

# MPF “Ideal vs Reality”: Employee Retirement Funding Policy Discussion

7 September 2018



**PUBLIC OPINION PROGRAMME  
THE UNIVERSITY OF HONG KONG**

**Means Promising Future**

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# MPF Management and Confidence Survey



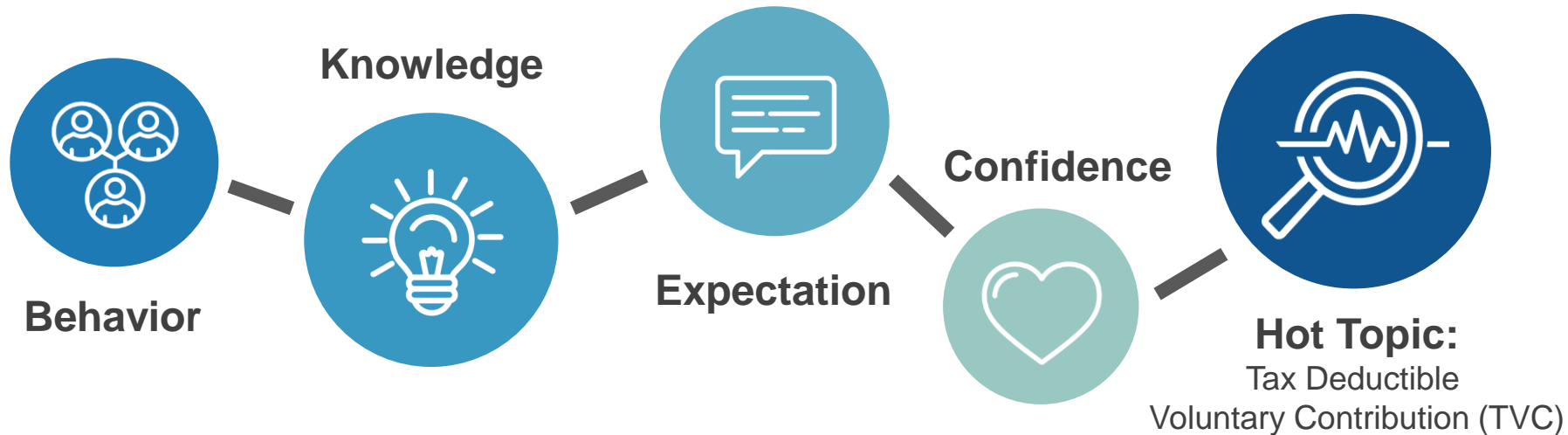
## Joint Collaboration of Gain Miles and HKUPOP for 7 Consecutive Years

### Purposes and Development

- 1 Study the development trends of employees' behavior, knowledge and expectation
  - 2 Understand employees' confidence in MPF as retirement protection
  - 3 Establish continuous data on related trends and attribution factors
  - 4 Further investigate the gap between MPF and retirement reserve needed
- Help employers understand the needs and expectations of employees
- Understand employees' expectation on MPF's contribution to their retirement funding

# Survey Scope and Methodology

## Key Areas:



Survey Period: 28 June – 24 July 2018

Survey Method: Random telephone interview via landlines and mobile phones

Target Interviewee: HK residents aged 18 to 64 and participating in MPF Contribution Scheme

Valid Sample: 1,005 (Effective response rate: 55.4%)

Source: General Public Opinion Survey on MPF Management and Confidence 2018

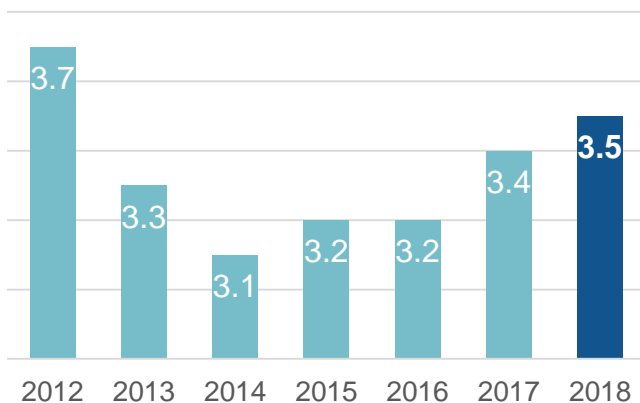
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# Confidence Level Slightly Increased Yet Remains Relatively Low



