

I trust the choice of
1 MILLION member accounts

**BCT MPF &
Pension Services**



HR Magazine Conference – Difficult HR

Default Investment Strategy (DIS) – How to get prepared as an HR?

Ms Ka Shi Lau, BBS
Managing Director & CEO

13 January 2017



- ✓ **Retirement schemes landscape in Hong Kong**
- DIS at a glance
- Important dates and points to note in communication
- Does one solution fit all?
- Looking ahead

WEF's Life Expectancy at Birth (Years)



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Country / Economy	Years
1. Hong Kong SAR	84.0
2. Japan	83.6
3. Spain	83.1
4. Switzerland	82.8
5. Italy	82.7
6. Singapore	82.6
7. France	82.4
8. Australia	82.3
9. Luxembourg	82.2
10. Korea, Rep.	82.2

Source: The Global Competitiveness Report 2016–2017, The World Economic Forum (September 2016)

What does that imply?



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- When retirement age is generally set at 65, we have to save to support a retirement life of **15 - 20 years**
- Effective use of the **MPF system** - one of the pillars for retirement protection

MPF's Role is Increasingly Significant



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Average MPF
Accrued Benefits
per Scheme
Member

\$144,000



170%

(from 2005 to 2015)



Amount of
Voluntary Contributions



3 times

Amount of
Special Voluntary Contributions



26 times

(from 2006 to 2015)

Source: MPFA <Statistical Analysis of Accrued Benefits Held by Scheme Members of Mandatory Provident Fund Schemes>, as at Dec 2015

Who are we? Born with the MPF System



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BCT Financial Limited
Bank Consortium Trust Company Limited

Major **MPF Product Provider** and
One of the Largest **Trust Companies**
in Hong Kong



Rooted in
Hong Kong
Founded in **1999**



Assets Under
Administration
Exceeded
HK\$130 billion*



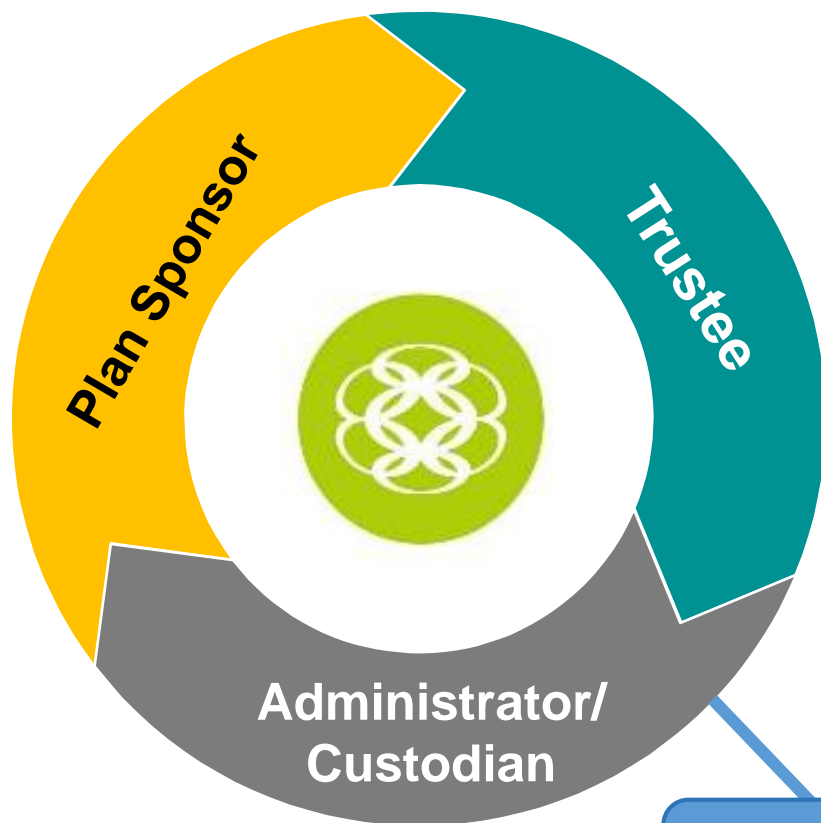
Serve Over
1 Million*
Member Accounts

*As at Aug 2016

Focused and Committed MPF Expert



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- Focused on providing quality:
 - MPF and pension products
 - Asset servicing solutions for pensions and investment funds
- **One of the only two** providers offering an MPF industry scheme in Hong Kong, **serving all industries**

