For discussion
on 2 March 2026

Legislative Council Panel on Financial Affairs

Mandatory Provident Fund Schemes Authority
Budget for Financial Year 2026-27 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") 2026-27, and reports the latest development of the eMPF Platform.

BACKGROUND

2. MPFA is a statutory body established in accordance with 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 provides that MPFA must, before the end of each FY, prepare a corporate plan for the next FY, which should include a budget of estimated expenditure for achieving the corporate objectives in that FY. The draft corporate plan, together with the budget of estimated expenditure, must be submitted to the Financial Secretary ("FS") for approval.

KEY CORPORATE ACTIVITIES IN FY 2026-27

Implementation of the eMPF Platform

4. Since the launch of the eMPF Platform[1] in June 2024, all 12 MPF trustees and 22 MPF master trust schemes / employer sponsored scheme under their administration have orderly onboarded the Platform in batches. MPFA will ensure the smooth onboarding of the remaining two MPF industry schemes[2], continue to oversee the overall operation of the eMPF Platform, monitor the work

[1] The eMPF Platform is a central integrated electronic platform to standardise, streamline and automate the administration processes of MPF schemes.

[2] BCT (MPF) Industry Choice and BEA (MPF) Industry Scheme for the construction and catering industries.

of the eMPF Platform Company Limited ("eMPF Company")[3] in continuously enhancing the user experience and the Platform interface, and conduct regular reviews of the Platform's fee level together with eMPF Company, with a view to further driving down the fees of MPF funds for the benefit of scheme members. Meanwhile, continuous efforts have been made to promote the key features, benefits and support services of the eMPF Platform to encourage its widespread adoption and boost the overall digital take-up rate. Details on the latest development of the eMPF Platform are set out at **Annex A.**

MPF Fund Investment

5. As at end-2025, the total net asset value ("NAV") of the MPF System stood at about $1,550 billion. MPF assets achieved an overall net return of 16.6% in 2025, with all six MPF fund types[4] recording positive returns. Since the inception of the MPF System in December 2000, equity funds and mixed assets funds (accounting for around 80% of total MPF assets altogether) registered average annualised net returns of 5.0% and 4.5% respectively, outperforming the annualised inflation rate of 1.8% over the same period. The average annualised net return of core accumulation funds under the default investment strategy ("DIS") since its launch in April 2017 was 6.9%, which also outperformed the annualised inflation rate for the period at 1.8%.

6. To encourage the industry to provide more high-quality and diversified investment options suitable for scheme members to accumulate retirement savings, so as to diversify investment risks and improve return potential, MPFA will continually review and optimise MPF investment regulations. MPFA will also complete a holistic review of DIS by the end of 2026 and formulate enhancement proposals to meet the needs of scheme members. Furthermore, MPFA will implement various measures to enhance the regulatory regime, including increasing the flexibility in delegating investment management functions to expand the network of investment managers of MPF funds, as well as introducing more flexible fund structures to facilitate MPF funds in utilising different asset classes for risk diversification and enhancing return potential.

7. Additionally, to encourage scheme members to manage their MPF accounts and investment strategies more proactively, the Seventh Legislative Council approved in September 2025 the legislative amendment proposals to

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3 eMPF Company is a wholly-owned subsidiary of MPFA established to design, build and operate the eMPF Platform.

4 Equity funds, mixed assets funds, bond funds, guaranteed funds, MPF conservative funds, and money market funds (other than MPF conservative funds).

provide the legal basis for the Phase One Proposal of MPF "Full Portability"[5]. MPFA has commenced the relevant groundwork to support the target of implementing the Phase One Proposal within 2026. MPFA will also continue to work closely with the Government to commence the legislative amendment exercise for the Phase Two Proposal of MPF "Full Portability" (i.e. the proposal benefitting employees whose employment commenced before 1 May 2025).

Adequacy of Retirement Savings

8. Section 10A of MPFSO provides that MPFA must conduct a review of the minimum and maximum levels of relevant income for MPF mandatory contributions at least once every four years. MPFA will present its proposed adjustments to the Government upon completion of its review for the 2022-26 cycle. In addition, MPFA will support the Government in taking forward the legislative proposals to strengthen the measures to recover default contributions for the better protection of employees. To further enhance the adequacy of scheme members' retirement savings, MPFA will also promote MPF voluntary contributions.

Regulation and Supervision of the MPF Industry

9. In view of the emergence of a new ecosystem and operating landscape for the industry after the full operation of the eMPF Platform, MPFA will review and optimise its industry supervision strategies. Actions will be taken to enhance the level of governance of trustees, and initiatives will be formulated to strengthen their accountability and enhance the fee transparency of MPF funds to facilitate scheme members in making investment decisions. Besides, MPFA will implement a series of measures to further reduce the fee levels of MPF funds. MPFA will also 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 among MPF trustees and intermediaries.

