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Gain Miles MPF Consultants Limited &
Public Opinion Programme, The University of Hong Kong

Media Release



Public Opinion Survey:

Overall MPF Confidence Index Remains Relatively Low Despite a Slight Increase to 3.5 Respondents Estimated MPF Can Only Cover One Quarter of Their Retirement Funding

[Hong Kong – 30 August 2018] – Gain Miles MPF Consultants Limited (“Gain Miles”) has collaborated with Public Opinion Programme (POP) of The University of Hong Kong for the 7th consecutive year to conduct the MPF Management and Confidence Survey, with the aim of studying the development trends of MPF members’ behavior, knowledge, as well as their confidence in and expectations of MPF as retirement protection.

During the period of 28 June to 24 July 2018, a total of 1,005 Hong Kong residents, aged between 18 to 64 and participating in MPF contribution schemes, were successfully interviewed via landlines and mobile phones with an effective response rate of 55.4%.

Members’ Confidence in MPF as Retirement Protection Remains Relatively Low Despite a Slight Increase

The overall MPF confidence index mildly rose from 3.4 in 2017 to 3.5 in 2018 on a 10-point scale, showing a gradual rebound from the bottom low of 3.1 in 2014. The percentage of respondents assigning a rating of 5 or above increased from 39.5% last year to 41.3% this year, whereas 16.2% of respondents rated “zero confidence”, which is similar to the percentage in 2017 (16.0%). Although a recovering trend in members’ confidence in MPF is observed, the overall confidence level is still relatively low.

Dr. Robert Chung, Director of Public Opinion Programme of The University of Hong Kong said, “Nearly 60% of the respondents have relatively low confidence in relying on MPF as their retirement protection, in spite of a slight increase in the average confidence rating this year. Sub-index analysis showed that people are still most worried about accommodation expenses, while the largest expectation gaps occur in the ability of MPF to cover members’ medical and accommodation expenses (Table 1).”

Table 1: Analysis on MPF Confidence and Importance Rating of Sub-Indices 2018

	Confidence		Importance	
	Rating	Ranking	Rating	Ranking
Transportation	4.4	1	4.4	3
Food	3.9	2	4.7	2
Clothing	3.2	3	3.6	5
Travel/Entertainment	2.5	4	3.3	6
Medical	2.5	5	4.7	1
Accommodation	2.1	6	4.1	4

Members Estimated MPF Can Only Contribute to One Quarter of Their Retirement Reserve

Nearly Two-thirds of Respondents Have Started or Planned to Start Filling Up the Retirement Gap

As for expectations of MPF, 73.6% of respondents thought that the MPF benefits accrued at the age of 65 would only take up less than half of their retirement funding, which is higher than the percentage in 2017 (69.3%). Overall, respondents estimated that MPF would only be able to contribute to roughly one quarter (24.5%) of their retirement reserve, similar to the result last year (25.7%).

When further asked about the retirement funding gap, around two-thirds (65.3%) of respondents reflected that they have already started or planned to start filling up the shortfalls between the MPF benefits and actual retirement needs, among which 69.4% preferred to increase personal voluntary savings such as purchasing savings insurance plans, annuities or funds, and 62.5% opted to purchase or invest in other personal assets such as property. On the contrary, fewer respondents considered managing their MPF actively (28.5%) and making MPF voluntary contributions (6.9%).

Around 40% of Respondents Willing to Contribute Extra 6.8% on Average If Granted with a Higher Tax Deductible Limit

In order to encourage citizens to save actively and early for retirement, the government has proposed the Tax Deductible Voluntary Contribution (TVC) earlier. It is suggested to provide an aggregate maximum tax deductible limit of HK\$36,000 per year for the TVC made together with the deferred annuity premium paid, given that the tax-deducted MPF voluntary contributions can only be withdrawn when the taxpayers reach the retirement age of 65. According to the survey results, 70.4% of respondents did not know about the proposal, indicating a low level of awareness of MPF policy among the general public. When asked about the willingness to make TVC, respondents were inclined to contribute an average of 6.8% of their monthly income as TVC, among which 26.9% chose to contribute no more than 5% of their monthly income while 11.6% were willing to contribute more than 5%. The remaining respondents either had no plan to make extra contribution (14.0%), claim tax deduction (44.7%) or had no idea yet (2.7%).

Gloria Siu, Chief Executive of Gain Miles Group said, “MPF voluntary contribution is now hardly the first choice for citizens when planning their retirement savings. If given the tax benefits, members are willing to make a voluntary contribution of 6.8% on average. With reference to the past return data of MPF, the additional 6.8% voluntary contribution is still insufficient to cover half of the retirement needs of members. On the other hand, the public’s awareness of the proposed arrangement is relatively low. The government and the industry will have to make greater effort in promotion and public education in order to drive TVC to be another source of retirement protection and help members narrow down the retirement funding shortfalls.”

Decline in Global Equity Market Dragged Down YTD Overall MPF Return by 2.77% with Average Loss of HK\$5,658 Per Member

With the escalation of trade war, US Fed fueling a faster rate hike cycle and strong US dollar, the global equity market except the US tumbled in the upper half of 2018 with Hong Kong and China market performing the worst, bringing negative impact to the MPF performance. According to the Gain Miles MPF Composite Index, as of 24 August, the year-to-date MPF average return slipped **2.77%**. Among the three major categories, the Equity Fund Index recorded the largest drop of 4.36%. The Mixed Assets Fund Index went down 2.51% whereas the Fixed Income Fund Index slightly fell 0.51%. Each MPF member on average lost **HK\$5,658** (Table 2).

