of the catering and construction industry.

## ENGAGEMENT, PUBLICITY AND EDUCATION

7. To prepare for the onboarding of trustees of larger AUM size in the remainder of the onboarding period, engagement, publicity and education activities of larger scale will be rolled out to raise public awareness, gather feedback, secure buy-in and promote digital uptake. The progress made so far and plans for the coming year are set out in the ensuing paragraphs.

### *Engagement*

- (a) **Stakeholders engagement exercise:** Since April 2023, MPFA has commenced a second round of stakeholders engagement exercise, which aims to promote public awareness and secure buy-in, especially among the less tech-savvy grassroots and small and micro businesses with a view to boosting the digital uptake of the eMPF Platform. Over 380 meetings, talks, exchange sessions, district outreach activities and collaborative events with different stakeholder groups have been arranged so far. More stakeholder engagement events in collaboration with various stakeholder groups will be rolled out to promote eMPF account registration;
- (b) **Three-tier testing and engagement framework:** Engagement with stakeholders will be further scaled up in 2025 when trustees of larger scale are coming onboard, along a three-tiered approach -
  - (i) **Tier 1 – External Professional Testing:** A professional service company has been engaged to conduct testing of major system functionalities from February to June 2025, with a view to improving the eMPF Platform’s user interface and user experience;
  - (ii) **Tier 2 – Expert Group:** An Expert Group comprising respectable figures in the commercial and technology sectors as well as academics has been set up to advise on the Platform’s operations and development; and
  - (iii) **Tier 3 – Standing User Group:** A Standing User Group comprising existing eMPF users from various sectors has been set up to tap their views on the Platform and test the improved functions; and
- (c) **Support in all districts:** eMPF support stations will be set up to ensure support and assistance are available in all districts across Hong Kong, enabling more extensive and proactive engagement with employers and employees, and providing faster and more personalised services.

## ***Publicity and Education***

- (a) **Media publicity**: Rolling out different media publicity initiatives, including media interviews, blog posts, articles, advertorials in conventional and online media, etc., to promote the enhanced measures and features to be introduced in the next phase of onboarding;
- (b) **Awareness campaign**: Increasing the broadcasting frequency and coverage of the TV Announcement in the Public Interest to raise public awareness on the Platform;
- (c) **Marketing activities**: An unboxing video providing practical tips for employers and human resources practitioners on eMPF account registration and making MPF contributions was launched in late 2024 on various online platforms and disseminated to the target groups via website banners, newsletter and electronic direct mail, etc. More marketing and unbox videos will be rolled out to facilitate scheme members' and employers' transition to the eMPF Platform; and
- (d) **Incorporation of eMPF-related elements in MPFA's public education programmes**: To supplement the awareness and marketing campaigns mentioned above, eMPF-related elements have been suitably incorporated in MPFA's ongoing public education programmes. For instance, a series of educational videos on MPF fund switching featuring the eMPF Platform was produced and telecast on various online platforms from late August to December 2024. A video on MPF fund transfer featuring the eMPF Platform will also be produced in financial year 2025-26. Moreover, the principle behind the eMPF Platform and its key benefits were highlighted to tertiary students during MPFA's on-campus activities at tertiary institutions from November 2024 to February 2025.

## **WAY FORWARD**

8. MPFA will continue to spare no effort in working closely with eMPF Company and the Contractor to ensure the robustness, reliability, security and user-friendliness of the eMPF Platform, as well as smooth onboarding of the remaining MPF trustees to the Platform by end-2025.