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[5] The Phase One Proposal of MPF "Full Portability" will allow employees whose employment commenced on or after 1 May 2025 to transfer the MPF benefits derived from their employers' mandatory contributions to an MPF scheme of their own choice.

PROPOSED BUDGET FOR FY 2026-27

10. MPFA's Proposed Budget for FY 2026-27 is summarised as follows, with details at **Annex B**.

(HK$ million ("M"))	FY 2025-26 Approved Budget[6]	FY 2025-26 Revised Estimates[6]	FY 2026-27 Proposed Budget	Increase/(Decrease) from FY 2025-26 Approved Budget		Increase/(Decrease) from FY 2025-26 Revised Estimates	
				$	%	$	%
Income	541.80	595.49	620.57	78.77	14.5%	25.08	4.2%
Operating Expenditure	634.67	627.48	643.30	8.63	1.4%	15.82	2.5%
Deficit	(92.87)	(31.99)	(22.73)	(70.14)	(75.5%)	(9.26)	(28.9%)
Balance of Capital Grant	2,038.66	2,166.71	2,143.98	105.32	5.2%	(22.73)	(1.0%)
Capital Expenditure	55.65	55.40	34.61	(21.04)	(37.8%)	(20.79)	(37.5%)
Total Expenditure	690.32	682.88	677.91	(12.41)	(1.8%)	(4.97)	(0.7%)
Total Expenditure[7]	651.10	646.03	638.02	(13.08)	(2.0%)	(8.01)	(1.2%)

11. The estimated **operating deficit** for FY 2026-27 is **$22.73M**, which is $9.26M (28.9%) less than the revised estimated operating deficit of $31.99M for FY 2025-26.

Income

12. In 1998, the Government provided MPFA with a Capital Grant ("CG") 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")[8] of registered MPF schemes payable by MPF trustees, and fees collected from MPF intermediaries and registered schemes under the Occupational Retirement

[6] Including unspent balances of $30.85M (comprising respective balances of $3.43M and $27.42M from One-off Projects and Capital Expenditure) carried forward from FY 2024-25 to FY 2025-26 as approved by the Management Board of MPFA in June 2025.

[7] Excluding the costs to be incurred and recouped from eMPF Company for the support provided by MPFA, including the personnel cost for providing middle / back-office support and the operating cost incurred for eMPF Company, which are not borne by MPFA. Details are set out at the explanatory notes to **Annex B**.

[8] Since October 2020, MPFA has been collecting ARF for registered MPF schemes. The ARF rate for the first six years is set at 0.03% per annum on NAV of the registered MPF schemes. MPF trustees are prohibited to charge, whether in whole or in part, ARF payable by them to MPF schemes, constituent funds of MPF schemes or MPF scheme members. MPFA is currently reviewing the ARF level with a view to achieving full-cost recovery in the long term.

Schemes Ordinance (Cap. 426) ("ORSO schemes")). Another major source of MPFA's income is the investment income from CG. As at the end of FY 2025-26, the estimated balance of CG is $2.17 billion.

13. The estimated total income for FY 2026-27 is about **$620.57M**, recording an increase of $25.08M (4.2%) compared to that of the Revised Estimates for FY 2025-26 ($595.49M). The major sources of income are –

(a) ARF ($475.76M)[9];

(b) investment income ($65.48M);

(c) interest income on bank deposits ($19.15M); and

(d) fee income from MPF intermediaries and ORSO schemes, and financial penalties ($19M).

Total Expenditure

14. To align with the Government's target on expenditure control[10], MPFA has continued reducing its expenditure proactively in preparing the Proposed Budget for FY 2026-27. The estimated total expenditure (excluding the cost to be recouped from eMPF Company)[11] of MPFA for FY 2026-27 is **$638.02M**, which is 2% lower than that of the Approved Budget for FY 2025-26 ($651.1M) and 1.2% lower than that of the Revised Estimates for FY 2025-26 ($646.03M). The above decrease is mainly driven by a reduction in capital expenditure and other cost control measures adopted by MPFA to contain its operating expenditure, including streamlining work procedures, leveraging technology, as well as freezing the total number of headcounts at the FY 2025-26 level.

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

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[9] An assessment of ARF income and the cost which should be recovered by ARF is at **Annex C**.

[10] As announced in the 2025-26 Budget, the Government would implement measures to strictly control its operating expenditure, including achieving an annual cut of 2% in recurrent expenditure for three consecutive years from FY 2025-26 to FY 2027-28.

