



Asia Thought Leadership Series

A zoom into Asia's
pension reform
journey: different
perspectives of
a multi-pillar
approach

Overview

Pension reform in Asia is progressing as the region faces numerous challenges: ageing populations, rising life expectancy and the erosion of traditional family and community support for the elderly. While the traditional state-provided pension may provide one potential source of retirement income, Manulife Investment Management believes that a comprehensive multi-pillar approach, such as that outlined by the World Bank, should be the best way forward.

In this initial paper of a new series on retirement issues, Manulife Investment Management examines the challenges of pension reform in Asia and the innovations being explored to address them. Using our collective experience and learnings in markets across the globe, we look at the unique pension reform journeys in three Asian markets: China, Malaysia and Hong Kong.

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Pension reform across the world: A rapidly shifting landscape

Seismic demographic shifts have strained pensions systems worldwide. Last year, the number of people aged 65 or above exceeded those under five years of age for the first time in history.¹ Life expectancy continues to increase, with people born in developed countries since 1997 now having a 50-50 chance of living beyond 100 years.² As a result, pension systems that were generally designed to support retirements of 10 to 15 years are faced with handling retirements that could last in excess of 40 years.

Compounding the issue is the plummeting global average fertility rate, which has halved since 1950.³ Many countries, such as China, will see the relative size of their working-age populations decline as their retiree numbers swell, placing an unsustainable burden on pay-as-you-go systems that fund pensioners' benefits through workers' current contributions. Meeting the shortfall through government coffers will prove challenging, given the decline in the number of taxpayers concurrent with the increase in social welfare expenditure on the elderly.

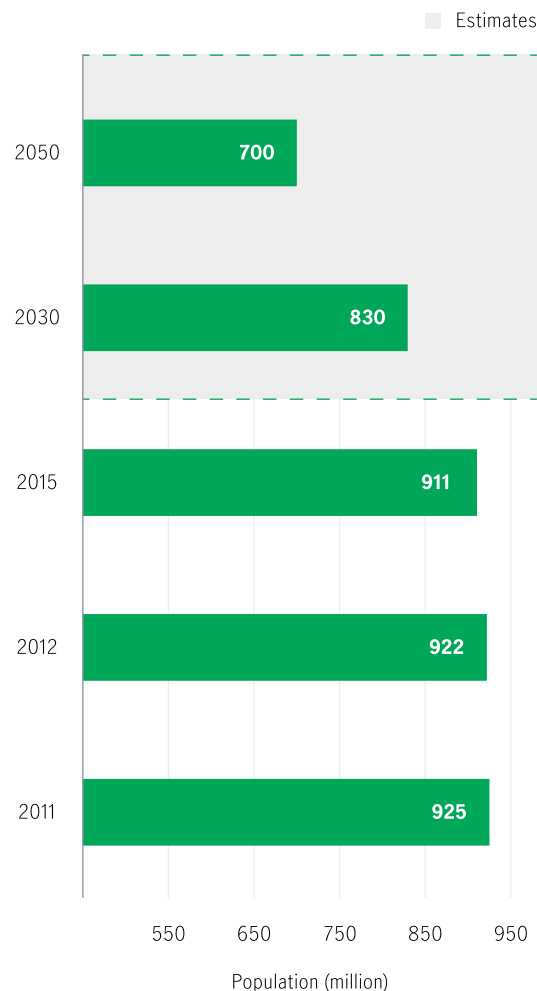
The challenges facing government-provided pensions

Due to these trends, state-funded pensions are facing stern challenges. A recent World Economic Forum paper puts the projected retirement savings gap across eight globally significant countries at US\$70 trillion in 2015. Some 75% of this total comes from unfunded government-provided pensions and pensions promised to public employees.⁴ By contrast, just 1% of the gap consists of unfunded corporate pension promises, with the remaining 24% created by the shortfall in individual savings.

As such, the increasing shift towards mandatory occupational pensions and voluntary personal pensions in many Western economies over the past few decades has been both timely and appropriate.

The way these types of pensions are funded and the nature of the benefits they offer have also been changing. Given the strain on many traditional pension plans, there has been a shift away from defined benefit schemes to defined contribution schemes,⁵ as reflected by the share of assets held by each.⁶

Chart 1: China's shrinking working-age population



Source: China Daily, 23 July 2016, source from National Bureau of Statistics and Ministry of Human Resources and Social Security. Shaded area represents estimates; data for 2013 and 2014 not available.



