

HAPFS Announcement

Benchmarking Study, Change of Default Fund, and Removal of Gating from Money Market Fund

1. Benchmarking Study

As technology, market environment, and member expectations continue to change at an increasing rate, the HAPFS Trustees consider that it is time to conduct a benchmarking study on the structure, features, and member servicing of the HAPFS (the Scheme)—through collecting, identifying, and comparing good practices in managing a pension scheme of similar size and nature locally and overseas—to identify and implement best or better practice with the ultimate objective of improving operations and processes of the Scheme to deliver greater value to members.

An external consultant, Mercer Hong Kong (Mercer), was appointed by Trustees to conduct the benchmarking study in April 2020 which covered four key areas: scheme design and other features, investments, fees, and member services and communication. Mercer completed the benchmarking review in August 2020, delivered a report to the Trustees in September 2020, and discussed the benchmarking results with the members of HAPFS Staff Representatives Committee in December 2020. It was concluded in the study report that the Scheme has already been adopting best practice in most of the areas under review. The report also suggested a few recommendations to further enhance the operations and member servicing of the Scheme. The Scheme Office is reviewing the recommendations with the Trustees and will work together with the Hospital Authority Human Resources Division on the implementation of any proposed follow-up actions if necessary.

2. Change of Default Fund

For new members who do not make a fund choice upon enrolment, their contributions will automatically be invested in the default fund, currently the Growth Fund. Taking into consideration of the “Default Investment Strategy” set out by Mandatory Provident Fund Schemes Authority for the MPF market and the recommendation in the benchmarking study report, the Trustees hereby announce **the change of default fund of the Scheme from Growth Fund to Balanced Fund with effect from 1st April 2021.**



Although the Trustees consider that changing the default fund to Balanced Fund will be a better option for members in terms of risk exposure and diversification, there is no guarantee of sufficient diversification or investment return to members. So, it is highly recommended that all members should duly make a fund choice in the Option Form upon enrolment.

For members whose accrued benefits and contributions are already invested in the default fund, they will remain invested in the original default fund (i.e. Growth Fund) on or after 1st April 2021 until such time as members select a different fund choice subsequently.

The Trustees would also like to remind members to take an active role in choosing the right fund in accordance with their needs and review their fund choice(s) at least once a year.

3. Removal of Gating from Money Market Fund (“MMF”)

Currently, HAPFS has imposed a switch-in cap on MMF to forestall sudden and large scale inflows to the fund as well as avoid destabilizing impact on other funds of the Scheme. Members can allocate only up to 20% of the switch-out proceeds to MMF at each asset switch. However, this restriction does not apply to members aged 55 and above, or those within 5 years of normal retirement age.

Taking into consideration of the recommendation in the benchmarking study report that the cap is less common in the market, the Trustees hereby announce **the removal of gating from Money Market Fund with effect from 1st April 2021**. All members can freely switch between funds within the Scheme thereafter.

For enquiries on your HAPFS account, please call Invesco member hotline for HA employees at 3191 8088.

HAPFS Office

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