[11] The cost to be recouped from eMPF Company has been excluded in the calculation of total expenditure to ensure that the reduction is limited to the expenditures solely relevant to the business activities of MPFA.

(a) **Personal Emoluments ("PE")** – the estimated PE cost for FY 2026-27 is $440.85M, which is $17.71M (4.2%) more than that of the Revised Estimates for FY 2025-26 ($423.14M). The increase is mainly due to the full-year cost effect of positions filled in FY 2025-26 and the provision for the annual salary adjustment of 3.7%[12] in preparing the budget;

(b) **Office Accommodation Expenses** – The estimated expenditure for FY 2026-27 is $50.77M, which is $0.37M (0.7%) more than that of the Revised Estimates for FY 2025-26 ($50.4M);

(c) **Member Education and Engagement** – The estimated expenditure for FY 2026-27 is $8.13M, which is $4.05M (33.3%) lower than that of the Revised Estimates for FY 2025-26 ($12.18M);

(d) **Information System-Related Expenses** – The expenditure primarily covers the maintenance costs of business operation systems and security equipment, investment information service charges and data communication line charges. The estimated expenditure for FY 2026-27 is $24.86M, which is $3.28M (15.2%) more than that of the Revised Estimates for FY 2025-26 ($21.58M). The increase is mainly attributable to the need to maintain more business operation systems and cyber security equipment (including new version of software switching to subscription-based, artificial intelligence ("AI")-related subscription as well as virtual desktop infrastructure);

(e) **One-off Projects** – The expenditure mainly covers the costs for project-based personnel and non-recurrent projects. The estimated expenditure for FY 2026-27 is $14.88M, which is $11.64M (43.9%) lower than that of the Revised Estimates for FY 2025-26 ($26.52M). The decrease is mainly due to a reduction in one-off projects to be carried out in FY 2026-27;

(f) **Depreciation and Amortisation** – The estimated expenditure for FY 2026-27 is $42.15M, which is $4.17M (11.0%) more than that of the Revised Estimates for FY 2025-26 ($37.98M); and

(g) **Capital Expenditure –** The total estimated capital expenditure for FY 2026-27 is $34.61M, which is $20.79M (37.5%) less than that of the Revised Estimates for FY 2025-26 ($55.4M), as the number of information system projects to be carried out in FY 2026-27 will be fewer compared to FY 2025-26.

12 Subject to the approval of FS.

Capital and Reserve

16. MPFA estimates an **operating deficit** of **$22.73M** for FY 2026-27. The shortfall in operating expenditure will be met by the balance of CG, which is projected to reduce from $2.17 billion at the end of March 2026 to $2.14 billion at the end of March 2027. To achieve the long-term goal of self-financing, MPFA will continue to exercise stringent control on its expenditure, and has commenced the review of the ARF level, with a view to fully recovering the costs attributable to the exercise and performance of functions with respect to registered MPF schemes by FY 2028-29.

COMPARISON OF THE APPROVED BUDGET WITH THE REVISED ESTIMATES FOR FY 2025-26

Income

17. The revised total income for FY 2025-26 (**$595.49M**) is $53.69M (9.9%) more than that of the Approved Budget ($541.8M), mainly due to a higher estimate of ARF income and a higher estimate of investment income resulting from better-than-expected return.

Total Expenditure

18. The revised total expenditure (excluding the costs to be recouped from eMPF Company) for FY 2025-26 is **$646.03M**, which is $5.07M (0.8%) less than that of the Approved Budget ($651.1M), mainly due to savings in PE cost and a decrease in expenditure for one-off projects.

Capital and Reserve

19. The revised operating deficit for FY 2025-26 is **$31.99M**, which is $60.88M (65.6%) less than that of the Approved Budget ($92.87M). Taking into account the actual balance of CG as of 1 April 2025 ($2.2 billion) and the decrease in the revised operating deficit, the projected balance of CG at the end of March 2026 is $2.17 billion.

THE GOVERNMENT'S VIEWS

20. The Government is delighted to note MPFA's efforts in expenditure control by implementing a headcount freeze and reducing its total expenditure by 2% in FY 2026-27. The estimated operating deficit of MPFA for FY 2026-27 will be about 30% less than its revised operating deficit for FY 2025-26, reflecting a continuous improvement of its financial position. Considering that MPFA will adjust the ARF level to fully recover the costs attributable to the exercise and performance of functions with respect to registered MPF schemes in the long run, the Government reminds MPFA to continue exercising fiscal discipline and containing its operating costs through the utilisation of technology to expedite and streamline work processes, and optimisation of its organisational structure and manpower allocation.