Over the past 7 years:

Year	Average	Percentage		
		0	0-4	5-10
<b>2018</b>	<b>3.5</b>	<b>16.2%</b>	<b>58.6%</b>	<b>41.3%</b>
2017	3.4	16.0%	60.2%	39.6%
2016	3.2	22.2%	62.6%	37.1%
2015	3.2	22.2%	63.6%	36.1%
2014	3.1	24.2%	66.7%	32.6%
2013	3.3	21.6%	61.2%	38.2%
2012	3.7	14.4%	55.5%	44.1%

- Overall MPF confidence index mildly rose to 3.5, yet remains relatively low
- Percentage of “zero confidence” slightly increased by 0.2%
- Percentage of respondents giving a score of 5 or more gradually increased from bottom low level in 2014, from 32.6% to 41.3%

Source: General Public Opinion Survey on MPF Management and Confidence 2012 – 2018

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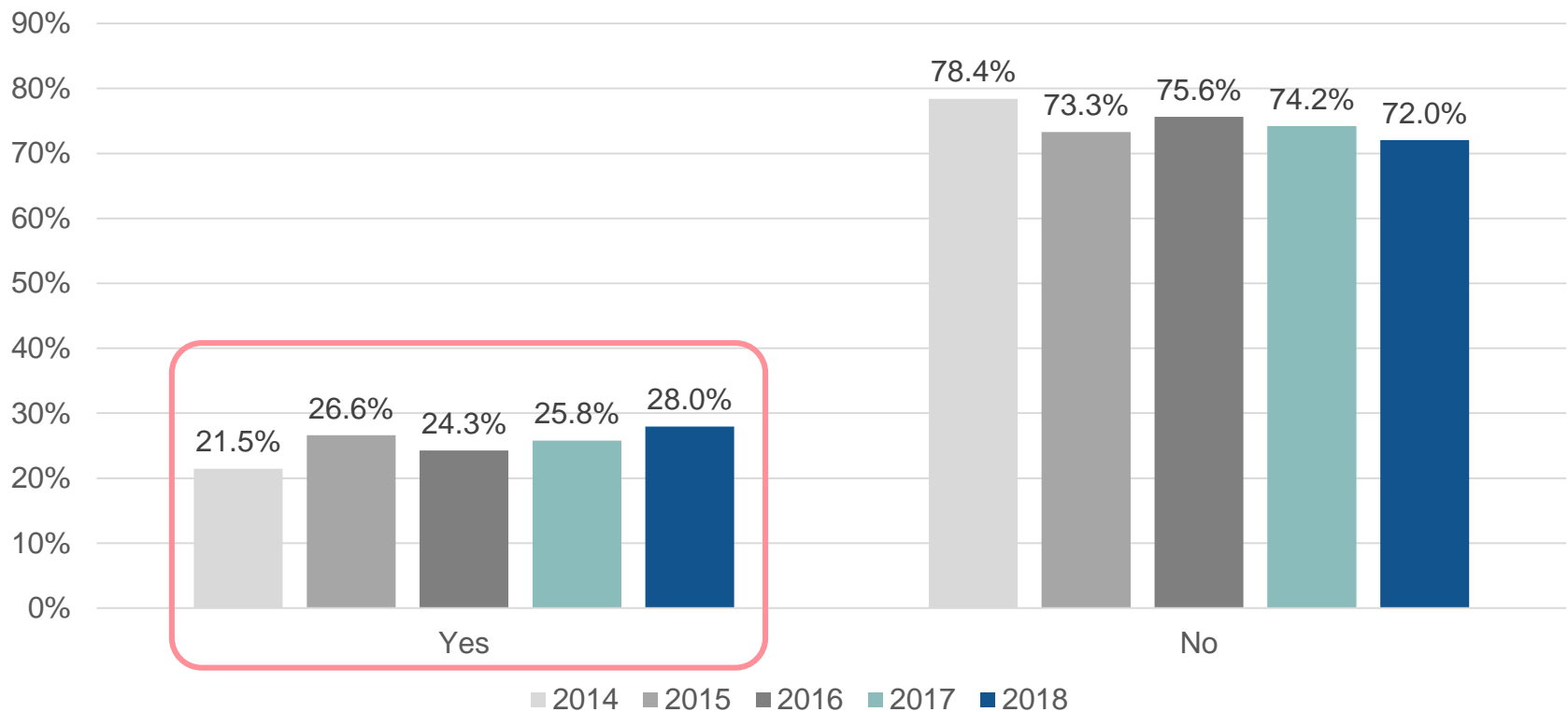