Pension reform in Asia:

Opportunities and challenges

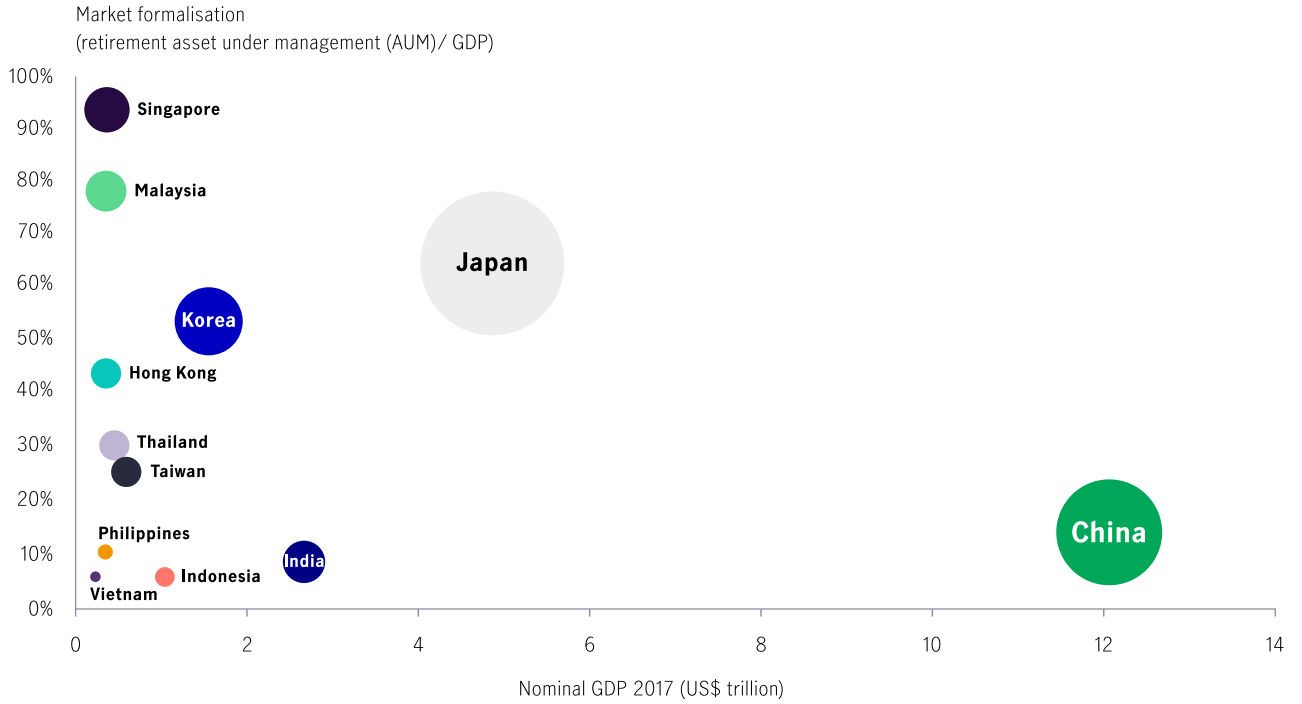
Asian markets are not immune from these global trends. However, the issues and opportunities faced by each market vary, owing to considerable diversity in terms of demographics, economic development and means to save.⁷

Despite the relatively strong levels of economic growth across Asia and the rise of its middle class, retirement preparedness is still a key concern across the continent. There is a wide variance in retirement assets as a percentage of gross domestic product (GDP), with more-affluent markets generally having greater assets proportional to GDP, but there are exceptions. Markets in Asia in general lag those in the West such as the US, UK and Canada, where pensions assets as a percentage of GDP are 130%, 121% and 108%, respectively (see Chart 2).

Diverging levels of economic development in Asia translate into significantly different levels of pension coverage. Coverage is generally higher in Asia's more developed economies and lower in the region's less affluent markets, owing to lower overall income levels in the latter and the greater proportions of their populations employed in the rural and informal sector.