ADVICE SOUGHT

21. Members are invited to note the Proposed Budget of MPFA for FY 2026-27.

Financial Services Branch
Financial Services and the Treasury Bureau
March 2026

Annex A

Latest development of the eMPF Platform

PURPOSE

This paper sets out the latest development of the eMPF Platform, including the eMPF Platform fee level for the financial year ("FY") 2026-27 proposed by the eMPF Platform Company Limited ("eMPF Company"), and the Platform's engagement, publicity and education activities.

LATEST DEVELOPMENT

2. Since the launch of the eMPF Platform in June 2024, 22 Mandatory Provident Fund ("MPF") master trust schemes / employer sponsored scheme administered by all 12 MPF trustees have onboarded, altogether accounting for roughly 98% of the total assets-under-management ("AUM") of the MPF System. The other two industry schemes[1] will be onboarded on 26 March and 30 April 2026 respectively. The relevant legal notices were published in the Gazette and tabled at the Legislative Council for negative vetting in end-January 2026.

3. As at 15 February 2026, amongst the 22 onboarded MPF schemes, about 70% of active employers have already registered as Platform users. About one-third of scheme members have already registered as eMPF Platform users, holding MPF assets equivalent to around 47% of total AUM of the MPF System. The Platform has processed close to seven million administrative instructions, with over 70% submitted electronically, demonstrating the Platform's effectiveness in driving the digitalisation of MPF management.

4. During the initial launch phase of the Platform, some employers and scheme members encountered difficulties in using the Platform, including unsuccessful account registration through facial recognition technology, unclear payment instructions, and delays in tagging payments and identifying voluntary contributions resulting in contributions not being timely reflected in members' accounts, etc.. On customer service, there were views concerning insufficiency of the Platform's hotline staff and that some users would need to leave voice messages or submit their enquiries via email under individual circumstances.

[1] BCT (MPF) Industry Choice and BEA (MPF) Industry Scheme.

5. The eMPF Company attaches great importance to users' feedback and has therefore requested the Project Contractor to implement a series of enhancement measures to facilitate scheme members' and employers' transition to the eMPF Platform and improve user experience, including –

(a) Beefing up manpower resources: Increasing the total headcounts of the Contractor's project team (already increased by 60% to close to 4 000 by end-2025) and enhancing the project team's operating efficiency;

(b) Prompt resolution of operational issues: Conducting comprehensive root cause analysis and impact assessment once issues are identified to ensure effective resolution of the issues and to avoid recurrence;

(c) Comprehensive elevation of customer service standards: Implementing more proactive measures to comprehensively elevate customer service standards, including expanding the scale of eMPF service centres, significantly increasing the number of frontline staff, and strengthening training, etc., thereby enhancing the service centres' capability in handling cases and accelerating case processing;

(d) Performance enhancements in enquiries and complaints handling: Increasing headcounts dedicated to handling enquiries and complaints, with a series of enhancement measures already implemented, including strengthening training for frontline staff, reassigning supervisory staff from the Contractor's group company, strengthening managerial oversight of case progress with timely intervention requested, upgrading internal communication tools to provide better frontline support, implementing a mechanism to assign dedicated case officers to handle each case, and introducing artificial intelligence to optimise data retrieval and improve communication with customers, etc.;

(e) Increasing clarity of user interface: Making continuous refinements to the copy-writings of the eMPF Platform to improve clarity for facilitating users' submission of administrative instructions via the eMPF Platform and minimising errors;

(f) Increasing trial sessions and stepping up user training: Arranging more workshops for scheme members and employers and providing tailored support to cater for MPF intermediaries' needs. These include conducting training workshops, sharing sessions, establishing consultation booths, and launching a "live streaming room" to address users' enquiries on the spot, etc.. These measures help ensure their thorough familiarisation with the Platform's functionalities and operations prior to onboarding;

(g) Direct support to Platform users: Apart from the eMPF outreach team, eMPF Company has also arranged a team of MPF intermediaries to join in providing on-site support for employers, with assistance in registration with and using the Platform;

(h) Independent auditor's assessment of system and operational controls of the 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;

(i) Security risk assessment and audit ("SRAA"): Engaging an independent auditor to perform SRAA on an annual basis. eMPF Company will continue to drive the Contractor to further improve the security measures based on technology evolvements 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;

(j) Establishment of an Expert Group: Inviting information technology ("IT") experts, executives from large technology enterprises or digital platform companies, representatives from IT chambers of commerce, and university scholars to provide professional advice from a third-party perspective, so as to assist the project team in optimising the eMPF Platform's operation and services, thereby enhancing user satisfaction in respect of the eMPF Platform; and

(k) Trustee Working Group: Convening regular meetings with representatives from all trustees and the Contractor to review the ongoing operations of the eMPF Platform, to identify areas which require service improvement, to plan for digital take-up strategies and to review the needs for future system enhancements.

