



ACTUARIAL SOCIETY  
of  
HONG KONG  
香港精算學會

# Hong Kong Actuaries

Actuarial Society of Hong Kong's Newsletter

SPRING  
VOLUME

01

Mar 2016

*How to Make Retirement Protection Program  
More Financially Sustainable: An Actuarial Perspective*

*Interview with Professor Nelson Chow Wing Sun:  
Hong Kong Retirement Protection Where Should We Go?*

*Interview with Ms. Yvonne Sin:  
Hong Kong Retirement Protection Going Forward*



Feature Articles Theme:

# Hong Kong Retirement Protection

**Call for Articles or  
Views for the  
next issue of  
Newsletter**

While all articles are welcome, we would especially like to receive articles for the Feature Articles and Knowledge Sharing sections. If you have written any inspiring articles or have read any interesting articles from other actuarial organisation(s), please feel free to let us know. We will try to reprint the article(s) in our newsletter to share with our members. For the above issues, please e-mail your articles or views to Simon Lam by email at [slam@munichre.com](mailto:slam@munichre.com) or ASHK Office by email at [info@actuaries.org.hk](mailto:info@actuaries.org.hk).



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Dear Readers,

Welcome to the first issue of the ASHK Newsletter in 2016!

First of all, we would like to announce the renaming of the Publications Committee to Communications Committee to signify our enhancement of member communication and to emphasise our objective to provide better service to our members.



In this issue, we focus on the hot topic of the retirement protection consultation document. It is our honour to have interviews with Mr. Billy Wong, Professor Nelson Chow Wing Sun, a leader who submitted a research report on this topic to the Commission on Poverty in August 2014, and Ms. Yvonne Sin, Chairman, Hong Kong Retirement Schemes Association, for professional insights regarding the latest development of the plan. We hope our readers can stay abreast of this current topic with our updates.

Besides, as part of our continued effort of expansion, ASHK is actively looking into the opportunities of improving our services and attracting more members, particularly among the young actuaries. Therefore, we are conducting a membership survey to listen to and better understand the needs and viewpoints of different members in order to explore a better proposition for our society. Your valued ideas are much appreciated.

As usual, we are truly thankful to everyone for the much needed help in making this newsletter happen. With all your contribution, ASHK will certainly continue to strive for excellence in serving our members.

Stay healthy in the changing season and enjoy reading!

Best Regards,  
Simon Lam  
Editor

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## Council and Statutory Path Committee – Ka-Man Wong, Dicky Lam and Kevin Lee

### ASHK Strategy Day, 24 March 2016

This year's strategy day was fruitful with the Council spending one day offsite to develop the first five-year (2016-2020) plan of the ASHK as well as review stakeholders engagement strategy and profit & loss management for the years ahead.

The discussion was energised and constructive - Council members bounced off ideas of each other to reach a mission statement and lay the foundation for targets, action items and task owners for the coming years that we will update you soon.

Special thanks were due to Mr. Dicky Lam and Mr. Kevin Lee, Statutory Path Committee Chairpersons as well as Mr. Roddy Anderson, Statutory Path Committee member in putting together the agenda and facilitating the discussion throughout the day.



## Communications and Membership Committees – Simon Lam and Kenneth Dai

### ASHK Membership Survey 2016

As part of our strategic plan to map out the future of the ASHK, a membership survey is being carried out. The Survey is designed for the ASHK to get a better understanding of members' interests and for members to provide feedback on ASHK membership services and activities.

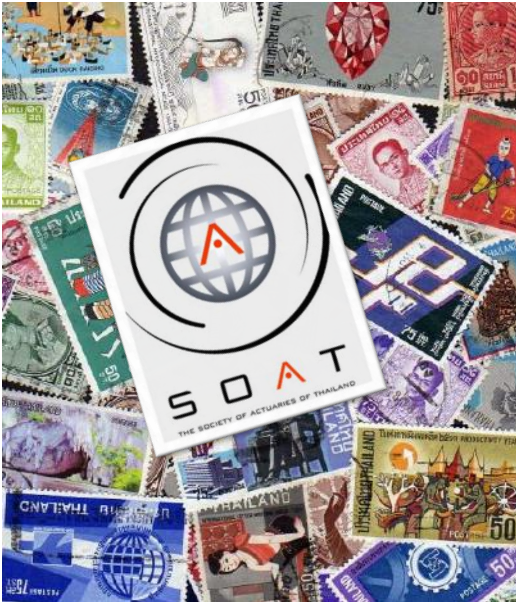


**LET YOUR VOICE BE HEARD!**

If you have not participated in the Survey, we would appreciate your taking the time to complete it online at: <https://www.surveymonkey.com/r/ashkmembershipsurvey2016> by **25 April 2016**. For your convenience, the Survey can be completed on your computers or mobile devices. All personal details and survey responses will be treated confidentially.

## International (Asia) Committee – Sam Yeung

### Stay Tuned for Updates from the Society of Actuaries of Thailand (SOAT)



As part of the International (Asia) Committee's mission to keep ASHK members abreast of key actuarial developments in the actuarial profession in Asia, Mr. Christian Bettels, International (Asia) Committee member, met with Mr. Tommy Pichet, President of the Society of Actuaries Thailand (SOAT) in Bangkok on 15 February 2016.

They exchanged information about the structure, activities and objectives of both the ASHK and SOAT and discussed areas of possible future cooperation.

An interview with the SOAT President giving deeper insight into its mission as well as current challenges for actuaries in the Thai insurance market will be published in the next issue of the ASHK Newsletter.



## Life Committee – Sai-Cheong Foong and Jeremy Porter

### Actuarial Guidance Note 9 and Appendix A to Actuarial Guidance Note 9 (Effective 1 April 2016)

The Life Committee issued member consultation on the exposure drafts for AGN 9 and Appendix A to AGN 9 from 23 November to 23 December 2015. Following the consultation, the AGN 9 Working Group has taken into consideration members' comments and submitted revised versions of the exposure drafts to the ASHK Professional Matters and Life Insurance Committees as well as the ASHK Council for approval.

With the approval from the Committees and the Council in February 2016, copies of AGN 9 and Appendix A to AGN 9 can be downloaded from the ASHK website at [www.actuaries.org.hk](http://www.actuaries.org.hk) (Professional Standard & Actuarial Guidance Notes > Actuarial Guidance Notes) and are considered as the new guidance note which shall become effective on 1 April 2016.

The Office of the Commissioner of Insurance (OCI) also gave its agreement to the AGN 9 and Appendix A to AGN 9. Appointed actuaries should have regard to the enclosed in complying with the requirements of Guidance Note on Underwriting Long Term Insurance Business (Other than Class C Business) (GN 16) issued by OCI.