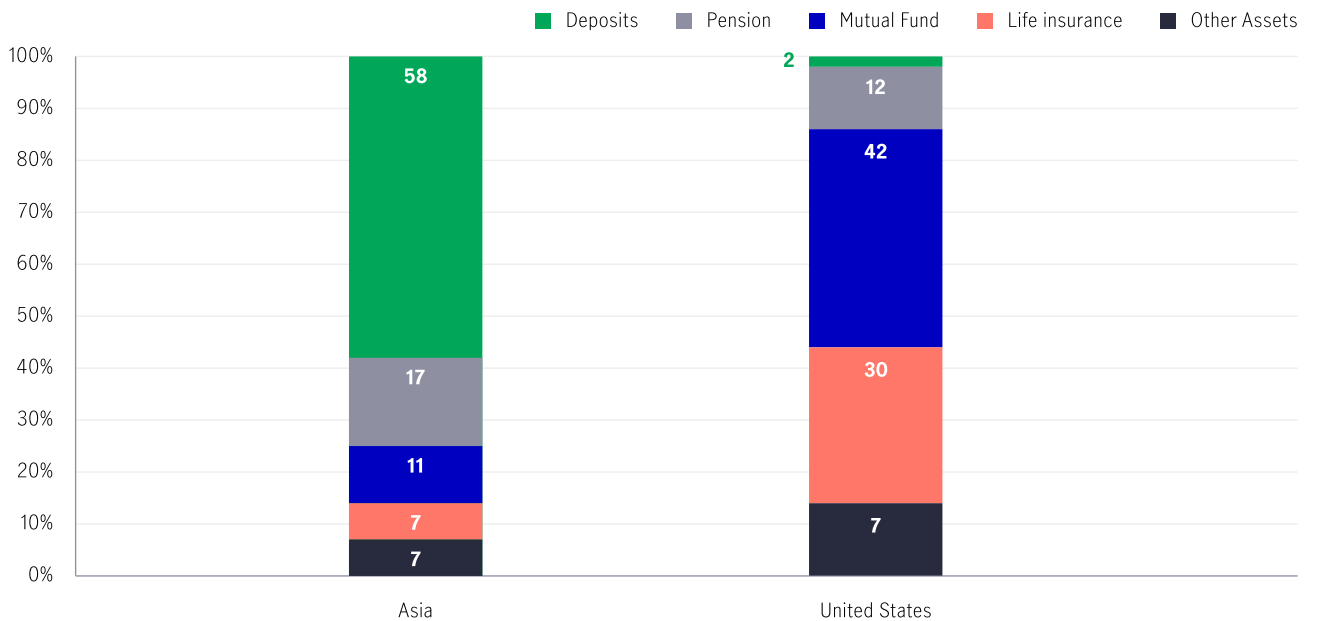
Even where there is coverage, pension systems may not provide enough income to cover people's needs throughout retirement. This is due to factors such as a low level of contributions and low returns – exacerbated by the large share of retirement savings in Asia held as cash deposits (Chart 3).

Chart 2: Asia's retirement markets



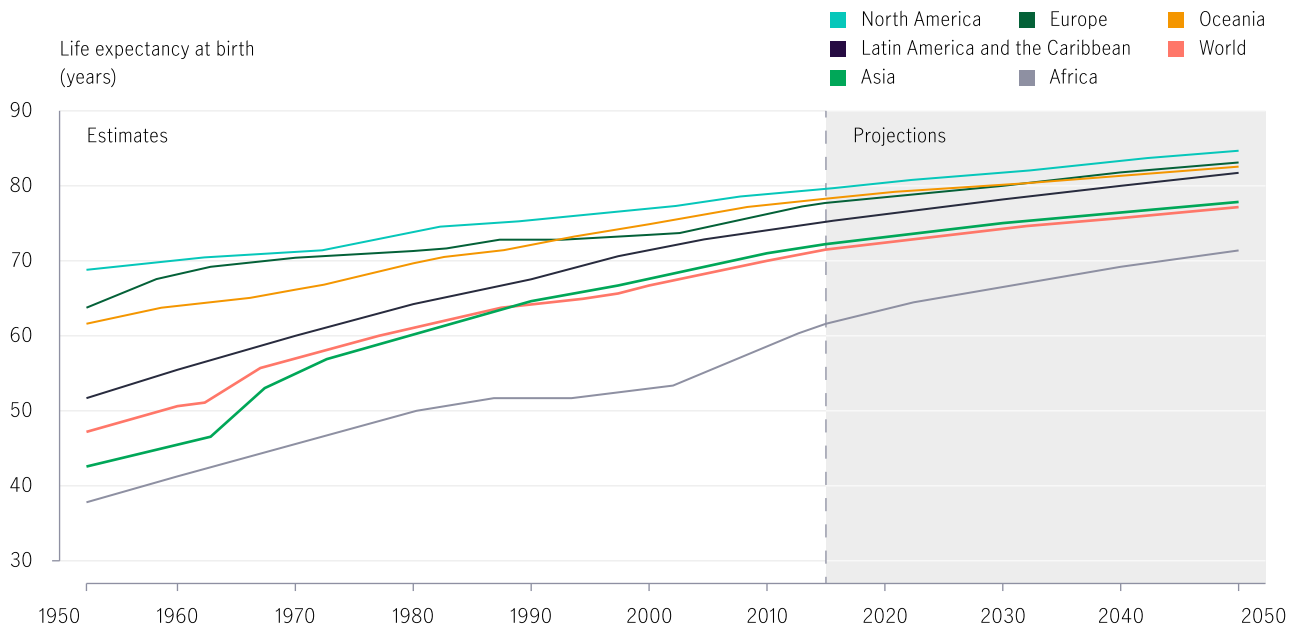
Source: IMF, Cerulli report: 10 themes to shape Asian asset management over the next 10 years (December 2018).

