

25 April, 2025

Mr. Eric Cheng  
Executive Director (Policy)  
Policy and Regulation Division  
Mandatory Provident Fund Schemes Authority  
Level 12, Tower 1, The Millennium  
98 How Ming Street, Kwun Tong  
Hong Kong

Dear Mr. Cheng,

**IFPHK's Response to the Consultation Paper on Full Portability of MPF Benefits under the MPF System**

On behalf of the Institute of Financial Planners of Hong Kong (IFPHK), we are pleased to submit our response to the Mandatory Provident Fund Schemes Authority (MPFA)'s consultation paper on Full Portability of MPF Benefits under the MPF System. IFPHK sincerely welcome the opportunity to be involved in this consultation paper. We hope that the MPFA will find the suggestions provided in our contained response paper useful.

The IFPHK fully supports the proposed phased implementation of full portability, which aligns with the autonomy principle of financial planning and retirement planning. It is foreseeable that the MPFA will strengthen publicity, communication, training and education in accordance with the views of the industry and stakeholders. It is also foreseeable that the MPFA will review the implementation and make appropriate amendments in a timely manner.

The IFPHK emphasizes the critical role of financial education and collaboration with industry stakeholders to ensure members understand their expanded choices. The IFPHK stands ready to support MPFA in developing educational tools and resources, particularly through the eMPF Platform, to facilitate informed decision-making.

Thank you for considering our suggestions. If you have any further questions, please email our Ms. Daphne So at [daphneso@ifphk.org](mailto:daphneso@ifphk.org).

Yours faithfully,



Dr. Paris Yeung  
Chief Executive Officer  
Institute of Financial Planners of Hong Kong

# **Response to MPFA's Consultation Paper on Full Portability of MPF Benefits under the MPF System**

**April 2025**

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## MPFA Consultation

On 28 March, the MPFA launches a one-month public consultation to gather public feedback on specific proposals of full portability of MPF benefits (full portability). Public feedback submission deadline is 28 April 2025.

The aim of full portability is to allow MPF scheme members to transfer more MPF benefits derived from mandatory contributions to an MPF scheme of their choice. This would encourage employees to proactively manage their MPF investments and foster market competition, thereby creating room for fee reductions. The MPFA has put forward the following proposals for implementing full portability and welcomes public feedback:

- Starting on or after May 1, 2025, new employees can transfer employer mandatory contributions (ERMC) from their Contribution Account in an MPF Scheme to a personal account in an MPF scheme of their choice annually. The proposed arrangement is the same as the current arrangement under the current Employee Choice Arrangement (ECA) (commonly called “semi-portability”);
- For employees who start their jobs before May 1, 2025 (referred to as “existing employees”), a new type of account called the “designated ERMC Account” is proposed. This account will enable these employees to transfer their entire ERMC from the employer’s MPF Contribution Account to an MPF scheme of their choice once a year. This arrangement allows existing employees to maintain portability while still meeting the requirements to use the ERMC to offset severance or long service payments for their employment prior to May 1, 2025, as stipulated by the Employment Ordinance.
- As the proposals for “existing employee” and “new employee” involve different levels of legislative amendment and system support works, the proposal for “existing employee” may require a longer lead time to implement than the proposal for “new employee”. To realize the benefits of the full portability proposals as soon as possible, implementation of the full portability proposals by phases may be considered.

The Consultation Paper contains 5 questions\* as set out below:

1. Do you agree with the three key considerations in formulating the proposals for full portability?

(Details as set out in paragraph 38)

2. Do you agree with enabling New EE to access full portability by extending the existing ECA transfer mechanism from covering EEMC only to also including ERM (i.e. core proposal), so that they can have more choices in managing their MPF benefits?

(Details as set out in paragraphs 43 to 44)

3. Do you agree with enabling Existing EE to access full portability through establishing the designated ERM account (i.e. extended proposal), so that they would also benefit from full portability and more choices in managing MPF benefits?

(Details as set out in paragraphs 46 to 51)

4. Further to the above, do you agree that the frequency and amount basis of full portability transfers should be consistent with ECA, a well-tested and familiar arrangement amongst EE that can enhance choices and at the same time reasonably contain the additional administration cost to the whole system, hence to scheme members' benefit?

(Details as set out in paragraphs 39 to 40)

5. Do you agree that the above proposals should be implemented by phases in order to realize their benefits the soonest possible?

(Details as set out in paragraph 58)

*\* ECA= Employee Choice Arrangement; EE=Employee; EEMC=MPF benefits derived from employee mandatory contributions;*

## **IFPHK submission**

The views expressed in this submission paper are not summaries of the views taken from the industry but may have undergone more independent and critical analysis and consideration by IFPHK as a professional body. As a result, not all the views collected by IFPHK are recorded in this submission paper and neither have all the views expressed in this submission paper been directly endorsed by those industry representatives or members consulted.