The ASHK would like to thank members who participated in the consultation and provided their feedback.

## Non-Life Committee (Health Section) – Sam Yeung

### ASHK Healthcare Seminar, 26 February 2016

The ASHK successfully held its annual healthcare seminar “Striving for Sustainable Healthcare Financing” on 26 February 2016.

The seminar attracted more than 130 actuaries and health insurance professionals, indicating that insurers are turning increasing attention to portfolio monitoring, cost controls, and provider contracting in the midst of increasing medical inflation and an aging population. The package pricing arrangement proposed by the Voluntary Health Insurance Scheme (VHIS) Consultation Paper coincided with the above market development. Actuaries and other healthcare professionals have become more involved in managing healthcare insurance risk and dealing with the complex challenges of sustainable health insurance portfolio management.

To confront these challenges, the seminar featured a wide range of speakers including officials from the Food and Health Bureau, executives of leading institutions, and subject matter experts from mainland China, Singapore, and the United States to share their expertise and experience on the following topics:

- \* Update on Healthcare Reform and VHIS
- \* Managing Elderly Healthcare
- \* Medical Cost Control and Fraud Management in Mainland China
- \* Alternative Provider Payment Contracts: Trials and Tribulations from the US
- \* New and Expensive Drugs and Technologies
- \* Medical Claims Analysis for Sustainable Health Portfolio
- \* Opportunities and Challenges of Health Insurance Market

The overall feedback from the audience was very positive, with particular high marks on speakers’ delivery, quality of content, and relevance to work. Participants also offered many suggestions on potential topics for future research and educational opportunities.

The ASHK thanks the following companies for their generous sponsorship:

- \* Silver Sponsor - China Taiping Life Insurance (Hong Kong) Company Limited
- \* Bronze Sponsor - Manulife (International) Limited
- \* Booth Sponsor - Swiss Reinsurance Company Ltd

In addition, the ASHK would like to express gratitude to the speakers and members of the Healthcare Working Group. Photos of the seminar can be found on Page 23 or are available at the ASHK website at [www.actuaries.org.hk](http://www.actuaries.org.hk) (News & Events > Calendar of Events).

The ASHK will leverage the rapport and continue to support actuarially sound technical best practices to enhance the skillset of actuaries as a means of supporting further growth in the local health insurance market.



## Professional Matters Committee - Peter Duran

### Poll Results of the ASHK Extraordinary General Meeting (EGM), 21 January 2016

Reference is made to the EGM Notice dated 21 December 2015 in relation to the new CPD requirements for ASHK members. The EGM was convened on 21 January 2016 and the proposed resolutions as set out in the EGM Notice were duly passed by way of poll. ASHK's Honorary Auditor, Ernst & Young, acted as the scrutineer for the vote counting at the meeting and the poll result was as follows:

Voting Issue	For	Against
Adoption of New CPD Requirements for ASHK Members Effective from Calendar Year 2016	97.30%	2.70%
i. To consider and approve the proposed amendments to the CPD By-Law; and		
ii. To consider and adopt the revised CPD By-Law in substitution for and to the exclusion of the existing one, effective from calendar year 2016.		

*Pursuant to ASHK Article 2, By-Laws may only be varied or set aside at a General Meeting of the Society and by a majority of not less than three quarters (75%) of Voting Members at such General Meeting.*

The revised CPD By-Law was duly adopted as the new CPD requirements with effect from calendar year 2016. The requirements apply to **all non-retired<sup>1</sup> Fellow and Associate members** of the ASHK. A copy of the revised CPD By-Law can be downloaded from the ASHK website at [www.actuaries.org.hk](http://www.actuaries.org.hk) (Professional Standard & Actuarial Guidance Notes > ASHK By-Laws).

The ASHK wishes to thank members' support in strengthening the CPD requirements.

<sup>1</sup> A member is considered retired in a calendar year if the member is aged over 65 and no longer working in full-time employment during that year.

**FIND MORE CPD OPPORTUNITIES ON PAGES 17 & 20**

# IAA Life Section Colloquium 2016

## 25-27 April 2016

### Hong Kong

## Insurance Evolution: Change is the only Constant

The Actuarial Society of Hong Kong invites you to attend the Life Section Colloquium of the International Actuarial Association which will be held in Hong Kong from 25 to 27 April 2016. The overall theme of the conference, Insurance Evolution: Change is the only Constant, recognises that the life insurance industry is continuing to evolve to meet the needs of its customers, and how the role of the actuary is changing and adapting within this.

We are in an ever-changing time of the insurance industry. Waves of regulatory changes, heightened customer demand and dynamic economic environment have created significant opportunities. The programme will cover life insurance topics on regulations and capital, investments and risk/value management, life and health products, customers and distributions, analytics and others. It will include plenary sessions by invited keynote speakers, topical presentations by subject-matter experts, and parallel sessions at which submitted papers will be presented.



### KEY SPEAKERS



**Mr. Chris Howells**  
Head of Institutional Insurance Solutions,  
Asia Pacific, Schroders



**Mr. Garth Jones**  
Group Chief Financial Officer,  
AIA Group Limited



**Prof. Koon-Shing Kwong**  
Professor, School of Economics,  
Singapore Management University,  
Singapore



**Mr. Yuan-Siong Lee**  
Executive Director,  
Ping An Insurance (Group)



**Prof. Johnny Li**  
Professor, Department of Statistics  
& Actuarial Science,  
The University of Waterloo, Canada



**Mr. John Maroney**  
Head of Capital and Solvency,  
International Association of  
Insurance Supervisors

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### ABOUT IAA & ASHK

Founded in 1895, the IAA is the worldwide association representing professional actuarial bodies globally, with 67 full and 28 associate member organizations serving their members who are practising in the insurance and other fields. IAA exists to encourage the development of a global profession, acknowledged as technically competent and professionally reliable, and to ensure that the public interest is served.

ASHK is the actuarial professional body first formed in 1968 and is the membership organization for actuaries in the industries of insurance, consultancy, finance, education institutes and government. Many of its individual members are practising in insurance industry ranging from management, investment, risk to products, and many others.