6. The Financial Services and the Treasury Bureau, the Mandatory Provident Fund Schemes Authority ("MPFA"), and eMPF Company are deeply concerned about recent incidents where criminals allegedly used high fidelity forged identity cards to impersonate MPF scheme members in opening eMPF accounts through electronic Know Your Customer ("eKYC") and unlawfully withdrawing MPF benefits of the scheme members concerned. The relevant cases did not involve any system security issues in respect of the Platform.

7. To safeguard scheme members' interests, MPFA announced on 25 January 2026 that eMPF registration via eKYC would be suspended. MPF scheme members and employers who have not yet registered with the eMPF Platform may continue to use "iAM Smart" to open an eMPF account. For assistance, applicants may visit any one of the eMPF service centres in person with their Hong Kong smart identity card. Staff from the service centres will assist them in registering an eMPF account using self-service kiosks located inside the centres. At the same time, eMPF Company has enhanced the security requirements for MPF withdrawals, where all scheme members who registered an eMPF account via eKYC are required to undergo additional identity verification using "iAM Smart" when applying for MPF withdrawals.

8. Considering that some scheme members / employers may not be able to verify their identity using "iAM Smart", eMPF Company proposes installing Hong Kong smart identity card readers at the eMPF service centres to read the Platform users' data stored in the chips of their smart identity cards for identity verification during critical processes[2].

eMPF PLATFORM FEE LEVEL

9. To maintain long-term financial sustainability of this public digital infrastructure, eMPF Company has been operating the eMPF Platform on a cost-recovery basis as a non-profit making entity, with the ultimate objectives to reduce scheme administration fees and deliver early cost savings. For onboarded MPF schemes, the prevailing level of eMPF Platform fee is 37 basis points ("bps") of AUM.

10. Having reviewed its FY 2026-27 expenditure and revenue forecast and conducted a financial risk assessment, eMPF Company proposes reducing the eMPF Platform fee level from 37 bps at present to 29 bps with effect from 1 April 2026[3], representing a reduction of over 20%. Latest forecast by MPFA suggests that the eMPF Platform could achieve cumulative cost savings of HK$50 billion within the first ten years of its operation (i.e. by 2034). This represents an increase as compared to the original forecast of HK$30 to 40 billion, bringing direct benefit to scheme members.

[2] Registering an eMPF account or withdrawals of MPF benefits of HK$5,000 or above.

[3] Subject to approval from the Financial Secretary.

ENGAGEMENT, PUBLICITY AND EDUCATION

11. With all MPF master trust schemes / employer sponsored scheme already onboarded, MPFA is working at full steam in strengthening its engagement, promotion, and education activities to assist scheme members and employers in registering with the eMPF Platform and familiarising themselves with the Platform's operations, thereby promoting widespread adoption of the eMPF Platform and boosting the overall digital take-up rate. The progress made so far and plans for the coming year are set out in the ensuing paragraphs.

Engagement

(a) **Stakeholders engagement exercise**: Commenced the third round of stakeholders engagement exercise starting from April 2025 to assist scheme members in registration with and using the Platform, with a special focus on the less tech-savvy grassroots and small and micro businesses. Over 360 meetings, talks, exchange sessions, district outreach activities and collaborative events with different stakeholder groups have been arranged so far to introduce the Platform's functionalities and provide on-site registration service. More events in collaboration with various stakeholder groups will be rolled out to further promote the Platform;

(b) **eMPF fleet**: Launched the eMPF fleet in October 2025, which has been traveling across Hong Kong Island, Kowloon, and the New Territories to proactively reach out to the public and introduce the Platform's functionalities, with service ambassadors providing on-site registration support and addressing enquiries from employers and employees. So far over 110 outreach sessions have been conducted across various districts, assisting members of the public to complete eMPF registration and addressing enquiries, thereby enhancing users' understanding of the eMPF Platform;

(c) **Three-tiered testing and engagement framework**: Continuously gathering views from IT experts, industry representatives and users from diverse backgrounds through the three-tiered engagement framework comprising External Professional Testing, Expert Group and Standing User Group, with a view to continuously enhancing the user interface and operational processes of the eMPF Platform, thereby bringing in comprehensive elevation of user experience; and

(d) **<u>Support in all districts</u>**: Co-organising seminars with the Home Affairs Department and district groups and setting up registration counters to provide convenient services for local residents. Meanwhile, setting up booths in or arranging eMPF fleet to attend major public events, including the Hong Kong Brands and Products Expo and Lunar New Year Fairs, etc., to proactively reach out to a large population. In addition, eMPF registration consultation counters have been set up in multiple major government office buildings to further facilitate members of the public and civil servants to register.