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# Increasing Trend in MPF Review Habit

[Q1] Did you spend at least 30 minutes to review or evaluate your MPF investment in the past 12 months?



Source: General Public Opinion Survey on MPF Management and Confidence 2014 – 2018

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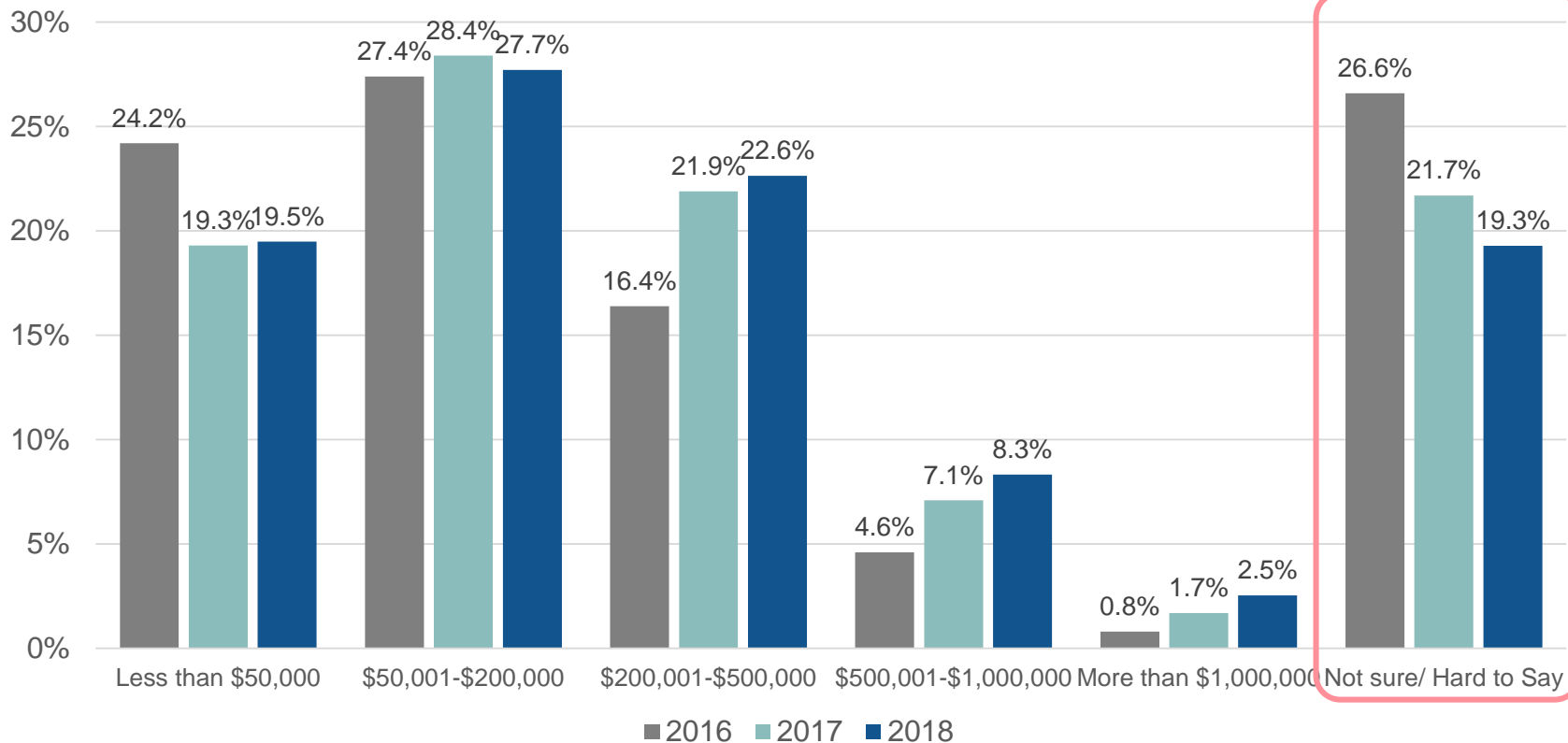
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# Increasing Trend in MPF Account Balance Knowledge