**Mandatory Provident Fund Schemes Authority**  
**March 2025**

**Mandatory Provident Fund Schemes Authority**  
**Estimates of Income and Expenditure for FY2025-26**

	FY2024-25 Approved Budget (Note 1)	FY2024-25 Proposed Revised Estimates (Note 1)	FY2025-26 Proposed Budget	Increase / (decrease) from FY2024-25 Proposed Revised Estimates		Increase / (decrease) from FY2024-25 Approved Budget		Reference to Explanatory Notes
HK\$ million	(a)	(b)	(c)	(d) = (c) - (b)	%	(e) = (c) - (a)	%	
<b>INCOME</b>								
Annual Registration Fee	345.10	356.44	397.84	41.40	11.6%	52.74	15.3%	1
Interest Income on Bank Deposits	32.16	33.45	26.50	(6.95)	(20.8%)	(5.66)	(17.6%)	2
Investment Income	66.75	99.67	58.56	(41.11)	(41.2%)	(8.19)	(12.3%)	3
Other Income	52.91	52.34	58.90	6.56	12.5%	5.99	11.3%	
Other Fees and Charges	18.64	19.01	18.42	(0.59)	(3.1%)	(0.22)	(1.2%)	4
Recoveries from MPF Schemes Compensation Fund	1.23	1.23	1.26	0.03	2.4%	0.03	2.4%	5
Income Recharged from eMPF Company	33.04	32.10	39.22	7.12	22.2%	6.18	18.7%	6
<b>TOTAL INCOME</b>	<b>496.92</b>	<b>541.90</b>	<b>541.80</b>	<b>(0.10)</b>	<b>(0.0%)</b>	<b>44.88</b>	<b>9.0%</b>	
<b>OPERATING EXPENDITURE</b>								
Personal Emoluments	422.99	416.64	425.36	8.72	2.1%	2.37	0.6%	7
Office Accommodation Expenses	50.97	50.46	50.46	-	0.0%	(0.51)	(1.0%)	8
Depreciation and Amortization	39.93	39.12	42.73	3.61	9.2%	2.80	7.0%	9
Legal and Professional Expenses	9.98	9.36	7.78	(1.58)	(16.9%)	(2.20)	(22.0%)	10
One-off Projects	12.62	14.27	28.34	14.07	98.6%	15.72	124.6%	11
Other Items	79.68	78.78	76.57	(2.21)	(2.8%)	(3.11)	(3.9%)	
Hire of Services	8.14	7.92	10.00	2.08	26.3%	1.86	22.9%	12
Information System-Related Expenses	19.10	18.98	21.52	2.54	13.4%	2.42	12.7%	13
Public Relation Expenses	9.77	9.75	9.96	0.21	2.2%	0.19	1.9%	14
Member Education and Engagement	14.06	14.06	7.48	(6.58)	(46.8%)	(6.58)	(46.8%)	15
Other Operating Expenses	28.61	28.07	27.61	(0.46)	(1.6%)	(1.00)	(3.5%)	16
<b>TOTAL OPERATING EXPENDITURE</b>	<b>616.17</b>	<b>608.63</b>	<b>631.24</b>	<b>22.61</b>	<b>3.7%</b>	<b>15.07</b>	<b>2.4%</b>	
<b>RESULT FOR THE YEAR</b>	<b>(119.25)</b>	<b>(66.73)</b>	<b>(89.44)</b>	<b>22.71</b>	<b>34.0%</b>	<b>(29.81)</b>	<b>(25.0%)</b>	
<b>CAPITAL EXPENDITURE</b>								
Leasehold Improvement, Office Equipment and Furniture	1.01	1.01	1.84	0.83	82.2%	0.83	82.2%	17
Information System Capital Expenditure	48.77	48.37	26.39	(21.98)	(45.4%)	(22.38)	(45.9%)	18
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>49.78</b>	<b>49.38</b>	<b>28.23</b>	<b>(21.15)</b>	<b>(42.8%)</b>	<b>(21.55)</b>	<b>(43.3%)</b>	
<b>TOTAL EXPENDITURE (OPERATING AND CAPITAL EXPENDITURE)</b>	<b>665.95</b>	<b>658.01</b>	<b>659.47</b>	<b>1.46</b>	<b>0.2%</b>	<b>(6.48)</b>	<b>(1.0%)</b>	
<b>Total Expenditure (excluding the costs to be recouped from eMPF Company)</b>	<b>632.91</b>	<b>625.91</b>	<b>620.25</b>	<b>(5.66)</b>	<b>(0.9%)</b>	<b>(12.66)</b>	<b>(2.0%)</b>	
Balance of Capital Grant Brought Forward (Note 2)	2,117.03	2,198.26	2,131.53					
Result for the Year	(119.25)	(66.73)	(89.44)					
<b>BALANCE OF CAPITAL GRANT CARRIED FORWARD</b>	<b>1,997.78</b>	<b>2,131.53</b>	<b>2,042.09</b>					