Chart 3: Is Asia holding too much cash?



Note: "Other assets" may include: central bank assets, sovereign wealth funds and other asset sources. Source: Cerulli Global Markets 2017; Cerulli Institutional Asset Management in Asia 2017.

Chart 4: Asia's life expectancy has soared since 1950



Source: United Nations, 2017.

Another issue is that even in markets with greater pension coverage, the early withdrawal of savings driven by the widespread underestimation of longevity risk has emerged as a problem.⁸ And steady advances in economic development and healthcare have meant that longevity can outpace people's expectations. Life expectancy across Asia stood at 74.2 years in 2016, up from 69.4 years in 2000 (see Chart 4),⁹ and further increases could be virtually assured. Leading the way forward are two of Asia's most affluent jurisdictions, Hong Kong and Japan, which have the world's most long-lived populations, with women expected to live in excess of 87 years and men over 81.⁹

Taking these factors into account, the core focus of pension design in the future is likely to shift from asset accumulation to providing lifetime income in the form of decumulation solutions.

A multi-pillar prescription for Asia

Given the diversity of challenges in the region, what is the appropriate framework for Asian markets to consider? In our experience, although there is no one-size-fits-all solution, a system that includes a combination of solutions from a multi-pillar framework, such as that outlined by the World Bank, seems the best way to address the needs of various groups.



Chart 5: The World Bank’s five-pillar pension framework



Source: World Economic Forum, 2013; Manulife Investment Management 2019.

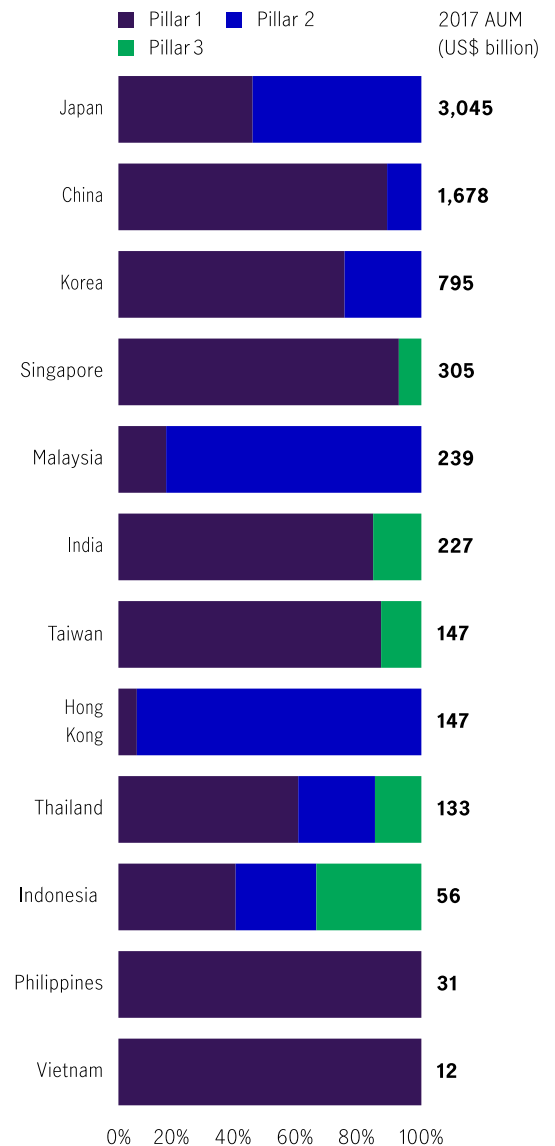
The World Bank also proposes useful criteria to evaluate the performance of pension systems on the basis of five key outcomes: efficiency, sustainability, coverage, adequacy and security.¹¹