Register online at  
<http://www.actuaries.org/hongkong2016/>



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# PROGRAMME

## 25 April 2016 (Monday)

1830-2030	Welcome reception (Supported by Schroders)
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## 26 April 2016 (Tuesday)

0815-0850	Registration		
	Opening ceremony		
0850-0910	<b>Welcome remarks</b> Ms. Ka Man Wong, President of ASHK Mr. Fred Rowley, Immediate Past President of IAA		
0910-0930	<b>Opening keynote speech</b> <b>Hong Kong as an international insurance centre</b> Prof. KC Chan, Secretary for Financial Services and the Treasury, HKSAR		
0930-0945	<b>Regulatory keynote speech</b> <b>Evolving regulation: Opportunities and challenges for Hong Kong's life insurance industry</b> Mr. John Leung, Commissioner of Insurance, OCl, HKSAR		
0945-1115	<b>Global convergence on solvency framework, international and Asia perspective</b> Speaker: Mr. John Maroney (International Association of Insurance Supervisors) Panel discussion – Representatives from E&Y, KPMG and Willis Towers Watson		
1115-1145	Networking break		
1145-1300	<b>Breaking the insurance mould – What's next for our industry?</b> (Sponsored by Swiss Re) Speakers: Ms. Daisy Ning, Mr. Detloff Rump, Mr. Daniel Ryan & Mr. Lawrence Tsui		
1300-1430	Lunch		
1430-1600	Parallel A1 <b>The Asian life insurance market - Challenges and opportunities</b> Ms. Jamie Zuo, HKSAR <b>Investment capital charges: A top-down observable price approach</b> Mr. Mark Yu, USA <b>Professionalism</b> Mr. Marc Slutzky, USA	Parallel A2 <b>Is the digital revolution and machine learning just hype?</b> Mr. Nicholas Chen, HKSAR <b>Expert judgement in actuarial forecasting</b> Mr. Gavin R. Maistry, Singapore	Parallel A3 <b>Is terminal illness the new major critical illness?</b> Mr. Andres Webersinke, Australia <b>Retirement product innovation: Retirement funds with protection strategy</b> Mr. Wing Wong, Taiwan & Mr. Wade Matterson, Australia
1600-1630	Networking break		
1630-1730	Parallel B1 <b>Data and analytics - Unleash the power!!</b> Ms. Richa Mathur, India <b>The increasing need for insurance solutions for old-age risk</b> Mr. Louis Lee, HKSAR	Parallel B2 <b>Longevity and life annuity reserving: A comparison of mortality models</b> Mr. Farid Flici, Algeria <b>On a theory that supports stable pensions</b> Prof. Knut Kristian Aase, Norway	Parallel B3 <b>Equity linked insurance products: Introduction and valuation</b> Prof. Hailiang Yang, HKSAR <b>Modelling in life insurance: A librarian matter... and much more!</b> Mr. Aurelien Couloumy, Belgium
1830-2100	Gala dinner (Supported by Swiss Re)		

## 27 April 2016 (Wednesday)

0815-0900	Registration		
0900-1015	<b>"Actuarial insight and business management" Panel session</b> Panelists: Mr. Chris Howells (Schroders), Mr. Garth Jones (AIA) & Mr. Yuan Siong Lee (Ping An Insurance)		
1015-1045	Networking break		
1045-1215	Parallel C1 <b>Predictive modelling for life insurers: Business advantage or unnecessary complexity?</b> Mr. Paul Melody, HKSAR <b>Treating customers fairly - The Role of the actuary</b> Mr. Steve Cheung, HKSAR	Parallel C2 <b>Retirement risks and product opportunities in international markets</b> Mr. R. Dale Hall, USA <b>Examining the investment implications of Guidance Note 16 for insurers operating in Hong Kong</b> Mr. Alan Yip, HKSAR	Parallel C3 <b>How are insurance investors reacting to a low yield environment?</b> Mr. Will Rainey, HKSAR <b>Actuaries of the future</b> Mr. Simon Dai, HKSAR
1215-1330	Lunch		
1330-1500	Parallel D1 <b>China Risk Oriented Solvency System: A study of its impact on the life insurance industry</b> Mr. Derrick Fung, HKSAR <b>Evolution of the life insurance market in Japan</b> Mr. Michael Freeman, Japan	Parallel D2 <b>Online products, markets, customers and distribution</b> Prof. Steven de Jong, New Zealand <b>The heterogeneity of human populations as described by the mortality dynamics</b> Dr. Séverine Arnold (-Gaille), Switzerland	Parallel D3 <b>The impact of the low interest rate environment on life insurance companies - Challenges, developments and solutions?</b> Dr. Dirk Nieder, Germany <b>Using predictive analytics in life underwriting</b> Mr. Allen Klein, USA
1500-1520	Networking break		
1520-1650	<b>Managing longevity risks in Asia</b> Prof. Koon-Shing Kwong (Singapore Management University) Prof. Johnny Li (The University of Waterloo, Canada)		
1650-1700	Closing remarks		
1700	End of colloquium		

# How to Make Retirement Protection Program More Financially Sustainable: An Actuarial Perspective



**Billy Wong**  
FSA

Public retirement security program is always a controversial subject. Some people believe that, similar to healthcare and education, retirement security is a basic right under a civilised society. This gives security and harmony to the society which serves the greater good. Others argue that social resources are limited and should only be given to those who are really in need.

Being an actuary, I am trying not to delve into deeper social science and public administration issues, but am looking at this subject from a purely actuarial perspective. The views expressed are my own views, and do not represent the ASHK's or those of the company that I work for.

## Key actuarial issue is financial sustainability

The key actuarial issue in this case is around the financial sustainability of the proposed retirement security program. If you have a chance to look at the high level illustration of the two proposals as published by the Commission on Poverty, you could easily draw a conclusion that the universal pension proposal is not sustainable for a near term while the targeted pension gives a higher chance of sustainability. This conclusion is not counter intuitive, but I would like to draw your attention that, in my view, the actuarial projection results are not well illustrated per actuarial best-practice. The assumptions are not clearly presented and neither is the underlying sensitivity. This easily gives a wrong perception for the user of the results that the projection gives a very accurate estimate of what will happen. Unlike the pre-retirement mortality which the actuaries are usually more comfortable that the correlation is low, and therefore the best-estimate is more reliable and relevant. The most sensitive assumptions for the actuarial projection of the financial sustainability are post-retirement mortality, birth rates, investment returns and price inflation. None of them could be well diversified to achieve higher degree of certainty. Hence, the actuarial question should not be around "what is the best estimate", since we will not be able to give a narrower range of estimate anyway. The actuarial question should be what are the uncertainties and what elements in the program could "hedge" those uncertainties such that the proposal could be financially sustainable.