Publicity and Education

(a) **<u>Media publicity</u>**: Continuously arranging different media publicity activities, including press conferences, media interviews, blog posts, featured articles, and advertorials in conventional and online media, etc., to publish information pertinent to the Platform's latest development in a timely manner. With all MPF master trust schemes / employer sponsored scheme already onboarded, we will focus our efforts on promoting the onboarding arrangement of the two industry schemes. We will proactively appeal to casual employees in the construction and catering industries to register with the eMPF Platform, whilst continuing to step up publicity on the various enhancement measures and functions;

(b) **<u>Awareness campaign</u>**: Increasing the broadcasting frequency and coverage of the Television Announcement in the Public Interest to raise public awareness on the Platform;

(c) **<u>Marketing activities</u>**: Launching advertisements on various media outlets, including television, the Internet, social media platforms, and large outdoor billboards, etc., to urge employers and scheme members to pay attention to the onboarding schedule of different MPF schemes and register an eMPF account in a timely manner. A series of real-life stories featuring eMPF users has been launched on television channels and online media platforms since July 2025, shedding light on how the Platform could assist and facilitate scheme members in managing their MPF, the customer and outreach team services, and the role of intermediaries; and

(d) **<u>Incorporation of eMPF-related elements in MPFA's public education programmes</u>**: A short video on transferring MPF benefits across different schemes will be rolled out in the first quarter of 2026, highlighting how to leverage the eMPF Platform to transfer MPF more conveniently and efficiently.

WAY FORWARD

12. 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 two remaining industry schemes as scheduled.

Mandatory Provident Fund Schemes Authority
March 2026

Mandatory Provident Fund Schemes Authority
Estimates of Income and Expenditure for FY 2026-27

HK$ million	FY 2025-26 Approved Budget (Note 1) (a)		FY 2025-26 Proposed Revised Estimates (Note 1) (b)		**FY 2026-27 Proposed Budget (c)**		Increase / (Decrease) from FY 2025-26 Proposed Revised Estimates (d) = (c) - (b)	%	Increase / (Decrease) from FY 2025-26 Approved Budget (e) = (c) - (a)	%	Reference to Explanatory Notes
INCOME											
Annual Registration Fee		397.84		406.26		**475.76**	69.50	17.1%	77.92	19.6%	1
Interest Income on Bank Deposits		26.50		21.83		**19.15**	(2.68)	(12.3%)	(7.35)	(27.7%)	2
Investment Income		58.56		110.15		**65.48**	(44.67)	(40.6%)	6.92	11.8%	3
Other Income		58.90		57.25		**60.18**	2.93	5.1%	1.28	2.2%	
Other Fees and Charges	18.42		19.14		**19.00**		(0.14)	(0.7%)	0.58	3.1%	4
Recoveries from MPF Schemes Compensation Fund	1.26		1.26		**1.29**		0.03	2.4%	0.03	2.4%	5
Income Recharged from eMPF Company	39.22		36.85		**39.89**		3.04	8.2%	0.67	1.7%	6
TOTAL INCOME		541.80		595.49		**620.57**	25.08	4.2%	78.77	14.5%	
OPERATING EXPENDITURE											
Personal Emoluments		425.36		423.14		**440.85**	17.71	4.2%	15.49	3.6%	7
Office Accommodation Expenses		50.46		50.40		**50.77**	0.37	0.7%	0.31	0.6%	8
Depreciation and Amortisation		42.73		37.98		**42.15**	4.17	11.0%	(0.58)	(1.4%)	9
Legal and Professional Expenses		7.78		7.79		**8.99**	1.20	15.4%	1.21	15.6%	10
One-off Projects		31.77		26.52		**14.88**	(11.64)	(43.9%)	(16.89)	(53.2%)	11
Other Items		76.57		81.65		**85.66**	4.01	4.9%	9.09	11.9%	
Hire of Services	10.00		10.07		**12.98**		2.91	28.9%	2.98	29.8%	12
Information System-Related Expenses	21.52		21.58		**24.86**		3.28	15.2%	3.34	15.5%	13
Public Relation Expenses	9.96		9.32		**11.69**		2.37	25.4%	1.73	17.4%	14
Member Education and Engagement	7.48		12.18		**8.13**		(4.05)	(33.3%)	0.65	8.7%	15
Other Operating Expenses	27.61		28.50		**28.00**		(0.50)	(1.8%)	0.39	1.4%	16
TOTAL OPERATING EXPENDITURE		634.67		627.48		**643.30**	15.82	2.5%	8.63	1.4%	
DEFICIT FOR THE YEAR		(92.87)		(31.99)		**(22.73)**	(9.26)	(28.9%)	(70.14)	(75.5%)	
CAPITAL EXPENDITURE											
Leasehold Improvement, Office Equipment and Furniture		2.13		2.20		**1.54**	(0.66)	(30.0%)	(0.59)	(27.7%)	17
Information System		53.52		53.20		**33.07**	(20.13)	(37.8%)	(20.45)	(38.2%)	18
TOTAL CAPITAL EXPENDITURE		55.65		55.40		**34.61**	(20.79)	(37.5%)	(21.04)	(37.8%)	
TOTAL EXPENDITURE (OPERATING AND CAPITAL EXPENDITURE)		690.32		682.88		**677.91**	(4.97)	(0.7%)	(12.41)	(1.8%)	
Total Expenditure (excluding the cost to be recouped from eMPF Company) (Note 2)		651.10		646.03		**638.02**	(8.01)	(1.2%)	(13.08)	(2.0%)	