Prior to providing our views on the questions stipulated in the Consultation Paper, we wish to point out that the IFPHK's responses are formed upon the following principles:

### **IFPHK's Principles**

#### ***Advocating the importance of financial planning and retirement planning***

The financial planning process is a collaborative, iterative approach that financial planning professionals use to consider all aspects of a client's financial situation when formulating financial planning strategies and making recommendations, according to IFPHK and FPSB<sup>1</sup>. A financial planner typically evaluates pertinent aspects of a client's circumstance across a wide range of financial planning activities, such as financial management, asset management, risk management, tax planning, retirement planning, and estate planning.

In Hong Kong, where one of the world's fastest-growing aged population presents significant challenges, it is anticipated that MPF and retirement planning will become more prominent in our society. The Hong Kong Retirement Expense Index was established by IFPHK in response to the necessity for financial strategies that are effective for retirees. The objective of this project is to establish a comprehensive framework for comprehending the genuine living expenses that are associated with retirement in Hong Kong. The index provides individuals with critical insights that can inform their retirement planning by analyzing key expenses. The Index demonstrates the importance of proactive planning and the financial realities that retirees encounter. Financial planners can provide clients with more effective assistance in developing realistic retirement plans that consider both their current requirements and their future aspirations.

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<sup>1</sup> <https://fpsb.org/about-financial-planning/financial-planning-process/>

***Enhancing financial literacy and promoting financial education***

The IFPHK always believes that improved financial literacy levels will not only allow consumers to make more informed investment decisions, but also result in greater consumer appreciation of planning for a long-term financial future – a concept the IFPHK continuously promulgates. Financial education helps to maintain transparency and confidence in the retirement system and financial system as a whole, and thereby encourages individuals to take more responsibility towards their own retirement. Improving financial education may help in promoting income security at retirement. The IFPHK regards that intermediaries in direct contact with clients can help promote consumer protection by assisting them make better-informed decisions about the products they buy. Intermediaries should be encouraged to become involved in the education program to enhance public awareness and boost the industry's reputation.

IFPHK applauds the MPFA's proposal to introduce full portability of MPF benefits marks a significant step toward modernizing Hong Kong's retirement savings system. We are prepared to provide assistance in the implementation of this proposal through industry collaboration, consumer education, and technological innovation.

Our response to each question of the Consultation Paper is as follows:

***Question 1***

***Do you agree with the three key considerations in formulating the proposals for full portability?***

***(Details as set out in paragraph 38 of the Consultation Paper)***

**IFPHK's views**

IFPHK agrees with the three primary objectives delineated in paragraph 38, which are to provide scheme members with more choices, safeguard a smooth transition and uphold system efficiency, in accordance with the aforementioned principles. These factors are consistent with our objective to provide consumers with a greater degree of autonomy regarding their retirement finances.

- ***Member Choice:*** By enabling employees to evaluate schemes based on fees, performance, and services, the eMPF Platform provides comparative tools that empower them to optimize their retirement savings. This proposal has the potential to encourage

market competition and allow financial planners to help consumers enhance their retirement planning.

- *Transition Safeguards:* The proposals appropriately consider the operational requirements of the Offsetting Arrangement's abolition, thereby guaranteeing that the pre-transition severance payment or long-service payment claims of existing employees (EE) are still practicable.
- *System Efficiency:* We believe that proposals can achieve a balance between cost containment and flexibility by limiting the transfer frequency and utilizing the eMPF Platform.

In the long run, the MPFA should monitor the impact of these changes on administrative costs and member behavior to ensure the system remains sustainable. In order to guarantee that designated ERMC Accounts are managed in a manner that is consistent with the Employment Ordinance's offsetting requirements, trustees should be provided with explicit guidelines. It would also be beneficial for MPFA to offer educational opportunities to employers, such as seminars that will assist them in comprehending their responsibilities in SP/LSP claims under the new system.

## **Question 2**

***Do you agree with enabling New EE to access full portability by extending the existing ECA transfer mechanism from covering EEMC only to also including ERMC (i.e. core proposal), so that they can have more choices in managing their MPF benefits? (Details as set out in paragraphs 43 to 44 of the Consultation Paper)***

### **IFPHK's views**

IFPHK supports this proposal as a logical extension of the ECA framework. Since 2012, the ECA has been operative, thereby illustrating its feasibility and member familiarity. The core proposal to permit New EE (employment that commences on or after 1 May 2025) to transfer ERMC to a Personal Account under the current ECA framework is a pragmatic and member-friendly reform. By offering increased flexibility, members can make well-informed decisions that are consistent with their retirement objectives, thereby enhancing their financial security. Proactive management is promoted as employees acquire a greater degree of autonomy regarding their retirement finances.

Full portability has been long awaited in Hong Kong. Other jurisdictions have already



implemented full portability. The Pension Freedom Reforms of 2015 in the United Kingdom introduced full portability, which encourages scheme members to consolidate their accounts. The Australian superannuation system facilitates the transfer of balances between funds, thereby fostering competition among providers and motivating individuals to pursue more advantageous investment opportunities.

The MPFA should collaborate with industry stakeholders to educate new employees on their expanded options, emphasizing the benefits of consolidating accounts (e.g., reduced fees, streamlined administration), in order to implement the proposals.