Knowledge

[Q4] Do you know your MPF account balance?



Source: General Public Opinion Survey on MPF Management and Confidence 2016 – 2018

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Knowledge

# Knowledge of FER Remains Insufficient

[Q3] Do you know the Fund Expense Ratio (FER) of your current MPF schemes?

	<b>2017</b> Base: 1008	<b>2018</b> Base: 1005
0-<1%	3.3%	3.9%
1.0-<2%	9.7%	<b>7.7%</b>
2.0-<4%	5.4%	4.2%
4.0-<10%	2.4%	1.8%
10.0-<60.0%	0.4%	0.9%
Not sure/ Hard to say	78.9%	<b>81.5%</b>

DIS Fee Cap

**0.95%**

(Including max 0.75% management fees and max 0.2% recurrent out-of-pocket expenses)

Average FER

**1.53%**

(as of July 2018)

The average importance rating of “fees & charges” is

**7.2**

when members evaluate MPF investment

Source: General Public Opinion Survey on MPF Management and Confidence 2014 – 2018

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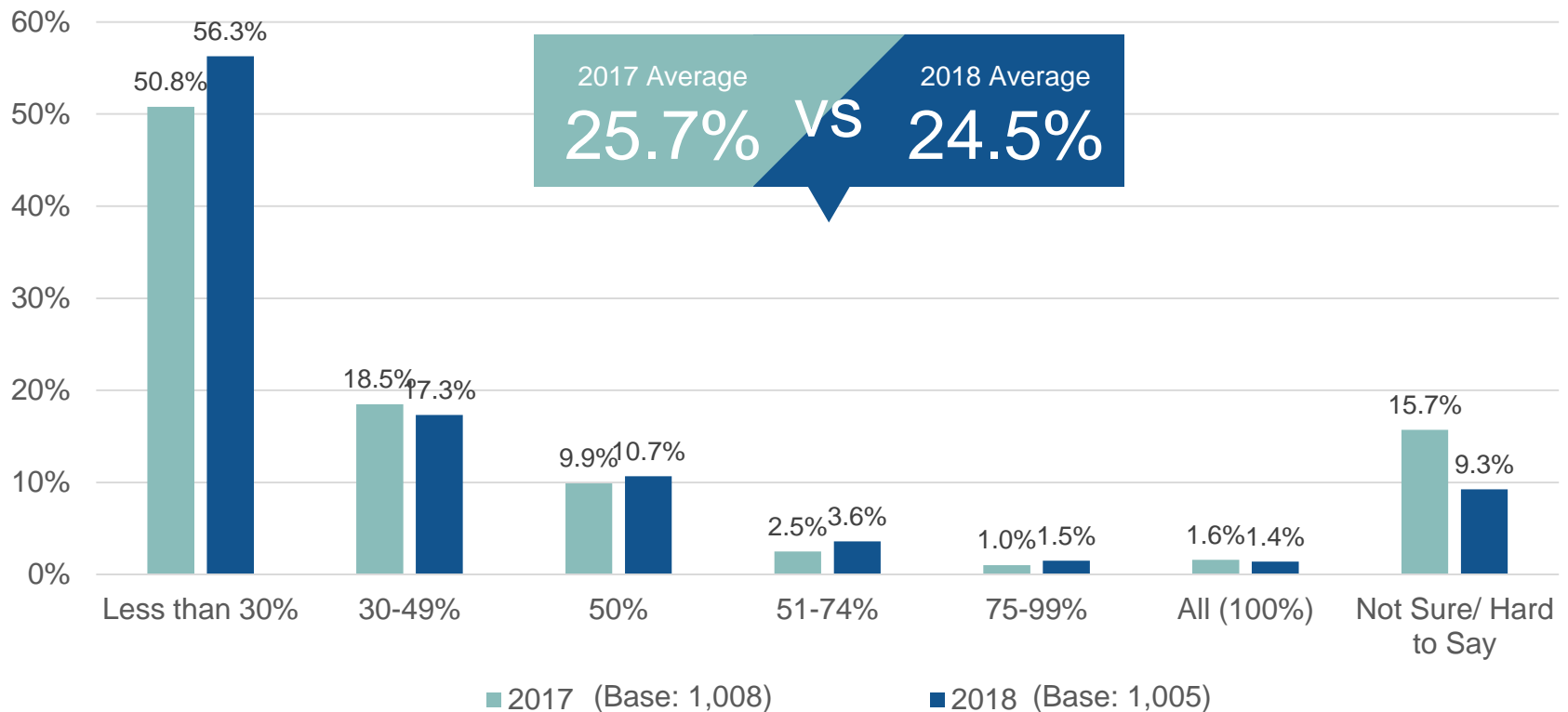
What did members tell us on  
MPF's contribution to  
**“Retirement Funding Expectation”**?

# Employees Estimated MPF Would Only Contribute to 1/4 of Retirement Reserve



Expectation

[Q5] How much do you estimate your MPF benefits will take up your retirement savings when you reach the age of 65?



Source: General Public Opinion Survey on MPF Management and Confidence 2017 – 2018

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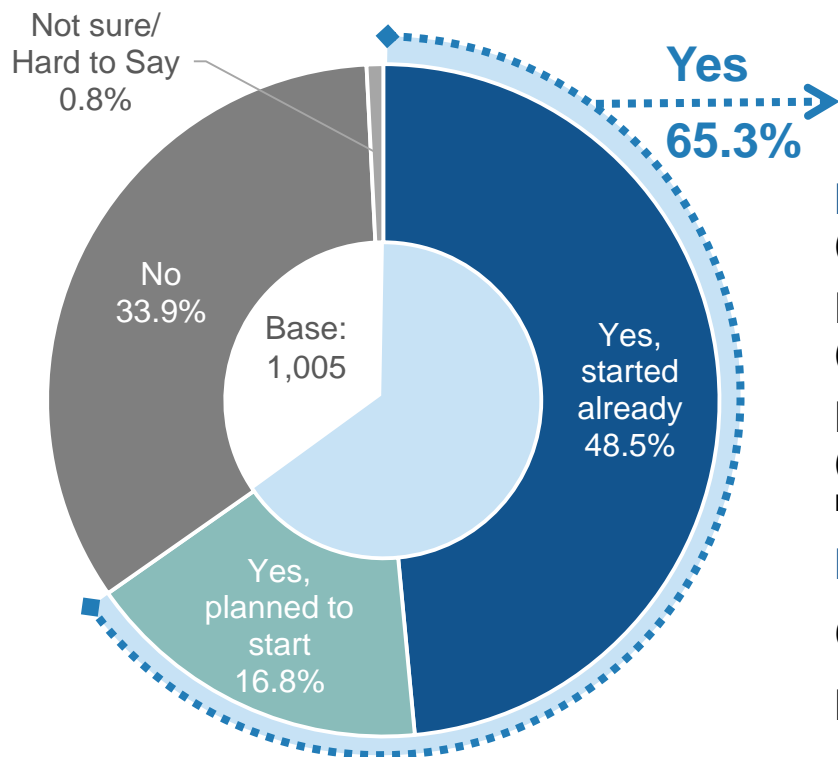
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# 65% Employees Have Started or Planned to Start Filling Up the Retirement Gap