Use of World-class
Fund Managers



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Information Security
Management

Fund Performance

Corporate
Governance

**Broad Capabilities
Well Recognised**

Service
Excellence

Administration

Investor Education





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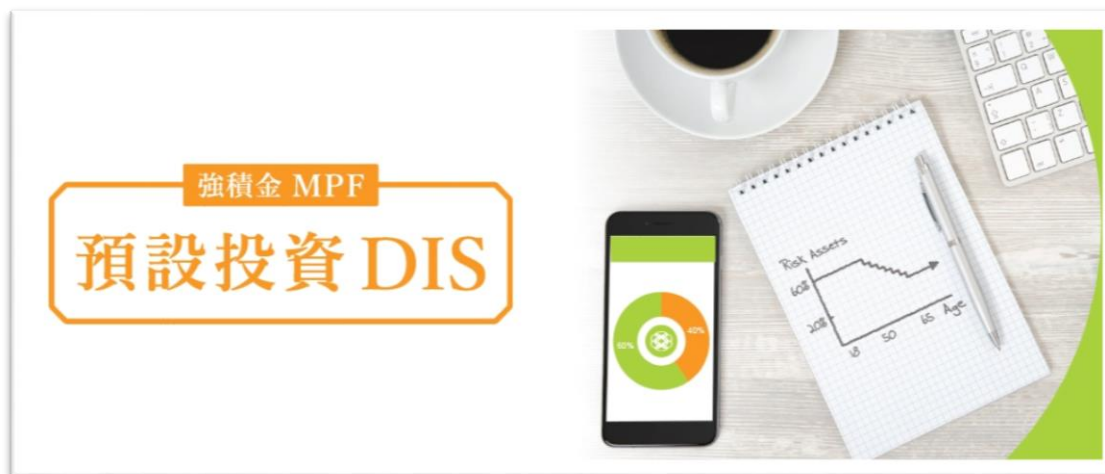
What is DIS?



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- Default Investment Strategy (“DIS”) is a **ready-made low fee** MPF investment solution.
- Designed mainly for MPF members who **do not have time**, or **do not know how to manage** their MPF investment.
- Members can also **actively select** the DIS or funds under the DIS if they find that the solution suits their own circumstances.
- As required by law, **each MPF scheme** has to offer the DIS on **1 April 2017**.





DIS 1, 2, 3



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ONE Investment Solution: Ready-made and low cost



TWO Constituent Funds:

- Core Accumulation Fund (“CAF”) - 核心累積基金
- Age 65 Plus Fund (“A65F”) - 65 歲後基金



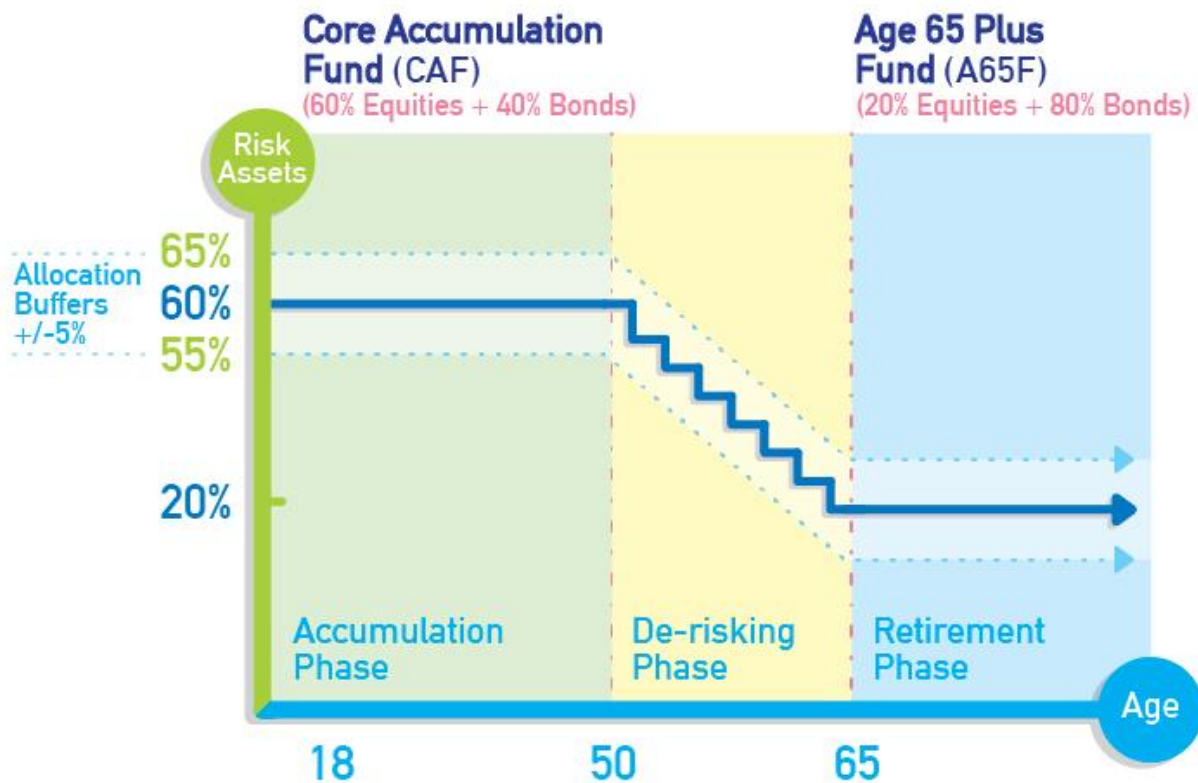
THREE Features:

- **Fee cap:** Management fee: 0.75% p.a. of NAV
Out-of-pocket expenses: 0.20% p.a. of NAV
- **Age-based** de-risking
- **Globally diversified** investment principle

Age-based De-risking



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De-risking Phase

Age	Core Accumulation Fund	Age 65 Plus Fund
Below 50	100.0%	0.0%
50	93.3%	6.7%
51	86.7%	13.3%
52	80.0%	20.0%
53	73.3%	26.7%
54	66.7%	33.3%
55	60.0%	40.0%
56	53.3%	46.7%
57	46.7%	53.3%
58	40.0%	60.0%
59	33.3%	66.7%
60	26.7%	73.3%
61	20.0%	80.0%
62	13.3%	86.7%
63	6.7%	93.3%
64 and above	0.0%	100.0%

Current Default Funds – Vary Among Different Schemes



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Scheme A



Scheme B



Scheme C



Scheme D



Scheme E



Scheme F



Scheme G



Scheme H



DIS - Standardized Default Arrangement Among Schemes



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Scheme A



Scheme B



Scheme C



Scheme D



Scheme E



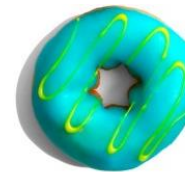
Scheme F



Scheme G



Scheme H



Various Investment Approaches Can be Adopted



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Note:

Standardized
investment **strategy**

≠

Identical
investment **outcomes**

Also For You to Choose as an Active Choice



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Core Accumulation Fund (CAF)

核心累積基金

Age 65 Plus Fund (A65F)

65 歲後基金



Active Investment Option	De-risking Applies
DIS (the strategy)	✓
Core Accumulation Fund (CAF)	✗
Age 65 Plus Fund (A65F)	✗



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How Does DIS Affect You?



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You have not given investment instruction

- Your MPF assets may be affected.
- If you are under or become 60 years old on 1 April 2017.



You are not sure if you have given investment instruction

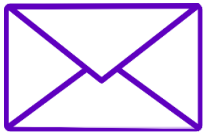
- Contact your provider as soon as possible to review your MPF investment instructions.



You have given investment instruction

- In general, there is no impact.
- Maybe some exceptions – relating to future investment.