## When will the program be not sustainable?

We start with this simple question. This will happen when the post-retirement mortality is low, the birth rate is low, the investment return is bad and the price inflation is high. So what can we do at that time? Increase tax? Increase the employer contribution? Increase the employee contribution? Reduce the amount of retirement benefits? Extend the eligible retirement age for benefits? I will call these "hedging measures". All of them could help but it seems that, when referencing to other countries, there are always demonstrations and politics around the decision of what hedging measure is taken. No one would like to suffer and therefore everyone is fighting for a better outcome for themselves. The program is not sustainable when there is no pre-agreed "hedging measures" and when the outcome is worse than expected.





### How could we make a retirement security program financially sustainable?

We need to agree on a few principles before we start the program.

- 1) **Separate fund.** A separate fund should be set up for the retirement security program. This should not be mixed up with the government money otherwise the government (and the underlying tax payers) will be the "equity" player of the program and they will always be the last resort for the sustainability.
- 2) **Pre-agreed funding allocation.** The funding allocation among tax payers, employers, employees and other potential parties should be agreed in advance. This is a social question (but not an actuarial question) of what should be the allocation. For simplicity and illustration purpose, I will put 1/3 from tax payers, 1/3 from employers and 1/3 from employees. Hence, in the future, whenever there are changes of required contributions to the system, all parties are bearing the same outcome. The interests of all parties are better aligned.
- 3) **Pre-agreed hedging measure.** A list of sequential hedging measures should be agreed in advance. An example is shown below as an illustration:

#### Sample list

Extending benefit eligible age by 1 year to age of 66

Freezing the benefit increase due to inflation for 1 year

Freezing the asset threshold increase for benefit eligibility due to inflation for 1 year

Increasing the contribution amount by 10%

And others ...

- 4) **Regular Valuation.** An actuary should carry out the valuation of the program regularly and assess the level of financial sustainability of the program. The financial sustainability should be well defined in advance and the results of such valuation should trigger the pre-agreed list of "hedging measures". For illustration, say if we define the level of financial sustainability to be equal to:

$\text{Present value of future benefit payments} / (\text{present value of future contribution} + \text{current asset of the program})$

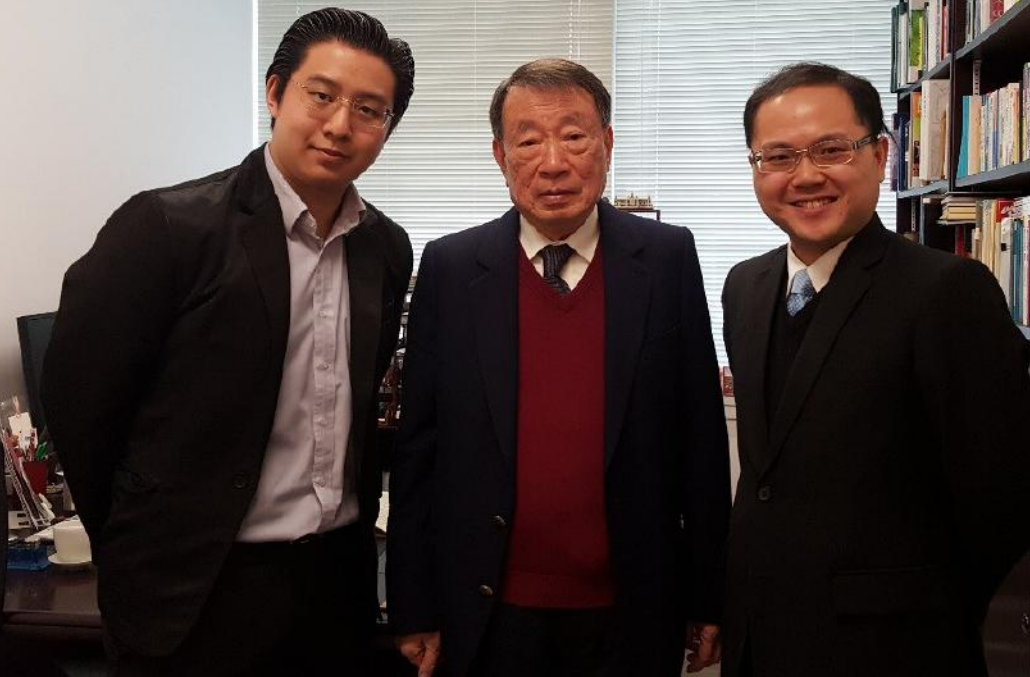
When the level of financial sustainability is lower than a certain percentage (say 80%), then it will trigger the pre-agreed hedging measure.

### What should an actuary do next?

So, the above are my two cents' worth of opinion on this issue. I would like all actuaries in Hong Kong to come up with ideas and then contribute to the consultation. This question is definitely not only for actuaries only, but actuaries can help. ☺

*Disclaimer: This article reflects the views of the author, but not the views of ASHK or his employer.*

# Interview with Professor Nelson Chow Wing Sun: Hong Kong Retirement Protection Where Should We Go?



From left to right:

**Wilson Chan** - Member, Communications Committee, The Actuarial Society of Hong Kong (ASHK)

**Professor Nelson Chow Wing Sun** - Emeritus Professor, Department of Social Work & Social Administration, The University of Hong Kong (NC)

**Simon Lam** - Chairperson, Communications Committee, The Actuarial Society of Hong Kong (ASHK)

In December 2015, the Commission on Poverty launched a six-month public engagement exercise on retirement protection. The ASHK is honoured to have Professional Nelson Chow Wing Sun accepted to our interview to share some thoughts on the road ahead for Hong Kong's retirement protection system.

**ASHK:** *Could you share with us about the background and the progress on this Retirement Protection proposal?*

**NC:** In this consultation document, there are six proposals, in which three out of six proposals (namely Federation of Trade Unions, Alliance for Universal Pension and Professional Commons) are about Universal Pension. The other two proposals deal with those who have financial needs, and the last one is mainly about providing annuity payments from a specifically created public pension fund.

After examining all proposals on improving retirement protection, we suggest a monthly payment at around HKD 3,000 to all elderly people aged 65 or above. To finance this proposal, we recommend that the government injects a one-time-off funding at HKD 50 billion into a pension pool and includes a payroll old age contribution on top of the current Mandatory Pension Fund, where both employers and employees pay up to 2.5 per cent of employees' salaries on a scale based on the salary level like 1) 1% for those with monthly salary below HKD 10,000, 2) 1.5% for those with a monthly salary range between HKD 10,000 and HKD 20,000 and 3) 2.5% for those with a salary range above HKD 20,000.

Our study found that through this approach, only two out of three of Hong Kong employees will need to pay a monthly payment of around HKD 100 to HKD 300, where 60% to 70% of funding source will come from those with a salary range above HKD 20,000. We believe that this proposal should be reasonable as they pay based on what they can afford.