Expectation

[Q6] If you expect that your MPF benefits would not be enough to cover your expenses in retirement, have you started or planned to start filling up the retirement funding gap?



[Q7] If yes, what kinds of wealth management measures are you adopting or considering to adopt?

<b>Increase personal voluntary savings</b> (such as purchasing savings insurance plans, annuity or funds)	<b>69.4%</b>
Purchase or invest in other personal asset (such as property)	62.5%
Manage MPF accounts more actively (such as review MPF accounts more often, keep abreast of market movements, acquire investment knowledge more actively)	28.5%
<b>Make more MPF voluntary contributions</b>	<b>6.9%</b>
Others	1.1%
Not sure/ Hard to say	1.2%

Source: General Public Opinion Survey on MPF Management and Confidence 2018

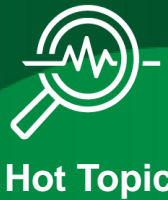
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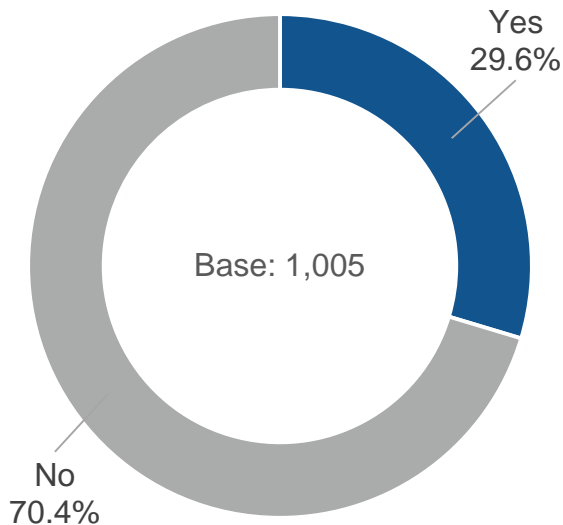
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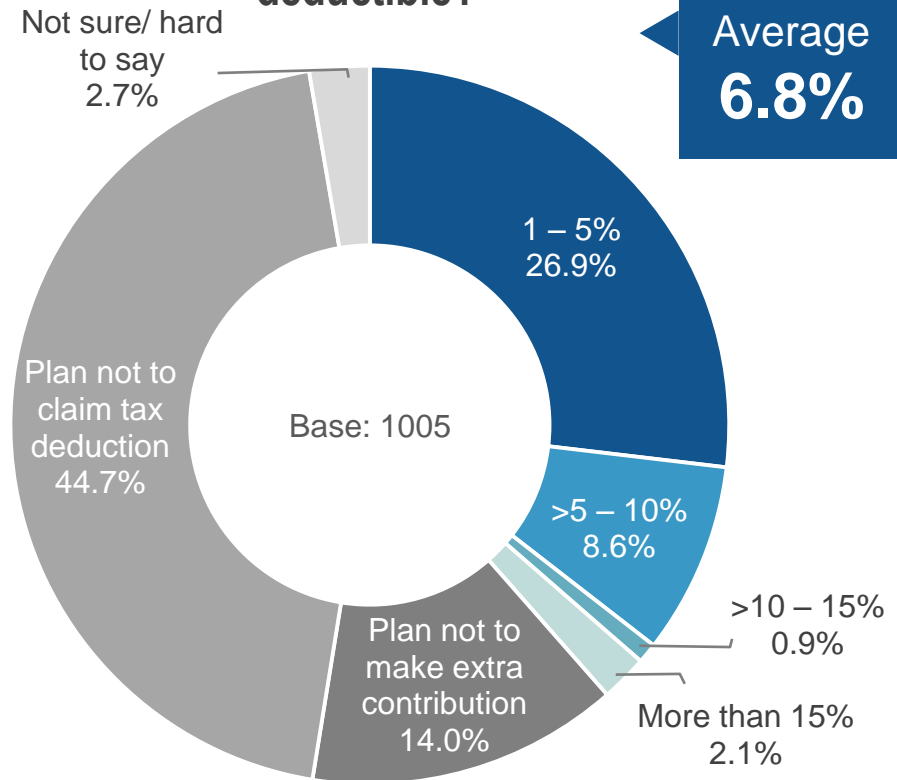
# Employees Willing to Make 6.8% VC if Granted With Higher Tax Deductible Limit