	(a)	(b)	(c)
Balance of Capital Grant Brought Forward (Note 3)	2,131.53	2,198.70	**2,166.71**
Deficit for the Year	(92.87)	(31.99)	**(22.73)**
BALANCE OF CAPITAL GRANT	2,038.66	2,166.71	**2,143.98**

Notes:

1. Including unspent balances of $30.85M (comprising respective balances of $3.43M and $27.42M from One-off Projects and Capital Expenditure) carried forward from FY 2024-25 to FY 2025-26 as approved by the Management Board of MPFA in June 2025.

2. Excluding the costs to be incurred and recouped from eMPF Company for the support provided by MPFA, including the personnel cost for providing middle / back-office support and the operating cost incurred for eMPF Company, which are not borne by MPFA. Details are set out at the explanatory notes.

3. The balance of Capital Grant brought forward in the Approved Budget for FY 2025-26 was a forecast based on the Revised Estimates for FY 2024-25. For the Proposed Revised Estimates for FY 2025-26, this balance has been updated to reflect the actual balance based on the audited financial statements for FY 2024-25.

March 2026

Explanatory Notes to the Budget of the Mandatory Provident Fund Schemes Authority for FY 2026-27

INCOME

1. **ARF ($475.76M)**
   With effect from 1 October 2020, MPF trustees are required to pay ARF to MPFA, with the rate for the first six years set at 0.03% per annum on NAV of the respective MPF schemes. ARF income from registered MPF schemes is estimated to be $475.76M, based on 0.03% of the projected NAV of MPF schemes at their year-end dates in FY 2025-26. MPFA is currently reviewing the ARF level with a view to fully recovering in the long term the cost attributable to the exercise and performance of functions with respect to registered MPF schemes.

2. **Interest Income on Bank Deposits ($19.15M)**
   Interest income on bank deposits is estimated to be $19.15M, based on the assumption of Hong Kong dollar interest rate at 2.41%[1].

3. **Investment Income ($65.48M)**
   With a forecast return of 5.16%[2] for FY 2026-27, investment income from the externally managed portfolio is estimated to be $65.48M.

4. **Other Fees and Charges ($19M)**
   Other Fees and Charges include fee income from MPF intermediaries ($11.08M) and ORSO schemes ($5.16M), and financial penalties ($2.76M)[3].

5. **Recoveries from MPF Schemes Compensation Fund ($1.29M)**
   Recoveries from the MPF Schemes Compensation Fund cover the cost incurred by MPFA for the provision of administrative services.

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[1] An average interest rate of 2.41% for FY 2026-27 is assumed taking into account market forecasts on interest rates.

[2] It is estimated by the external fund manager on a mark-to-market basis.

[3] The projection on financial penalties in the income forecast for FY 2026-27 is based on the average income of the past five years, excluding any anomalies to smooth out the projection.

6. **Income Recharged from eMPF Company ($39.89M)**
Income recharged from eMPF Company is estimated to be $39.89M, comprising (i) $29.83M for recovering the personnel cost for providing middle / back-office support (such as human resources, finance, external affairs, general administration, etc.) for eMPF Company; and (ii) $10.06M for recovering other operating costs incurred by eMPF Company (such as the costs for using MPFA's office space and information technology ("IT") infrastructure-related assets).