Having taken our recommendation for a year, the government released the consultation document and focused on two directions. Their two different directions are pension paid under the "regardless of rich or poor" and "those with financial needs" options.

I believe that it is not an apple-to-apple comparison since these two options are very different. The beneficiary groups are different as one is universal while the other is only for those with financial needs (i.e. around 0.25 million people). In the “those with financial needs” option, the social security allowance will increase from the current level at HKD 2,500 up to around HKD 3,200. But with the “regardless of rich or poor” option, there will be around 1.15 million elderly people who will benefit from this option and the social security allowance will increase from their current level at HKD 1,200 up to HKD 3,000. Therefore, the implications of these two options are completely different even when the figures and the projections are correct, which means that the increased expenditure, the benefit and the number of elderly people covered should also be considered when making the decision.

**ASHK:** *Could you share with us the current controversial issues on this topic?*

**NC:** The argument here is whether we should assume 100% of the elderly people benefit from this “regardless of rich or poor” option because we understand that there are numerous elderly people who have emigrated and receive no social security benefit at all.

Other than emigrants, there are also people holding Hong Kong permanent citizenship but still working in Mainland China. It is still too early to determine at this stage whether they will still decide to live in Hong Kong and receive this benefit.

Again, the government should provide the full picture that the beneficiary groups for the “regardless of rich or poor” and “those with financial needs” options are different, and figure out some solutions to manage the increased expenditure if the funding is an issue. For example, the government could set up a rule that anybody living less than one year in Hong Kong will not be eligible to receive pension benefit or the government could impose some restrictions on the assets of elderly people too.

**ASHK:** *What do you think the retirement protection should address?*

**NC:** Longevity risks should be considered since the population is ageing and the average life expectancy is even longer than before. The question of how much money is sufficient to support population’s retirement has to be answered.



The elderly people do not have a stable monthly income. It affects their spending habit because they would think that every dollar spent will never come back, and that whenever they spend a dollar, they start to think about how long their remaining saving can support their living. This

is why we believe the “regardless of rich or poor” option is better here since it can provide monthly pension at around HKD 3,000 to the elderly to reduce their burden. Hopefully, the “regardless of rich or poor” option will lead us even closer to the day when we can have a complete and developed social security pension system. ☺



## About DR Actuarial

Darwin Rhodes is an award winning specialist recruitment firm specialises in providing a premium selection service to the upper echelons of the insurance business world. We were founded in London in 1996 and Darwin Rhodes Hong Kong was established in 2001. We represent the longest established insurance recruitment company in HK.

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Please feel free to get in touch with our Actuarial recruitment consultants for a private & confidential discussion in your career planning:

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## Interview with Ms. Yvonne Sin: Hong Kong Retirement Protection Going Forward



From left to right:

**Frank Zhang** - Member, Communications Committee, The Actuarial Society of Hong Kong (ASHK)

**Yvonne Sin** - Chairman, Hong Kong Retirement Schemes Association (YS)

**Simon Lam** - Chairperson, Communications Committee, The Actuarial Society of Hong Kong (ASHK)

We would like to express our sincere gratitude to Ms Yvonne Sin for her valuable time in having an interview with the ASHK. In this conversation, Ms Yvonne Sin has kindly shared with us her views on the current Hong Kong retirement protection.

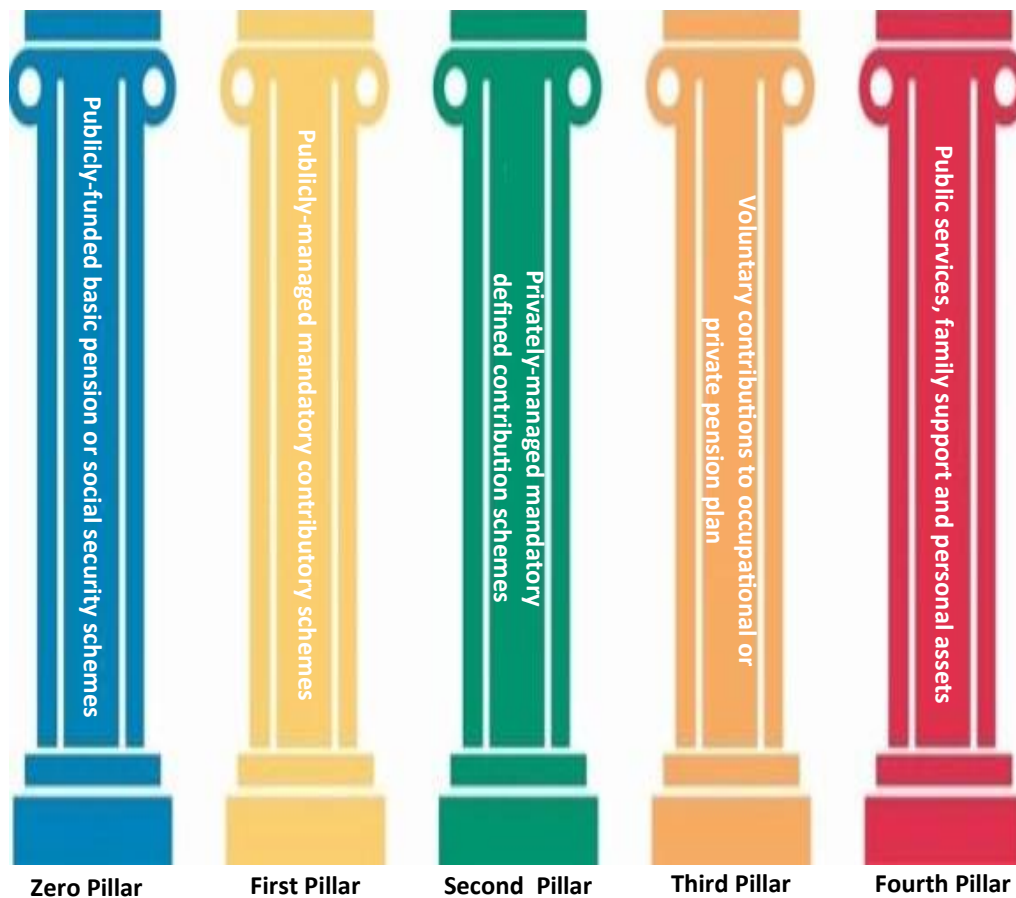
**ASHK:** *As a basic background for our members, could you kindly share with us the major discussion on this topic? And what are the most controversial issues now?*

**YS:** Broadly speaking, retirement protection is both a social issue and a challenge to prioritise resource allocation. People have different opinions about the purpose of retirement protection. Some may emphasise poverty alleviation, while others may want to focus on wealth redistribution or retirement savings. There is no absolutely right or wrong option, although we need to ask if we are following our head or our heart more when expressing our preference for a specific option.