Incorporating these criteria, we believe that one way to make up for the projected retirement shortfall is to develop voluntary third-pillar retirement systems across Asia (see Chart 6), although we recognise that fiscal considerations and limited space to develop tax incentives are notable challenges.

Considering the unique situation facing every market in Asia, each requires a tailor-made approach. Technology will play a vital role, reducing costs and improving product and advice customisation.¹² In addition, the need for improved financial education and consumer engagement remains pressing, and we believe that meeting it through a multi-channel, multi-format strategy and a blend of human and digital interaction will be most effective.

How are Asian markets implementing these important factors into their pension systems? In the next section, we assess the pension reform situation and potential solutions open to three key economies in Asia – China, Malaysia and Hong Kong – each of which carries potential learnings for others seeking to ease the growing burden of ensuring continued prosperity for their increasingly long-lived populations.

Chart 6: Asia’s third pension pillar remains largely undeveloped



Source: Manulife database, World Bank, IMF, Cerulli reports: 10 themes to shape Asian asset management over the next 10 years; Asset management in Southeast Asia 2018; Institutional asset management in Asia 2018; Willis Towers Watson: global pension study 2017.

Notes: Retirement AUM contains assets from the first, second and in selected markets such as Singapore, Thailand and Malaysia, third pillars. Third pillars assets include only those from established schemes.

Case study 1: China

Committed to a long journey of reform

China has a long tradition of providing pension security for its citizens and undertaking innovative pension reforms. Indeed, China's first-pillar pension offering is one of the oldest in the region,¹³ and has been successively expanded over the years. From 2009, China began vastly increasing pension coverage through the pilot launch of the New Rural Pension Scheme, which has covered all the country's rural regions since 2012.¹⁴

Coverage is high, but adequacy is low and yet sustainability remains a concern

According to the Ministry of Human Relations and Social Security (MOHRSS), roughly 943 million people in China had some form of state-backed pension coverage by the end of 2018.¹⁵ But while coverage is high, adequacy is low and yet sustainability remains a concern.

The urban workers' pension scheme is expected to face increasing challenges. Owing to China's rapidly ageing population and low fertility rate, the Chinese Academy of Social Sciences (CASS) predicts that the scheme's total expenditure will start to exceed contributions from 2028, and that reserves will decline steeply thereafter.¹⁶

China has made considerable efforts to develop the second and third pillars (see Chart 7). The second pillar now consists of the Enterprise Annuity (EA) and Occupational Annuity (OA) schemes. The EA is a voluntary, defined contribution, fully funded pension plan launched in 2014, which has been adopted mainly by large state-owned

enterprises.¹⁷ The OA, introduced in 2015, is a mandatory, defined contribution pension programme for some of China's civil servants and public-sector employees, which will cover around 40 million individuals.¹⁸ The country saw experiences of costly pension commitments to public-sector employees in western countries and implemented a defined contribution system for a more sustainable fiscal path earlier.

Development of China's third pillar, made up of personal assets, is still at the nascent stage, with the government currently in the process of determining its scope. Once the groundwork is laid, it is poised to develop quickly, with its market size estimated to jump from around US\$242 billion in 2016 to US\$1,345 billion by 2025.¹⁹

Improving adequacy through the third pillar

China announced two major third-pillar pilot initiatives in 2018.²⁰ The China Securities Regulatory Commission also published guidelines paving the way for local asset managers to start offering pension target funds, including target-date funds and target-risk funds.²¹ The government is now working on expanding both the geographic coverage and range of products offered by these schemes.

