



PRESS RELEASE

Hong Kong's MPF Assets May Hit HK\$4 Trillion in 2040 - ASHK Reports MPF Market Size Projection for the Next 20 Years

(HONG KONG, 2 December 2020)

With an 87% coverage ratio, the Mandatory Provident Fund (MPF) retirement scheme affects the lives of the great majority of Hong Kong's working population and their families. To celebrate the MPF's 20th anniversary the Actuarial Society of Hong Kong (ASHK) today published the **MPF Market Size Projection 2020-2040** study, its latest estimate of the future size of the scheme's assets over the coming 20 years. According to the *Mandatory Provident Fund Schemes Statistical Digest* ("Digest") published by the Mandatory Provident Fund Schemes Authority (MPFA) As of 31 December 2019, the MPF assets stood at HK\$969 billion. This compares with HK\$980 billion projected by the ASHK in its 2015 Report, a remarkably accurate estimate -off by only 1%!

The current study was undertaken by an ASHK task force under the direction of its Pension and Employee Benefit Committee. The starting point for the study was data contained in the December 2019 issue of the Digest. The projected 2040 MPF assets size is a range of HK\$3.6 to 4.1 trillion, close to four times the 2019 level. It is expected that assets will reach the HK\$2 trillion mark around 2027 and HK\$3 trillion before 2037.

Additionally, the study projects that by 2040 the average account balance will be about HK\$1.4 million. The task force also projects average monthly contributions HK\$1,700 and an average net rate of return of 4%. Under this assumption, a 20 year old man would have an account value of HKD 2.5 million at age 65 retirement, which can purchase an HKMC Annuity Limited (HKMCA) annuity of HK\$14,500 per month. The task force recommends that people assess their needs at retirement and plan on a contributions level that will provide their targeted retirement balance. *"We need to recognize that everyone has different retirement needs, so the target retirement balance can vary from individual to individual. Different levels of contribution, numbers of years of contributions and investment return can all affect your retirement balance in the end, so it is important for everyone to start thinking early and assess what is right for you."* Said Mr. Gary Lee, the Chairman of ASHK Pension and Employee Benefits Committee. Miss Isabella Chan, Chairperson of ASHK MPF Market Size Projection Taskforce, echoed. *"We know that people with longer contribution periods can achieve a higher retirement balance by making a small increase to their monthly contributions, so it's important for everyone to start to plan early."* Said Miss Chan.



It is important to note that the actual asset balance in 2040 will depend on a number of uncertain factors, including economics, demographics, regulatory changes, members' and employers' behavior. The taskforce estimates the most sensitive factor impacting the balance will be future investment returns. For example, a 0.5% per annum difference in investment return will result in a HK\$200 billion difference in the 2040 balance. Nevertheless, the ASHK believes that its independently derived best estimate will be useful to the MPF community.

Full details of the study protocol and related materials are available at <https://bit.ly/36mOfgA>. This report is free for public access.

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About the Actuarial Society of Hong Kong

The Hong Kong actuarial profession body was formed in 1968 as the Actuarial Association of Hong Kong and, 26 years later, its successor, the Actuarial Society of Hong Kong (ASHK) was duly incorporated in January 1994. The ASHK is a full member of the International Actuarial Association (IAA), which has 73 full member organisations and 28 associate member organisations around the world. The ASHK mission is "Representing, developing and inspiring the actuarial profession in Hong Kong to serve the public interest". As of October 2020, the membership of the ASHK is over 1,332 with 1,026 fully qualified Fellows. It is one of the largest such actuarial professional bodies in Asia. The ASHK is governed by an elected Council with a President, an Immediate Past President, a Vice President and 10 Council Members. The ASHK sets Professional Standards and Actuarial Guidance Notes for the actuarial profession in Hong Kong.