

OECD/IOPS Global Forum on Private Pensions

Strengthening trustees' skills and capacities: market practice, governance and regulatory developments

Promoting Good Governance of Trustees

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Features of MPF System



Mandatory



**Privately managed
under trust**



**Defined
contribution**



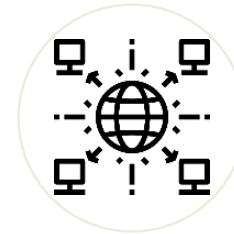
**Fully funded,
financially sustainable**



**Employment
based**

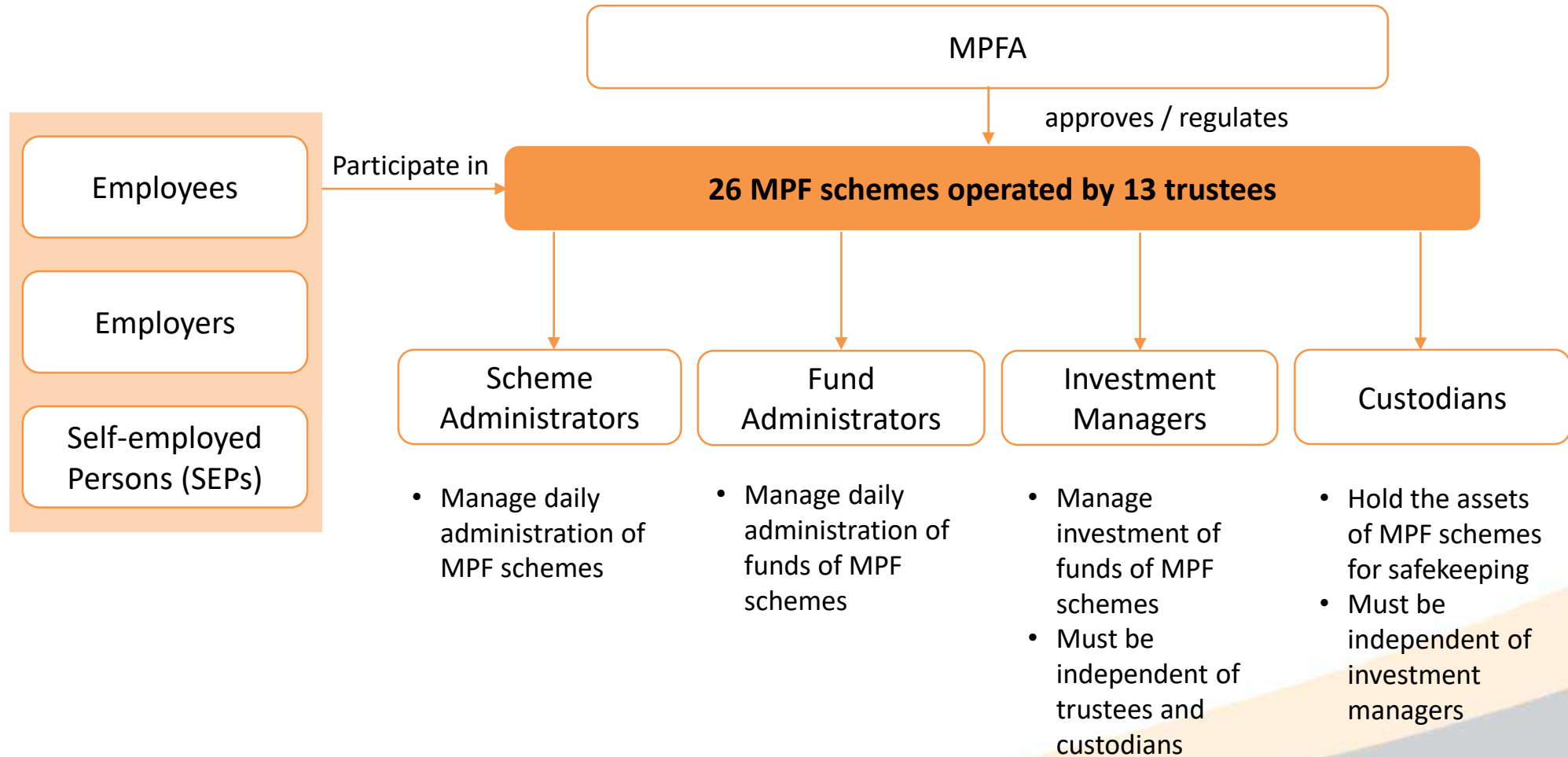


**Employer chooses scheme
Employee chooses his/her own
investment portfolio (funds)**



**Decentralized
administration**

Operation of MPF System



Good Governance of MPF Trustees



Minimise Principal-Agent Problem



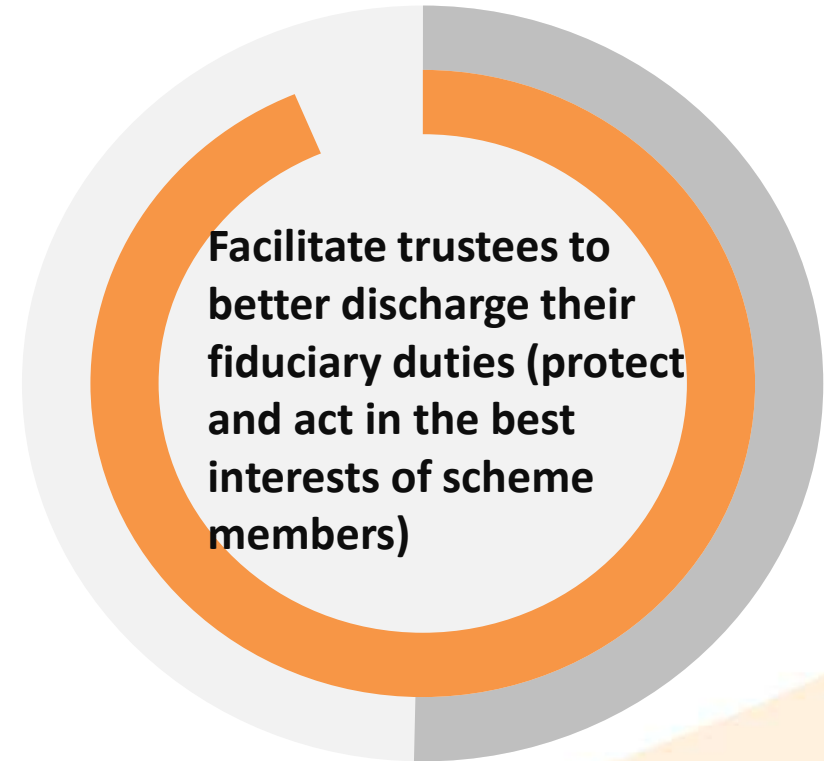
Improve performance in services and products



Reduce the need for prescriptive regulation



Facilitate supervision



Governance Charter for MPF Trustees

- All trustees pledged to put scheme members' interests first and are committed to putting in place a sound governance framework
- Committed to uphold and abide the core “VALUES” in delivering their services

Value-for-money MPF schemes

Act in best interests of members

Lift Governance Standards

Understand and respond to members' needs

Engage through transparency and communications

Serve with honesty and integrity

Governance Charter

**May
2018**

Governance Principles
for MPF Trustees

November
2018

Principles for Adopting
Sustainable Investing
in MPF Funds

November
2021



Governance Principles for MPF Trustees

- Drew references from international good practices such as OECD Core Principles of Private Pension Regulation and IOPS Principles of Private Pension Supervision
- Provide recommendations and practical examples to trustees in enhancing their governance standards
- Trustees to consider their own circumstances and formulate measures for implementation of the Governance Principles

Governance Charter

May
2018

**Governance Principles
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**November
2018**

Principles for Adopting
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November
2021



Governance Principles for MPF Trustees

1

Understand their duties and at all times **act in the best interest of scheme members**

2

Establish and maintain a **comprehensive and robust governance framework** for the oversight and management of their MPF business and operations