Broadening the investment options for pension funds to pursue higher returns could also have a role to play. In 2015, pension funds managed by local governments were permitted to invest in the stock market for the first time, whereas previously they had been restricted to investing in bank deposits and treasuries.²² The next step could

potentially see more pension fund providers licensed to provide offshore solutions (they currently mainly offer onshore solutions), which could contribute to diversifying risk, increasing yields and widening investment choices.

Early focus on a full retirement ecosystem

China’s retirement policy innovations are not limited to adopting a multi-pillar system, but also can be seen in its early adoption of a more complete and holistic retirement ecosystem.

The country is developing an emerging upscale elderly care market, with insurance companies rolling out high-end retirement communities and associated healthcare facilities across major Chinese cities,²³ along with tailored financial products to cover customers’ post-retirement needs. Thus, while China has been relatively late in developing the second and third pillars of its pension system, it could well emerge as a trailblazer in creating innovative retirement ecosystems designed to maximise well-being.

Chart 7: China’s pension system still dominated by pillar one, with pillar three tapped to grow the most



Source: Manulife Investment Management, KPMG analysis, 2019.

Case study 2: Malaysia

Steadfast in boosting participation

Lacking a robust first-pillar pension offering, Malaysia's long-running second pillar, the mandatory Employees Provident Fund (EPF),²⁴ has grown to become the 13th largest pension fund in the world.²⁵ As a fully funded, defined contribution scheme, sustainability is and will remain robust for the EPF. Securing coverage and adequacy²⁶ will continue to be a key focus of the EPF going forward.²⁷

In addition to encouraging the voluntary participation of those not covered under the EPF Act,²⁸ the country was one of the first in Asia to launch a voluntary third-pillar scheme to tackle these concerns. The Private Retirement Schemes (PRS) was launched in 2012 to encourage additional personal savings with annual tax savings incentives for contributions up to RM\$3,000 (US\$720) per annum.

Room for third-pillar growth

Despite being launched about seven years ago, overall participation in the PRS remains low, with less than 3% of Malaysia's workforce having a PRS account.²⁹

Widening participation is crucial given that fewer than 30% of Malaysians are currently covered by one of the two mandatory pension schemes: the Kumpulan Wang Persaraan (KWAP) scheme for public sector employees, which counts nearly 200,000 members³⁰, and the EPF, which has around 7.4 million actively contributing members.³¹

Although the current level of tax relief for PRS could be constructively raised to boost participation, the government is aware of its importance. Malaysia's Private Pension Administrator (PPA), the centralised administrator of the PRS, has said the government is looking to potentially extend the current tax relief beyond its original expiration at the end of 2021, as well as explore other incentives to increase participation in the scheme.³²

Improving financial awareness, especially among the youth

Malaysia's PPA is actively engaged in running education and promotion campaigns targeting corporations and individuals, providing vital leadership to the industry, whereas in other markets responsibility for engagement and marketing is generally left up to the private sector.

Indeed, one of PPA's most significant promotional measures was the PRS Youth Incentive, which, until the end of 2018, offered a one-off RM\$1,000 (US\$240) incentive for Malaysians aged between 20 and 30 who sign up for a PRS account and contribute a minimum of RM\$1,000 into it.³³ Bridging the retirement gap requires developing savings and investment habits at an early stage.

As enrolled youth observe the effect of compound interest on their PRS accounts, those habits can be reinforced over a lifetime. Moreover, tracking and managing PRS accounts have also become considerably easier with the launch in January of 2018 of the PRS Online platform, a one-stop online platform that allows direct subscription for PRS schemes through the PPA website.³⁴

These initiatives are part of a broader government strategy to lift the level of financial literacy among citizens: Malaysia launched an ambitious National Strategy for Financial Literacy in July of 2019. The five-year plan covers five key areas, including long-term financial and retirement planning, with public-private partnerships viewed as crucial to the endeavour.³⁵ Malaysia's efforts remind us that although retirement planning primarily deals with individuals as they age, a key policy focus should be engaging the youth.

Case study 3: Hong Kong

Innovating on a solid foundation

Hong Kong is one of the more developed pension markets in Asia, having established a solid foundation from which to innovate.

Hong Kong’s multi-pillar system consists of all but the first pillar. While there is a “zero pillar” for some eligible beneficiaries, the second pillar, known as the Mandatory Provident Fund (MPF), serves as one main source of required retirement income for many Hongkongers. The MPF displays numerous strengths when evaluated by the five World Bank criteria. Coverage is high, with enrolment near-universal among employers and employees, and standing at about 70% of the self-employed.³⁶ As a mandatory, fully-funded and defined contribution system, the MPF is sustainable by design, and security is assured by the city’s sound legal and financial systems as well as the MPF’s robust regulatory and supervisory regime.