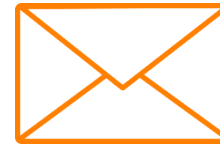


Jan 2017

Pre-launch

**DIS Pre-implementation Notice (“DPN”)
&
Important Note**

To all MPF members



1 April
2017

DIS

DIS Re-investment Notice (“DRN”)

To relevant members only

Opt-out Approach



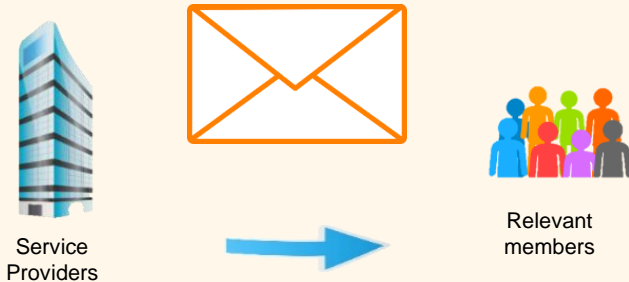
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**DIS Re-investment Notice
("DRN")**

**Relevant
members can
opt-out from DIS**

**Re-invest in DIS
if no opt-out
indication**



**1 April
2017**

Within **6 months** after
commencement date

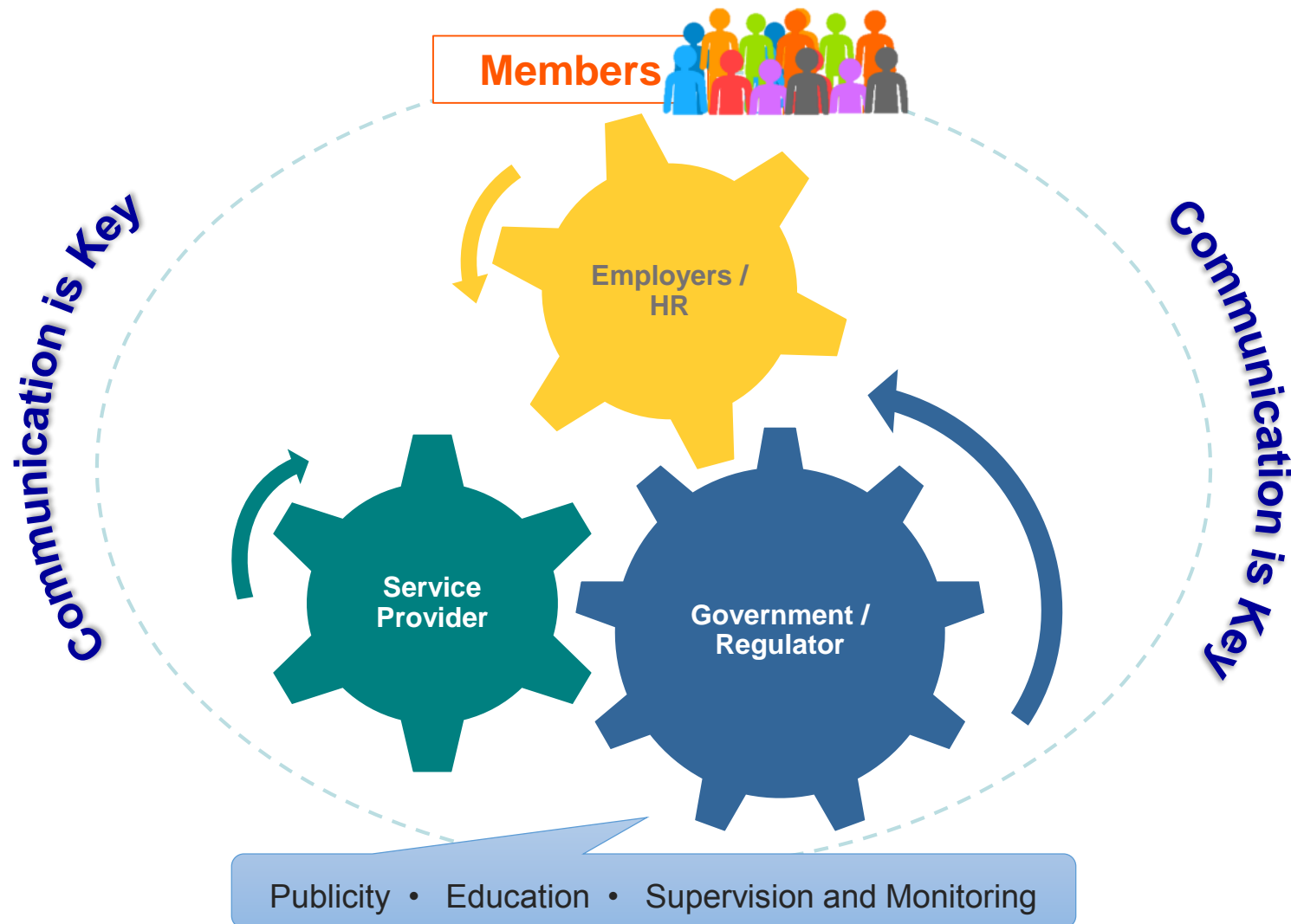
Within
42 days

Within
14 days

Roles to Play By...



