



PRESS RELEASE

IFPHK comments on the public consultation paper of the MPFA's "Core Fund" *Support default fund idea and hope for simplified MPF administration*

(Hong Kong – 17 October, 2014) The Institute of Financial Planners of Hong Kong (IFPHK) has recently provided comments to the Financial Services and the Treasury Bureau (FSTB) and the Mandatory Provident Fund Schemes Authority (MPFA) on their consultation paper proposing a "core fund" to address concerns over high levels of fund fees and the difficulty in making choices among a great variety of funds. By introducing a "core fund", there will be a standardized low fee default fund for all MPF schemes.

In response to the MPF reform proposal, the IFPHK calls for the adoption of three principles for the FSTB and MPFA's consideration that include advocating the importance of financial planning on retirement planning, enhancing financial literacy and promoting financial education, and streamlining the MPF system.

In the consultation paper, the FSTB and MPFA recommend that, to match members' life cycle or target date, the investment risk of "core fund" members will be automatically lowered as these members approach retirement age. The fee level is kept at a maximum of 0.75% of fund assets. The MPFA expects that the "core fund" will provide a benchmark for the fees and performance of MPF funds.

Dennis Lau, Chief Executive Officer of the IFPHK, said, "[t]he IFPHK welcomes the idea of introducing the "core fund". First, the proposal benefits all MPF members who have never made a fund choice, including members who have no time or do not know how to make fund choices. Under the "core fund" system, the trustees will invest their MPF contributions in the standardized low fee default funds. Second, the proposed "core fund" structure will automatically reduce members' investment risk as they become older. If the member is approaching retirement age, then the investment strategy will become more conservative, providing more assurance on their benefits at retirement."

He added, "[n]evertheless, the IFPHK has reservations about calling the default fund a "core fund". The name "core fund" may mislead the public into thinking that the "core fund" is the government's preferred fund, while the other 477 funds available in the market are secondary funds. The proposal does not help to simplify the cumbersome administrative requirements of the existing MPF system, rather it adds to the administrative processes required. In addition, the proposed low fee level of the "core fund" does not necessarily mean high-quality fund choices."

The IFPHK plays an important role in bridging the financial planning industry and the government, providing feedback from its members from time to time on industry developments. Currently, the IFPHK has over 7,000 individual members and 44 corporate members.

The IFPHK has consolidated the views of its members and has studied international experience in administering similar retirement schemes. The IFPHK calls for the adoption of the following three principles that it considers essential to improve the MPF system:

- (1) Advocating the importance of financial planning on retirement planning** - As retirees receiving benefits from a defined contribution scheme like the MPF will confront several risks they have not faced before as individuals, the importance of personalized financial advice for retirees is greater than ever before.
- (2) Enhancing financial literacy and promoting financial education** - Financial literacy is important to all scheme members, including those who have never made any fund choices. Financial education helps to maintain transparency and confidence in the MPF system, and encourages individuals to take more responsibility towards their own retirement and to become less reliant on a default fund solution.
- (3) Streamlining and simplifying the MPF system** - Any reform to the MPF system should strive towards simplifying the system, rather than adding a burden to providers and/or members.

For the IFPHK's submission to the Consultation Paper on Providing Better Investment Solutions for MPF Members, please visit the IFPHK website at www.ifphk.org (Policy and Regulatory Affairs).

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About IFPHK

The IFPHK was established in June 2000 as a non-profit organization for the fast-growing financial services industry. It aims to be recognized in the region as the premier professional body representing financial planners dedicated to upholding the highest professional standards.

The Institute is the sole licensing body in Hong Kong authorized by Financial Planning Standards Board Limited to grant the much-coveted and internationally-recognized CFP^{CM} Certification and AFPTM Certification to qualified financial planning professionals in Hong Kong and Macau.

It represents more than 6,800 financial planning practitioners in Hong Kong from such diverse professional backgrounds as banking, insurance, independent financial advisory, stock broking, accounting, and legal services.

Currently there are more than 153,000 CFP certificant in 25 countries/regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, with more than 4,700 CFP certificant in Hong Kong.

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