As general background, we can begin by first identifying the key questions that address the essential nature of a retirement protection system: What type of system is it? Who are the intended beneficiaries? How is it being administered? Why is it desirable? The World Bank advocates a multi-pillar model for retirement protection (Figure 1) that can help us answer these questions:

- 1) Publicly-funded basic pension or social security schemes (Zero Pillar);
- 2) Publicly-managed mandatory contributory schemes (First Pillar);
- 3) Privately-managed mandatory defined contribution schemes (Second Pillar), e.g., the Hong Kong Mandatory Provident Fund (or "MPF");
- 4) Voluntary contributions to occupational or private pension plans (Third Pillar), e.g., voluntary contributions to MPF; and
- 5) Public services, family support and personal assets (Fourth Pillar).

Figure 1: World Bank’s Multi-Pillar Model



To my understanding, the most controversial issues currently before us seem to revolve around the relative weightings applied to various pension pillars, representing different views on whether pensions provide entitled retirement income or serve as a tool for wealth redistribution within society. However, as demonstrated by the multi-pillar framework, focusing only on promoting a particular pillar cannot adequately address the future of retirement protection for Hong Kong, while adopting a diversified approach to retirement protection is more likely to provide a better solution.

**ASHK:** *Who are the key stakeholders in this consultation process? What are the major challenges in reaching a consensus?*

**YS:** In reference to the consultation process that is currently underway in Hong Kong, all the people of Hong Kong are stakeholders. A major challenge in reaching a consensus is to come up with some sort of compromise among people with different opinions. To help move towards a consensus, we would need to revisit the questions of “What? Who? How? Why?” alluded to earlier. We would also need to determine how much a particular option would cost and how that might be financed. Another important challenge would be to agree upon what criteria/assumptions to use for determining pension eligibility for a particular pillar. For instance, “basic pensions” in some countries may require, in addition to simple age-based criteria, proof of financial need, consideration of length of residency and/or tax payment records. Ultimately, it comes down to how it will all be paid for and by whom – now and in the future.

**ASHK:** *From your perspective, how could you balance the increasing cost of retirement solutions and financial sustainability?*

**YS:** I am not a tax expert, but surely, increasing tax might be one option to finance the cost of retirement solutions. Nevertheless, it is important to keep in mind that everything in life has trade-offs. For instance, raising the tax on corporate profits will have a negative impact on incentives for companies to keep Hong Kong as the home base (as has already been commented on by others), while the trade-off for raising payroll tax will be to increase the cost of labour.

Choosing appropriate eligibility thresholds can also help to improve the balance between the increasing cost of retirement solutions and financial sustainability. As an example, we can use the simulated cases from the consultation document. The calculations indicated that the total increased expenditure under the simulated “regardless of rich or poor” option for 50 years (covering all Hong Kong people over age 65) would be around HKD 2,395 billion, in other words, roughly 10 times the expenditure required under the simulated “those with financial needs” option over the same period (covering those over age 65 with income declarations showing assets of less than HKD 80,000 for singles or less than HKD 125,000 for couples) – estimated to be around HKD 255.5 billion. However, the gap between these two options would be narrowed if the assumed income thresholds were to be increased.



**ASHK:** *What do you think the insurance industry could do to alleviate the issues arising from an ageing population?*

**YS:** Insurance companies can be more innovative in offering products to address the longevity risk and help educate the public on how insurance can be used to better manage risk. Media quotes typically refer to a life expectancy of around 81 years for men and almost 88 years for women in Hong Kong. So the general perception is that when people reach the “traditional” retirement age of 65, men will have roughly 16 more years to live while women will have roughly 23 more years. However, the truth of the matter is that with “conditional life expectancy”, by the time they reach age 65, survival for men will likely be closer to 20 years and for women almost 25 years. With increasing longevity worldwide (Hong Kong included), many retirees may find themselves needing more retirement income than they originally planned for because they will end up living longer than they expected to. Of course, insurance companies also face tough challenges in their efforts to introduce longevity products, especially if the risk pool is not big enough. 🏠

# A FORTUNE 500 that dedicates to create delight in the INSURANCE WORKPLACE

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▲ Mr. Brian Hodgson (standing) providing practical tips on how to make a "WOW" presentation

# POST EVENT REPORT

## ASHK PRESENTATION SKILLS WORKSHOP

18 NOVEMBER & 9 DECEMBER 2015

### DURING THE WORKSHOP

# How to Wow

## "Presentation Skills that Engage – for Actuaries ONLY"

ASHK recognises that technical knowledge is only part of the skill-sets actuaries need to acquire, and soft skills like influencing techniques and presentation skills are also crucial for their long-term growth as business professionals. This is evident in the two interactive soft skill workshops organised in 2015 – Business Skills Workshop in March & April 2015 and Presentation Skills Workshop in November & December 2015.

### About the Presentation Skills Workshop

The second workshop on Presentation Skills was held with positive feedback from participants. To enhance participants' interaction and allow each of them to get a high level of personal attention, the workshop adopted small class learning. The content of the workshop was tailored to improve participants' presentation skills in various aspects:

- ▶ Strategies to overcome nervousness
- ▶ Techniques to deliver an impromptu speech
- ▶ Methods to determine speech content
- ▶ Examples of how to buy time
- ▶ Way to use voice and body language to create engagement with audiences
- ▶ Exercise to improve volume and lip articulation
- ▶ Benefits of speech rehearsing
- ▶ Tips for using visual aids (e.g. PowerPoint slides)

In addition to the lively presentation delivered by an experienced public speaking coach, Mr. Brian Hodgson, the workshop included individual presentation exercises that were recorded for playback and review. All participants could track their presentation skills by seeing for themselves what came across to audiences. What's more, participants got prompt feedback and helpful recommendations from the expert on how to maximize their presentation strengths and minimize weaknesses.



▲ Participants taking turns to give impromptu speeches at the session one of the workshop



▲ With the aid of video recording and playback, participants identifying their presentation strengths and areas for improvement easily



DURING THE WORKSHOP



▲ At the session two, participants giving pre-prepared presentation with new presentation skills applied



▲ Participants speaking about interesting findings in insurance products while some linked presentation topic to their pastime



▲ Mr. Simon Lam, ASHK Council Member presenting souvenir to Mr. Brian Hodgson, Guest Speaker



▲ A vote of thanks to Kelly Services Limited for sponsoring the workshop. Mr. Daniel Li, Representative of Kelly Services receiving appreciation certificate from Mr. Simon Lam



PARTICIPANTS' FEEDBACK



4.4

Participants rated the workshop overall 4.4 out of 5 stars.