## Notes:

- It includes unspent balances of \$27.62 million (comprising respective balances from One-off Projects of \$2.44 million and Capital Expenditure of \$25.18 million) subsequently carried forward from FY2023-24 to FY2024-25 as approved by the Management Board of MPFA in June 2024.
- The balance of Capital Grant brought forward in the approved Budget for FY2024-25 was a forecast based on the revised estimates for FY2023-24. For the proposed revised estimates for FY2024-25, this balance is updated to reflect the actual balance based on the audited financial statements for FY2023-24.

March 2025

# **Explanatory Notes to the Proposed Budget of the Mandatory Provident Fund Schemes Authority for FY2025-26**

## **INCOME**

### **1. ARF (\$397.84 million)**

With effect from 1 October 2020, MPF trustees are required to pay ARF to MPFA at a rate of 0.03% p.a. on the respective MPF schemes' NAV for the first six years. ARF income from registered MPF schemes are estimated at \$397.84 million, based on 0.03% of projected NAV of MPF schemes at their year-end dates in FY2024-25.

### **2. Interest Income on Bank Deposits (\$26.50 million)**

Interest income on bank deposits is estimated at \$26.50 million, based on the assumptions of Hong Kong dollar interest rate of 3.4%<sup>1</sup>.

### **3. Investment Income (\$58.56 million)**

With a forecast return of 4.93% for FY2025-26, investment income from the externally managed portfolio is estimated to be \$58.56 million<sup>2</sup>.

### **4. Other Fees and Charges (\$18.42 million)**

Other Fees and Charges include fee income from MPF intermediaries (\$10.31 million), ORSO schemes (\$5.93 million) and financial penalties (\$2.18 million<sup>3</sup>).

### **5. Recoveries from MPF Schemes Compensation Fund (\$1.26 million)**

Recoveries from the MPF Schemes Compensation Fund cover the administrative service provided by MPFA which is expected to generate an annual income of \$1.26 million.

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<sup>1</sup> An average rate of 3.4% in FY2025-26 is assumed, taking into account market forecasts of interest rates.

<sup>2</sup> It is estimated by the external fund manager on a mark-to-market basis.

<sup>3</sup> The projection on financial penalties made under the income forecast for FY2025-26 is based on a past 5-year average, excluding any anomalies in order to smooth out the projection.

**6. Income Recharged from eMPF Company (\$39.22 million)**

Income recharged from the eMPF Company is estimated at \$39.22 million, comprising (i) \$29.36 million for recovering the personnel costs of middle / back office support (such as human resources, finance, external affairs, general administration, etc.) provided by MPFA for the eMPF Company; and (ii) \$9.86 million for recovering other operating expenditure (such as cost of MPFA's office space) incurred.

**OPERATING EXPENDITURE**

**7. Personal Emoluments (\$425.36 million)**

As compared with the Revised Estimates for FY2024-25 (\$416.64 million), there is an increase of \$8.72 million, taking into consideration a net increase of budgeted regular positions from 593 to 599 (+6).

**8. Office Accommodation Expenses (\$50.46 million)**

The item caters for rents, management fees and electricity expenses for MPFA offices. The estimate is relatively stable as compared with the Revised Estimate for FY2024-25 mainly because the rental level for FY2025-26 will remain largely the same.

**9. Depreciation and Amortisation (\$42.73 million)**

Depreciation and amortisation are calculated using the straight-line method over the cost of fixed assets (such as furniture and fixtures as well as office and IT systems and equipment) with estimated useful lives of three or four years.