### **Question 3**

***Do you agree with enabling Existing EE to access full portability through establishing the designated ERMC account (i.e. extended proposal), so that they would also benefit from full portability and more choices in managing MPF benefits?***

***(Details as set out in paragraphs 46 to 51 of the Consultation Paper)***

### **IFPHK's views**

IFPHK believes that the establishment of a designated ERMC account for Existing Employees (Existing EEs) is an essential step in ensuring that they can also benefit from full portability. While enabling Existing EEs to more freely access their contributions, this approach ensures compliance with the Offsetting Arrangement. We are of the opinion that this will promote proactive financial management among members, which is crucial for their long-term financial well-being. These measures are equitable and well-balanced, with the objective of facilitating portability and guaranteeing a seamless transition following the abolition of the offsetting arrangement.

Although the restriction to one designated ERMC account per employment is reasonable, ring-fencing ERMC in a dedicated account ensures compliance with offsetting rules and grants members some flexibility. However, it may still result in complexity for employees who hold multiple jobs, as the MPFA is required to verify the feasibility of the eMPF platform. When implementing the ideas, the eMPF Platform should contain a clear pathway for employers to locate and claim ERMC across schemes, hence decreasing delays.

**Question 4**

***Further to the above, do you agree that the frequency and amount basis of full portability transfers should be consistent with ECA, a well-tested and familiar arrangement amongst EE that can enhance choices and at the same time reasonably contain the additional administration cost to the whole system, hence to scheme members' benefit?***

***(Details as set out in paragraphs 39 to 40 of the Consultation Paper)***

**IFPHK's views**

It is prudent to maintain consistency in the transfer frequency and amount with the existing ECA arrangement, as ECA was implemented in 2012. This familiarity will facilitate the transition for consumers and reduce the possibility of confusion. Furthermore, it is anticipated that restricting transfers to once per year will contribute to the preservation of the MPF System's integrity by preventing the excessive fragmentation of accounts, which may result in increased administrative expenses for consumers in the long term.

In comparison to other jurisdictions, Malaysia allows biannual transfers with a minimum holding period of 6 months, while the United Kingdom permits quarterly transfer frequency with a minimum holding period of 30 days. Therefore, the initial proposal to restrict transfers to just once per year is logical; however, it is necessary to conduct a future review to determine whether it is feasible to increase the frequency.

**Question 5**

***Do you agree that the above proposals should be implemented by phases in order to realize their benefits the soonest possible?***

***(Details as set out in paragraph 58 of the Consultation Paper)***

**IFPHK's views**

It is logical to prioritize the core proposal (New EE) over the extended proposal (Existing EE) due to the legislative and operational complexities of the latter. This approach enables the system to be carefully monitored and adjusted as needed, thereby guaranteeing that consumer interests are prioritized during the transition. In order to promptly resolve any emerging issues, it is also essential to maintain open channels for feedback throughout this process. It is also critical to maintain open channels for feedback during this process to

address any emerging issues promptly.

Phased implementation also warrants sufficient time to prepare for member education. It is advisable to develop interactive tools on the eMPF Platform to simulate transfer outcomes (e.g., fee comparisons, investment performance).

## **Institute of Financial Planners of Hong Kong (IFPHK) - Profile**

### **About IFPHK**

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 the Financial Planning Standards Board Limited to grant the much-coveted and internationally-recognized CFP® Certification and AFP® Certification to qualified financial planning professionals in Hong Kong and Macau.

Currently, there are more than 230,000 CFP certificants in 28 countries/regions; the majority of these professionals are in the U.S., Canada, China, Australia and Japan, with approximately 3,600 CFP certificants in Hong Kong.

IFPHK has 6,700 members in Hong Kong including 1,200 Qualified Retirement Adviser (QRA) holders; and represents financial planning practitioners in diverse professional backgrounds such as banking, insurance, independent financial advisory, stock trading, accounting, and legal services.

### **About CFP Certification**

CFP certification is the global symbol of excellence in financial planning and represents financial planners who commit to standards of competency and ethics, and to putting clients' interests first. The CERTIFIED FINANCIAL PLANNER® credential represents financial planning professionals who commit to better serving their clients through rigorous international standards, ethical practices and lifelong learning.

### **IFPHK's interest in this consultation**

Retirement planning is considered an important focus among the financial topics addressed by financial planners. At present, approximately 54% of the IFPHK's financial planners are registered as MFP intermediaries. The IFPHK has consistently expressed concern regarding the growing elderly population in Hong Kong. As a result, the IFPHK has a history of responding to the Consultation Paper on the retirement system in Hong Kong. For instance, the IFPHK responded to the Consultation Document on Retirement Protection in 2016.

The Mandatory Provident Fund ("MFP") system has been operational for twenty-five years. The Mandatory Provident Scheme Authority (MPFA) and the Government have been collaborating with the industry to enhance the system on an ongoing basis. As a result, IFPHK is eager to offer its input and feedback on the proposals outlined in this Consultation Paper for the consideration of MPFA. Please refer to the list of responses from IFPHK on our website. (<http://www.ifphk.org/ee/importance-of-advocacy>)