Below are some of the participants' testimonials recorded from the workshop evaluations:

*'Excellent presentation skills workshop with opportunities to practice and hear expert feedback.'*

*'The speaker is highly-skilled and professional! Very well-structured, engaging and lots of constructive advice!'*

*'Taking many useful tips to practice back at my workplace and it helps further my career.'*

*'I really enjoyed the workshop though nerve wracking with the video.'*

**And finally....**

To capture and create new opportunities, it is aware of the actuarial professional's need to equip themselves with more skills and knowledge. Going forward, ASHK will continue to offer soft skills workshops for actuaries in Hong Kong to strengthen their business and management skills.

In 2016, two series of soft skills workshops will be held in mid-June and late November/December.

The ASHK looks forward to members' continuous support to this initiative!

WHAT'S NEXT

New series of soft skills workshops scheduled for **13 & 20 June 2016** with **Mr. Brian Hodgson** as the guest speaker!!

**REGISTRATION WILL START SOON!**



# Make time for these!

COMING

SOON!

19 Apr  
2016

**ASHK Evening Talk**  
Speakers: Phil Joubert and William Chan, Ernst & Young  
Topic: Big Data, Little Data, Medium Sized Data:  
Making the Most of What You've Got

25 Apr  
2016

**IAA Life Section Colloquium, Hong Kong**  
Theme: Insurance Evolution:  
Change is the only Constant

26 Apr  
2016

27 Apr  
2016

17 May  
2016

**ASHK Evening Talk**  
Speaker: Nick Jessop,  
Moody's Analytics

13 Jun  
2016

20 Jun  
2016

**ASHK Soft Skills Course I & II**  
Speaker: Brian Hodgson,  
Founder of  
Publicspeaking.hk

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**NETWORK**

**77,000**

**CANDIDATES**

**24,000**

**PLACEMENTS**

**1700**

**CONSULTANTS**

**41**

**Hong Kong Market Opportunities**

**VP, Group Senior Actuary - Life**

**Up to HKD\$ 2,000,000 per annum**

Rare senior opportunity to join currently one of the most exciting life insurance business in Asia to partner with C-suite stakeholders at both a Group level and Local level and drive development of actuarial, risk, capital management frameworks along with new initiatives e.g. M&A, new market entry, channel development, etc.

**Hamza Mush**

**Head of Economic Capital - Life**

**Up to HKD\$ 1,600,000 per annum**

Unique opportunity to join one of the top insurers as Regional Head of Economic Capital. As part of the senior management team, you will be tasked with implementing an advanced stream of EC model to local business units, covering both liabilities and asset metrics. You must have minimum 13 years of experience with solid EC / SII background.

**Jason Strachan**

**Regional Country Head – Pricing - Life**

**Up to HKD\$ 1,500,000 per annum**

As the Regional Country Head, you will take full responsibilities on all aspects of the pricing and product cycle. This is a hybrid nature role where you will need to focus on the technical aspect of a few countries whilst reviewing the rest of the APAC countries. You must have at least 10 years of pricing / products experience in this role.

**Philip Chau**

**Financial Risk – Life**

**Up to HKD\$700,000 per annum**

My client, a leading multinational life insurer is currently seeking an actuary to join their FRM team. Reporting into the FRM Manager, this is an excellent opportunity to get exposure in a non-traditional role and learn from an experienced individual in the market. To be a successful candidate, you need to have at least 3 years of relevant experience.

**Charmaine Wong**

**Qualified Commercial Actuary – Non Life**

**Up to HKD\$ 1,300,000 per annum**

My client, one of the world's leading consultancies is looking for a qualified actuary to join their well-established team. You must have at least 8 years' experience within the Asia-Pacific market. This role is a great balance of technical reserving and commercial business development, providing invaluable exposure into multiple insurance units.

**Craig Lodge**









**Senior Actuarial Manager – Non Life**

**Up to HKD\$ 700,000 per annum**

Unique opportunity to join a leading insurance group, where you will experience working at a flagship for actuarial within Asia Pacific, whilst collaborating with clients and colleagues in their developing entities' markets. We are looking for a dynamic, ambitious and technical actuary to drive high priority initiatives for a business that strives for excellence.

**Craig Lodge**

**Get in touch with one of our team**

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# Membership Update

## New Members

### Fellow

David Cosentino	Ernst & Young	Fellow [MAAA (2012), FSA (2014)]
Stephen Yue-Hong Kwan	AXA Asia	Fellow [FSA (2015)]
Newton Chi-Kit Lam	Cigna International	Fellow [FSA (2008)]
Michael Wing-Ho Leung	Ageas Asia	Fellow [CERA (2013), FSA (2013)]
Nie Fangyi	Cigna International	Fellow [MAAA (2007), FSA (2008)]
Victor Wai-Yeung Wong	AXA China Region	Fellow [FSA (2014)]
Stephen Yin Xiaojun	AXA China Region	Fellow [FSA (2012)]

### Associate

Michelle Shi Miao	AXA China Region	Associate [ASA (2014)]
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### Student

Gary Tsan-Bun Cheng	Office of the Commissioner of Insurance	Student (SOA Student)
Nick Ka-Ho Li	Ernst & Young	Student (SOA Student)
Alex Jianqun Mu	Taiping Reinsurance Brokers	Student (SOA Student)
Hazel Wing-Tsin Tsang	AXA China Region	Student (SOA Student)
Wong Sook Leng	Ernst & Young	Student (SOA Student)



# Membership Update

## Membership Advancement

### Fellow

Christian Bettels	AXA Asia	Fellow [German Actuarial Association (2012)]
Michael Chi-Hang Leung	AIA	Fellow [FSA (2015)]
Samia Hachicha	HSBC Insurance	Fellow [French Institut Actuaries (2005)]
Ralph Kam-Shing Wong	Swiss Re	Fellow [FSA (2015)]

### Associate

Stanley Tian Ye	Prudential Hong Kong	Associate [ASA (2015)]
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## Reinstated Members

### Fellow

Law Wai Hoi	HSBC Insurance	Fellow [FSA (2015)]
Carol Sui Lui	Towers Watson	Fellow [CERA (2013), FSA (2014)]
Vincent Ting-Yin Tsang	Ernst & Young	Fellow [MAAA (1986), FSA (1989)]
Chan Hing Wai	MetLife	Fellow [FSA (2009)]
Wong Chee Chun	AIA	Fellow [FSA (2007)]







# Market Update

The Mandatory Provident Fund Schemes Authority (MPFA) has issued new Guidelines and revised Guidelines and Code since late December 2015.