OPERATING EXPENDITURE

7. **Personal Emoluments ($440.85M)**
As compared with that of the Revised Estimates for FY 2025-26 ($423.14M), PE cost will increase by $17.71M while the total number of headcounts proposed for FY 2026-27 will remain at the FY 2025-26 level. The increase is mainly due to the full-year cost effect of positions filled in FY 2025-26 and the provision for the annual salary adjustment of 3.7%[4] in preparing the budget.

8. **Office Accommodation Expenses ($50.77M)**
The expenditure caters for the rents, management fees and electricity charges of MPFA offices.

9. **Depreciation and Amortisation ($42.15M)**
Depreciation and amortisation are calculated using the straight-line method, with the value of fixed assets (such as furniture and fixtures as well as office and IT systems and equipment) divided by their estimated service lives (three or four years).

10. **Legal and Professional Expenses ($8.99M)**
The expenditure covers the professional fees for legal, audit, and consultancy services and recruitment agency services.

[4] Subject to the approval of FS.

11. **One-off Projects ($14.88M)**
    The expenditure mainly covers –
    (a) project personnel cost in FY 2026-27 for supporting various projects of MPFA, including those related to applications of AI solutions and overseeing the post-onboarding operations of the eMPF Platform;
    (b) the cost for engaging external actuarial consultant for an independent review of the MPF Schemes Compensation Fund, so as to revalidate the fund's fitness for purpose and determine the optimal reserve level of the fund; and
    (c) the cost for engaging external consultant to assess and advise on AI technologies for AI-based call centre solution.

12. **Hire of Services ($12.98M)**
    The expenditure mainly covers the cost for outsourced services (including IT helpdesk, system support, office assistants/support personnel and technicians).

13. **Information System-Related Expenses ($24.86M)**
    The expenditure mainly covers the maintenance costs of business operation systems and cyber security equipment (such as AI-related subscription and virtual desktop infrastructure), as well as investment information service charges and data communication line charges.

14. **Public Relation Expenses ($11.69M)**
    The expenditure mainly covers the costs for ongoing activities (including the production of educational materials and other promotional materials, etc.) and the production of videos for posting on MPFA's corporate social media platforms.

15. **Member Education and Engagement ($8.13M)**
    The expenditure mainly covers the cost for ongoing programmes on MPF public education.

16. **Other Operating Expenses ($28M)**
    The expenditure mainly covers –
    (a) personnel-related expenses, including programmes for talent development and staff welfare activities;
    (b) office expenses, including telephone maintenance and mobile phone charges, postage and courier services, and office supplies;
    (c) travelling and transport expenses;
    (d) fixed assets-related expenses, including the acquisition of low-cost IT equipment and software, repair and maintenance of office equipment and furniture, and insurance for fixed assets;
    (e) investment expenses and general bank service charges; and
    (f) regulatory and supervisory expenses, including investigation and litigation-related expenses arising from the recovery of default MPF contributions.

CAPITAL EXPENDITURE STATEMENT

17. **Leasehold Improvement, Office Equipment and Furniture ($1.54M)**
    The expenditure mainly covers the costs for general office improvement works and replacement of general office equipment and furniture.

18. **Information System ($33.07M)**
    The expenditure mainly covers the costs for the development and enhancement of various system applications, and the enhancement of servers or replacement of personal 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 above statutory requirement, only the cost attributable to the exercise and performance of MPFA's functions with respect to registered MPF schemes can be recovered from ARF (ARF eligible cost).

(2) The total amount of expenditures in FY 2026-27 which are not eligible for ARF recovery is estimated to be $70.02M, including:

a) ORSO related cost ($17.76M);
b) the cost of performing functions with respect to MPF intermediaries to be recovered from intermediaries fees and MPF application fees ($11.08M);
c) cost to be recouped from eMPF Company ($39.89M); and
d) cost to be recovered from MPF Schemes Compensation Fund ($1.29M).

HK$ million	**FY 2025-26 Revised Estimates**	**FY 2026-27 Proposed Budget**
ARF Income (a)	**406.26**	**475.76**
ARF Eligible Cost (b)	**560.09**	**573.28**
(c) = (a) - (b)	**(153.83)**	**(97.52)**

Total Operating Expenditure (See Annex B)	**627.48**	**643.30**
Less: Items not eligible for ARF recovery	**(67.39)**	**(70.02)**
ORSO related cost	**(18.14)**	**(17.76)**
Cost recovered from intermediaries fees and MPF application fees	**(11.14)**	**(11.08)**
Cost recouped from eMPF Company	**(36.85)**	**(39.89)**
Cost recovered from MPF Schemes Compensation Fund	**(1.26)**	**(1.29)**
ARF Eligible Cost	**560.09**	**573.28**

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