**10. Legal and Professional Expenses (\$7.78 million)**

The item covers professional fees for legal, audit, consultancy services and recruitment agency services.

**11. One-off Projects (\$28.34 million)**

The item is mainly for –

- (a) engaging external consultant to develop a corporate digitalisation strategy;
- (b) organising of events including the 25<sup>th</sup> anniversary of MPF System, the preparation for hosting the IOPS 2026 Annual Meetings and Organisation for Economic Co-operation and Development/IOPS Global Forum on Private Pensions in Q4 2026; and
- (c) cost for project personnel in FY2025-26 for supporting various projects in MPFA, including those for digitalisation strategy study and large-scale promotion of the eMPF Platform in tandem with its full operation in FY2025-26.

**12. Hire of Services (\$10.00 million)**

The item is mainly for paying contractors for outsourced services (including IT helpdesk, system support, office assistants/support personnel and technicians).

**13. Information System-Related Expenses (\$21.52 million)**

The item is mainly for maintenance of business operation systems and cyber security equipment, investment information service charges and data communication line charges.

**14. Public Relation Expenses (\$9.96 million)**

The item is mainly for ongoing activities (including production of education materials and other promotional materials, Good MPF Employer Award, etc.) and production of videos for posting on the MPFA corporate social media platforms.

**15. Member Education and Engagement (\$7.48 million)**

The item is mainly for ongoing programmes on MPF public education.

**16. Other Operating Expenses (\$27.61 million)**

The item is mainly for –

- (a) personnel-related expenses covering programmes for talent development and staff welfare activities;
- (b) office expenses covering telephone maintenance and mobile phone charges, postage and courier services, and office supplies;
- (c) travelling and transport expenses;
- (d) fixed assets-related expenses covering acquisition of low-value IT equipment and software, repairing and maintenance of office equipment and furniture, and insurance for fixed assets;
- (e) investment expenses and general bank charges for bank services; and



- (f) regulatory and supervisory expenses covering investigation and litigation-related expenses in respect of tracing default MPF contributions.

## **CAPITAL EXPENDITURE STATEMENT**

### **17. Leasehold Improvement, Office Equipment and Furniture (\$1.84 million)**

The item is mainly for general office improvement works and general replacement of office equipment and furniture.

### **18. Information System (\$26.39 million)**

The item is mainly for various system application enhancement and development projects, and for enhancement of servers or replacement of personal computers and notebook computers.

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## Mandatory Provident Fund Schemes Authority

### Estimated ARF Income

#### Statutory Requirement - section 22B of MPFSO

- (1) To comply with the statutory requirement, only the costs attributable to exercising and performing MPFA's functions with respect to registered MPF schemes should be recovered by ARF (ARF eligible costs).
- (2) Total amount of costs in FY2025-26 which are not eligible for ARF recovery is estimated to be \$65.28M, including:
- a) ORSO related cost (\$14.49M);
  - b) the cost of operating MPF intermediaries functions already recovered by the intermediaries fees (\$10.31M);
  - c) cost recovered from eMPF Company (\$39.22M); and
  - d) cost recovered from MPF Schemes Compensation Fund (\$1.26M).

<i>HK\$ million</i>	FY2024-25 Revised Estimates	FY2025-26 Proposed Budget
ARF Income (a)	356.44	397.84
ARF Eligible Cost (b)	548.79	565.96
<b>Under (c) = (a) - (b)</b>	<b>(192.35)</b>	<b>(168.12)</b>

Total Operating Expenditure (See Annex B)	608.63	631.24
Less : Items not eligible for ARF recovery	(59.84)	(65.28)
ORSO related cost	(16.10)	(14.49)
Cost recovered by the intermediaries fees	(10.41)	(10.31)
Cost recovered from eMPF Company	(32.10)	(39.22)
Cost recovered from MPF Schemes Compensation Fund	(1.23)	(1.26)
ARF Eligible Cost	548.79	565.96