*Revised Guidelines on Monthly Statistical Returns of Registered Schemes (Guidelines II.8)*

In August 2013, the MPFA launched a new transfer election form for scheme members to request for consolidation of their personal accounts. Relevant information in relation to this type of benefit transfer transactions has been regularly reported by manual mode to the MPFA by approved trustees. As the approved trustees can now capture those transactions and generate relevant statistics electronically, Guidelines II.8 have been amended to require them to report detailed statistics to the MPFA. Moreover, to address growing public demand for separate information on the contributions made by employers and employees, the Guidelines have been amended for collection of additional statistics from approved trustees. The revised Guidelines become effective on 1 January 2016.

*Revised Guidelines on Debt Securities (Guidelines III.1)*

Section 7(2)(c) of Schedule 1 to the Mandatory Provident Fund Schemes (General) Regulation provides that the funds of a constituent fund may be invested in a debt security that satisfies a minimum credit rating set by the MPFA, based on the credit rating of the security as determined by a credit rating agency approved by the MPFA for the purposes of the Schedule. The minimum credit rating for long term debt securities has been set at BBB or equivalent and specified in Guidelines III.1. As the MPFA has recently approved setting the minimum credit rating at BBB- or equivalent for long term debt securities pursuant to section 7(2)(c) of Schedule 1, Guidelines III.1 have been amended accordingly to reflect the new minimum credit rating requirement.

*Revised Guidelines on Election for Transfer of Accrued Benefits (Guidelines IV.3)*

The Appendix to Annex C to Guidelines IV.3 contains a list of approved trustees and MPF schemes ("the List") for scheme members to elect for the purposes of MPF accounts consolidation. As a result of certain scheme merger arrangements, the List and paragraph 7 of Guidelines IV.3 have been amended to reflect the changes brought about by the arrangements and the effective date of the revised Guidelines.

*Revised Guidelines on Quarterly Statistical Returns of Registered Schemes (Guidelines II.3)*

*Revised Guidelines on Payment of Accrued Benefits – Documents to be Submitted to Approved Trustees (Guidelines IV.4)*

*New Guidelines on Benefit Payment Statement (Guidelines IV.27)*

*Revised Code on Disclosure for MPF Investment Funds ("Disclosure Code")*


The Mandatory Provident Fund Schemes (Amendment) Ordinance 2015 ("Amendment Ordinance") was enacted in January 2015. Most of the provisions in the Amendment Ordinance came into operation on 1 August 2015 and seven sets of revised Guidelines were issued in June 2015 to support their implementation. In the light of the commencement of operations of the remaining provisions in the Amendment Ordinance on 1 February 2016, the MPFA has issued one set of new Guidelines and three sets of revised Guidelines and Code to mainly reflect the legislative amendments in relation to allowing withdrawal of accrued benefits by installments as an option for scheme members upon attaining the retirement age of 65 or early retirement. The new Guidelines and the revised Guidelines and Code become effective on 1 February 2016.

*24 Sets of Revised Guidelines Containing the Address Information of MPFA*

In addition, due to relocation of the offices of the MPFA, 24 sets of revised Guidelines were issued to update the address information of the MPFA contained therein. The revised Guidelines become effective on 22 February 2016 (23 sets) or 21 March 2016 (1 set) in the light of the different relocation dates of the MPFA offices.

*Revised Guidelines on MPF Intermediary Registration and Notification of Changes (Guidelines VI.1)*

The Kwai Fong Office of MPFA is relocated to the new office in Kwai Chung in March 2016. To reflect the new address of MPFA, Guidelines VI.1 which contain the address of the Kwai Fong Office of MPFA have been revised accordingly.

Copies of the new Guidelines and the revised Guidelines and Code can be downloaded from the MPFA's website at [www.mpf.org.hk](http://www.mpf.org.hk). 

# Events Highlights

## ASHK CPD Information Session and Extraordinary General Meeting, 21 January 2016



Mr. Roddy Anderson, ASHK Professional Matters Committee Member presenting the CPD requirements



Ms. Ka-Man Wong, ASHK President hosting the EGM

## ASHK Actuarial Circle, 17 February 2016



ASHK Council, Committee Member and their friend enjoying networking opportunity at the Actuarial Circle



Mr. Billy Wong, Mercer and ASHK Council Member delivering keynote speech



Mr. Taylor Chan, Manulife and ASHK Professional Development Committee Member (Left) receiving a raffle draw prize from Mr. Kenneth Dai, Manulife and ASHK Council Member (Right)

# Events Highlights

## ASHK Healthcare Seminar, 26 February 2016



Ms. Ka-Man Wong, AXA and ASHK President



Ms. Wynnie Yeung, The Mandatory Provident Fund Schemes Authority



Mr. Chris Sun, Food and Health Bureau, HKSAR



Mr. Samuel Tan, Munich Re



Ms. Diana Wang, ERV China



Mr. Lawrence Tsui, Swiss Re



Mr. Cory Gusland, Milliman



Mr. Aloysius Lim, Gen Re



Mr. Kenneth Dai, Manulife and ASHK Council Member



Ms. Jamie Zuo, China Taiping and Mr. Sam Yeung, MunichRe and ASHK Council Member

Mr. Kenneth Dai, Manulife and ASHK Council Member and Mr. Sam Yeung, MunichRe and ASHK Council Member

Ms. Angela Lau, Swiss Re and Mr. Sam Yeung, MunichRe and ASHK Council Member

## Corporate Advertisement

The ASHK will accept corporate advertisements in the ASHK Newsletter provided that the advertisements do not detract from the actuarial profession. Acceptance and positioning of advertisement will be at the editor's discretion.

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ACTUARIAL SOCIETY  
of  
HONG KONG  
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We welcome members' contribution to the "Hong Kong Actuaries" Newsletter, especially, the Feature Articles and Knowledge Sharing sections. If you have written any inspiring articles or have read any interesting articles from other actuarial organisation(s), please feel free to let us know. We will try to reprint the article(s) in our newsletter to share with our members.

For the above issues, please e-mail your articles or views to Simon Lam by email at [slam@munichre.com](mailto:slam@munichre.com) or ASHK Office by email at [info@actuaries.org.hk](mailto:info@actuaries.org.hk). Publication of contributions will be at editor's discretion.