3

Ensure that their **Boards are properly composed** and that their **role and any delegated authorities are properly defined, documented and monitored**

4

Ensure **all members of their Boards are qualified to perform their duties**

5

Deliver **value-for-money MPF schemes and services** to their scheme members

7

Monitor the performance of their appointed service providers

6

Ensure **proper policies and procedures are in place** to identify, manage and address conflicts of interest

8

Ensure **effective monitoring of the investment performance of constituent funds** under their MPF schemes

9

Establish and maintain an effective risk management framework for their MPF business and operations

10

Communicate effectively with scheme members and provide appropriate information to assist them with decision-making over their retirement savings



Principles for Adopting Sustainable Investing in the Investment and Risk Management Processes of MPF Funds

- Recognise governance as an important part to assist trustees in integrating ESG factors into investment management of MPF funds

Trustees should be mindful of all material financial risks, including ESG factors, that could impact the interest of scheme members

Board of directors of trustees should have oversight of the integration of ESG factors and assign management with a clear role in reporting progress against goals set

Governance Charter

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Self-assessment of MPF Trustees

- **Self-assessment conducted by trustees in 2022** as required by MPFA to assess if their existing governance arrangements are in adherence to the Governance Principles
- Based on the self-assessment results, **MPFA observed that all trustees have implemented relevant measures to comply with the Governance Principles** and have taken efforts to continuously enhance their governance arrangements

Governance Principles

Review trustee's practice to identify deficiencies or areas for improvement

Sharing of Observations

Share the common observations identified from individual trustees with the MPF industry

Improvement Plan

Trustees are required to submit improvement plan in response to MPFA's observations and recommendations



Common Observations from Self-assessment of MPF Trustees

Observation 1

Long tenure of independent non-executive directors (INEDs)

Improvement measures

- To establish policies and procedures to conduct regular review on tenure of board members and put in place mechanism to review and assess the independence of long-serving INEDs
- To formulate succession plan for long-serving INEDs

Observation 2

Low digital take-up rate of scheme members

Improvement measures

- To submit promotion plans to encourage scheme members to make use of e-services in management of MPF
- To review and enhance support to facilitate scheme members' use of online services


Observation 3

Room for further fee reduction

Improvement measures

- To identify room for further fee reduction on different fee components (trustee fee, sponsor fee and investment management fee)
- To formulate a 5-year strategic plan on fee reduction

Enhance Transparency of Governance

- 
- MPF trustees **required to provide an annual governance report of MPF scheme** effective for financial years ending on or after 30 November 2022
 - Annual governance report to include descriptions on:
 - ❑ Trustee's governance framework
 - ❑ Trustee's assessment on:
 - ❑ Value for money;
 - ❑ Sustainable investing strategy and implementation progress; and
 - ❑ Other governance matters assessed by MPF trustees (e.g. conflict of interests monitoring, board composition and qualifications)
 - Governance reports posted on MPFA website for public scrutiny

[Name of MPF Scheme]

Governance Report

for the year ended DD MM YYYY

Table of Content	Page
Section 1: Trustee's governance framework	X
Section 2: Assessment areas:	
(i) Value for money assessment;	X
(ii) Sustainable investing strategy and implementation progress	X
(iii) Other assessment areas [where appropriate]	X
A statement confirming that the Scheme's Governance Report has been endorsed by the trustee's board of directors.	

Challenges in Promoting and Monitoring Trustees' Governance

- Whether conflicts of interest are effectively identified, managed and addressed under the trustees' governance framework
- Continue to engage trustees to drive down fee level of MPF funds
- Continue to promote employers' and members' digital take-up to eliminate the use of papers

Training on Governance for MPF Trustees

MPF Symposium

- Annual event to provide a platform for sharing and exchange of views with trustees on supervisory and governance issues
- Major issues discussed in recent years include digital transformation, sustainable investing and investment governance

Training on cybersecurity risk management

- Issues on technology crime and cybersecurity management

Seminar on governance

- Issues on:
 - ☐ ethical data governance
 - ☐ use of personal data in Fintech development
 - ☐ ways to enhance board effectiveness



Thank You