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Roles to Play By...



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Members

Care about your retirement
Be alert about DIS notices
Think and act

Employers / HR

Be resourceful
and helpful

Service Providers - BCT

Provide timely information & assistance

- Send out relevant notices
- Provide contact centre support
- On-going investor education & member communication





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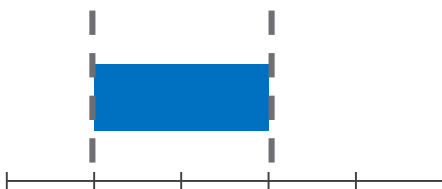
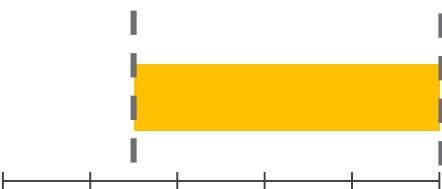
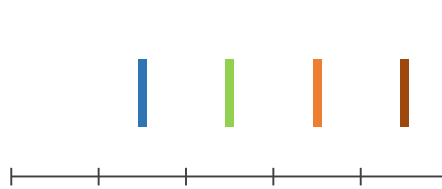








What are the differences among the following MPF fund types?

DIS	Target Date Funds	Lifestyle / Mixed Asset Funds
<ul style="list-style-type: none">• Globally diversified investment• Based on market capitalization so more weighting in developed markets (e.g. US and Europe)	<ul style="list-style-type: none">• Globally diversified investment• Higher than market capitalization weighting towards Asian markets (e.g. HK)	<ul style="list-style-type: none">• Globally diversified investment• Higher than market capitalization weighting towards Asian markets (e.g. HK)

Invested Regions



	DIS	Target Date Funds	Lifestyle / Mixed Asset Funds
EQUITY PORTION	<p>20% 60%</p> 	<p>~ 30% 100%</p> 	<p>30% 50% 70% 90%</p> 
DE-RISKING	<ul style="list-style-type: none"> • Age-based • Administrative arrangement in re-balancing • Regardless of market conditions 	<ul style="list-style-type: none"> • Glide path • Dynamic asset allocation • Fund manager to adjust portfolio based on market conditions 	<p>Members make their own decision on when and how to de-risk</p> 
FLEXIBILITY	<p>Ready-made</p> 	<p>Cook for you</p> 	<p>DIY</p> 

DIS is designed for who?



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*Don't know
how to choose*



*Too busy and don't
bother to choose*



DIS – Another Option For Members



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- De-risking through administration means – Age-based
- Globally diversified – no bias to any particular market
- Risk level – too high or too low for you?



**After all, DIS and the two funds under DIS
are fund options available,
like other funds in your MPF scheme**



Benefit of a Comprehensive Fund Platform



Risk tolerance may vary in different **life stages**, and for different people...



Choose a pension scheme that offers wide spectrum of **fund types**

Return of Different Types of Funds (Net of fees)



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Fund Type	1 Dec 2000 – 31 Jul 2016	
	Annualized Return	Cumulative Return
Equity Funds	4.0%	84.0%
Mixed Asset Funds	3.8%	79.3%
Bond Funds	3.0%	59.7%
Guaranteed Funds	1.2%	21.4%
MPF Conservative Funds	0.8%	12.9%
Money Market Funds	0.5%	8.5%

Source: MPFA

Pick one that suits your appetite!



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Looking ahead



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- **Ageing population** – pressing needs to have adequate retirement benefits
- **Enhancements to the MPF system**
 - eMPF
 - Full portability
 - Increase contribution rate and cap for maximum relevant income
 - Tax concessions as incentive to encourage more voluntary contributions
- **Government consultation** on retirement protection – implement short-, mid- and long-term strategies to improve social security and retirement protection



The importance of and need for
member engagement for retirement savings
and **investor education**
in making informed investment decisions



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YOUR MPF EXPERT

Bringing Value **C**onnectivity **T**rusted

For enquiries, please contact:

Yvonne Hui

Tel: 2298 9103

Email: hui.yvonne@bcthk.com

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