Among the sub-category equity funds, US equity and related funds were well performing while Hong Kong Equity Fund performed the worst with a YTD drop of 6.94%. Hong Kong Equity Fund (Index Tracking) also demonstrated a poor performance, reporting a fall of 5.43%. As for the two Default Investment Strategy (DIS) funds which have a globally diversified portfolio, DIS Core Accumulation Fund recorded a positive return of 1.17% while DIS Age 65 Plus Fund slightly went up 0.16% (Table 3).

Michael Chan, Managing Director of Gain Miles Group, said, “The unsatisfactory MPF performance in the upper half of the year was mainly attributed to the poor performing Hong Kong and Asian equity markets in which the largest share of MPF assets are invested. It is anticipated that the US equity will remain strong in the remaining of the year. Fundamentals of Hong Kong, China and Asian markets are positive with higher possibility of rebound as relevant factors such as the US-China trade war, US rate hike cycle and strong US dollar have been digested by the market gradually and shown little sign of risk acceleration. Conservative investors should also bear in mind that the rate hike cycle may further weigh on bond prices. Investors are advised to re-assess risks and increase equity ratio moderately for better returns in the long run.”

Table 2: Overall MPF Market Performance and Per Member Gain/Loss (as of 24 August 2018)

	2018 August Return (%)	2018 YTD Return (%)
Gain Miles MPF Composite Index	-1.50%	-2.77%
Gain Miles MPF Equity Fund Index	-2.49%	-4.36%
Gain Miles MPF Mixed Asset Fund Index	-1.28%	-2.51%
Gain Miles MPF Fixed Income Fund Index	-0.03%	-0.51%
MPF Per Member Gain/Loss ^{Note 1} (HK\$)	-3,051	-5,658

Table 2: Performance of MPF Sub-Category Fund Index with Top 2 AUM in Each Category (as of 24 August 2018)

Category	Sub-category Fund Index	2018 August Return (%)	2018 YTD Return (%)
Equity Fund	Hong Kong Equity Fund	-3.71%	-6.94%
	Hong Kong Equity Fund (Index Tracking)	-2.90%	-5.43%
Mixed Asset Fund	Mixed Assets Fund (Equity 80-100%)	-1.78%	-3.24%
	Mixed Assets Fund (Equity 60-80%)	-1.42%	-2.75%
DIS Fund	DIS Core Accumulation Fund	0.15%	1.17%
	DIS Age 65 Plus Fund	0.20%	0.16%
Fixed Income Fund	MPF Conservative Fund	0.07%	0.25%
	Guaranteed Fund	-0.18%	-1.02%

About Gain Miles

Gain Miles is a leader in the Health and Wealth industry, providing comprehensive range of consultancy services including Pension, Employee Benefits, Corporate Risk Management and Individual Financial Planning.

Rooted in Hong Kong since 1980, Gain Miles has gained its prominence by providing employee benefits solutions in both breadth and depth to our corporate clients and its employees, supported by a series of exceptional initiatives including research, publications and member education. The years of excelling in the industry has made us who we are today – one of the best run consultancy in the territory advising over 600 corporate clients and more than 50,000 employees from an array of well-known brands across all sectors.

Gain Miles believes that people are always the most valuable asset and the key for every business to progress and sustain. With our extensive knowledge of the industry, professional teams of consultants and substantial experience, we are set to tailor make the best solutions for clients that balance their considerations and needs of their employees.

About Public Opinion Programme, The University of Hong Kong

The Public Opinion Programme (POP) was established in June 1991 to collect and study public opinion on topics which could be of interest to academics, journalists, policy-makers, and the general public. Since its establishment, POP has been providing quality survey services to a wide range of public and private organizations. POP adheres strictly to a set of self-imposed service policies designed to safeguard its independence, autonomy and a share in the proprietary rights of the research output it produces. Since January 2002, POP is directly under the Faculty of Social Sciences of The University of Hong Kong. Up to this date, POP has conducted more than 1,600 independent surveys and other kinds of research. POP's research partners include many government departments, public and non-government organizations, media, professional bodies, political groups, leading commercial firms, overseas institutes as well as international associations.

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Note:

1. Calculation based on total MPF assets HK\$843,515 million as of 31 Dec 2017, total MPF Scheme members 4,188,800 as of 31 Dec 2016, average assets per member HK\$201,374 as of 31 Dec 2017, Gain Miles MPF Composite Index 2018 August and YTD return as of 24 August 2018.

Remarks:

- i. The research agreement of the project titled "2018 Survey on MPF Management and Confidence" was made between The Public Opinion Programme of the University of Hong Kong (HKUPOP) and Gain Miles Assurance Consultants Limited.
- ii. Gain Miles Group refers to Gain Miles Group Limited and its subsidiaries, including Gain Miles Assurance Consultants Limited, Gain Miles MPF Consultants Limited and Gain Miles Financial Planning Consultants Limited.
- iii. Source: The Public Opinion Programme of the University of Hong Kong, Panel on Financial Affairs of The Legislative Council, Gain Miles MPF Consultants Limited and Gain Miles Financial Planning Consultants Limited, 2017 – 2018 Survey on MPF Management and Confidence

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