[Q13] Do you know the government has proposed earlier that taxpayers can enjoy tax benefits for their MPF voluntary contributions made?



[Q14] How much of your monthly income are you willing to contribute additionally if it is tax deductible?



Source: General Public Opinion Survey on MPF Management and Confidence 2018

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# Narrowing Down Retirement Gap with Tax Deductible Voluntary Contribution (TVC)



Member A

## PROFILE

Basic Monthly Salary:  
HK\$11,900\*

Working/ Contribution Period:  
43 Years (From age 22 to 64)

**With 6.8% Monthly VC:**

**+ \$2.15M (PV: \$1M) = \$5.37M (PV: \$2.49M)**

**With HK\$36,000 Annual VC:**

**+ \$1.46M (PV: \$0.67M) = \$4.68M (PV: \$2.16M)**

**Accrued Benefits with MC only: \$3.22M (Present Value: \$1.49M)**

○ **Age 22**

○ **Age 40**

○ **Age 65**

Assumption :

- Salary increased 10% annually from age 22 to 32 and 4% annually from age of 32 onwards
- Maximum relevant income level capped at HK\$30,000 per month
- Investment Performance Return by using past 17 years MPF average Return with the DIS assumption on asset mix
- Inflation was the same of past 17 years of 1.8% annualized per annum

Source : \*HK Census and Statistic Department – Median Monthly Wage as at Jun 2016; Gain Miles.

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# Employer Voluntary Contributions Play a Substantial Role in Retirement Protection



## Employer

**15,700 employers**  
(5.6% of all participating ER)  
made ER-VCs to

**295,500 employees**  
(11.4% of all participating EE)

2016

## Employee



**82,100 employees**  
(3.2% of all participating EE)  
made EE-VCs  
(not including SVC)

Total amount of ER-VCs:  
**\$8.020 billion**

Total amount of EE-VCs:  
**\$1.319 billion**

Average amount of ER-VCs:  
**\$511,400 per employer**  
**\$27,100 per employee**

Average amount of EE-VCs:  
**\$16,100 per employee**

Source: MPFA Statistical Analysis of Accrued Benefits Held by Scheme Members of MPF Schemes Sep 2017

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How can **YOU**  
help employees on  
**“Retirement Funding Expectation”** ?

# Members' Expectation on Assistance in Investment Portfolio Management



Expectation

Employer/ HR	2017	2018
1. Consolidation of personal accounts when starting a new job	47.5%	47.2%
2. Arrangement of an independent MPF Consultant to assist in evaluating risks and advising on investment portfolio	N/A	44.5%
3. Provision of more than one MPF service providers for selection	49.3%	43.4%

MPF Consultant		
1. Evaluation of risks, analysis and selection of investment portfolio	55.0%	61.5%
2. Regular feed with the latest MPF information	49.5%	51.2%
3. Provision of independent and consolidated MPF information	45.5%	48.4%

Source: General Public Opinion Survey on MPF Management and Confidence 2017 – 2018

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# Effective Member Education is the KEY

How useful do you think the member briefing session / helpdesk services help in the following aspects?

## Enhance understanding in:

**MPF Scheme Fees**

**88.6%**

Useful & Very Useful

**Fund Choice**

**90.8%**

Useful & Very Useful

**Fund Performance & Return**

**97.9%**

Useful & Very Useful

## Select an investment portfolio that fits your risk profile:

**90.6%**

Useful & Very Useful

Source: Gain Miles, survey results based on 694 sample data collected during 2016 to Jun 2018

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# Key Takeaways

How employers can set up a **Retirement Funding Policy** to help employees prepare for retirement reserve?

Members estimated that MPF can only contribute to 1/4 of retirement savings

## Employee TVC

If granted with higher tax deductible limit, members are willing to make an average of 6.8% TVC



## Employer VC

Employer VC also plays a vital role in enhancing retirement protection of employees

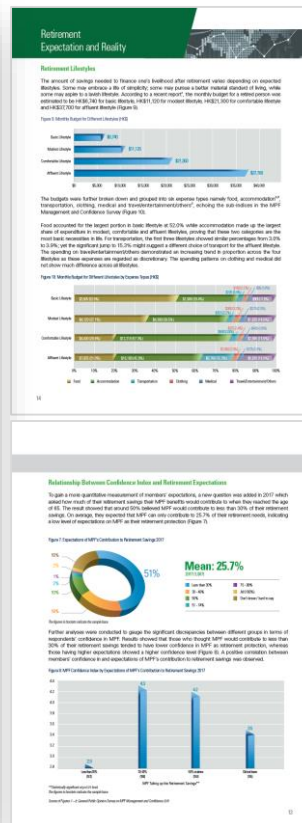
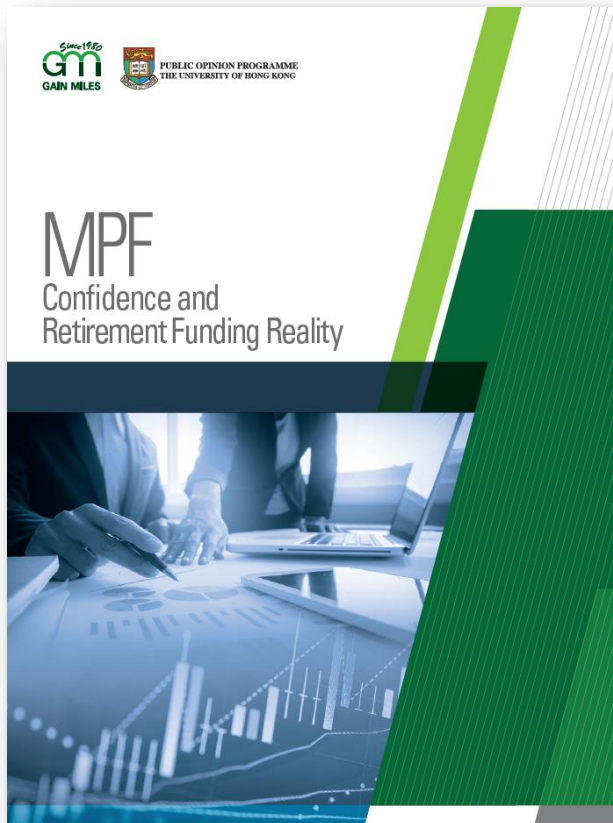
**Effectively narrowing the retirement funding gap**

Most employees think **“Evaluation, analysis and choosing of investment portfolio”** is the most useful assistance

Established the **Gain Miles MPF Performance Index** to build up a reference benchmark for evaluating investment performance

# Learn More From Our 2018 Publications

## Jointly Publication by Gain Miles and HKUPOP



## MPF Research For Employers 2018



# Thank You