Boosting adequacy and efficiency

In terms of adequacy, retirees in Hong Kong face a challenging future due to the territory’s notoriously high cost of living. Although industry estimates of how much people need to sustain their post-retirement lifestyle vary, evidence suggests a notable shortfall. Assuming retirees could get by on half the city’s current median monthly (individual) income of about HK\$17,500, given the city’s life expectancy of close to 85 years³⁷, an average Hong Kong person would need more than HK\$2 million (US\$255,027)³⁸. However, as of December 2018, the average MPF member’s account held accrued benefits of only about HK\$186,000 (US\$23,724).³⁹

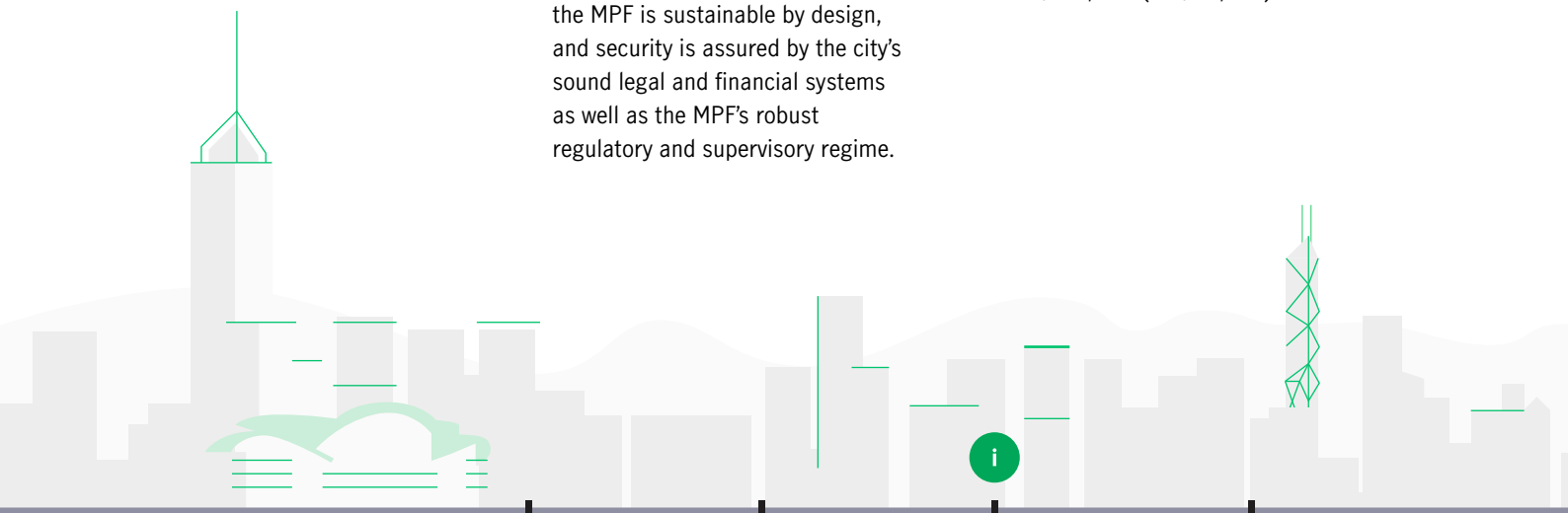


Chart 8: MPF timeline and key milestones

1998	2000	2004	2005
Establishment of MPFA	Launch of MPF System	Code on Disclosure for MPF Investment Funds was published	Compliance Standards for MPF Approved Trustees was published

Source: Manulife Investment Management

Many innovative ideas have emerged to mitigate this projected shortfall. The further development of the territory’s third-pillar is one key solution. The government’s recent (April 2019) introduction of tax deductions on voluntary contributions and annuity premiums⁴⁰ is a significant step in the right direction and the response has been strong.⁴¹ But more could be done, such as further increasing the level of tax incentives offered. Also, the cap on the salary applicable for mandatory contributions (HK\$30,000) is limiting, and higher-tiered caps could be considered for higher earners.

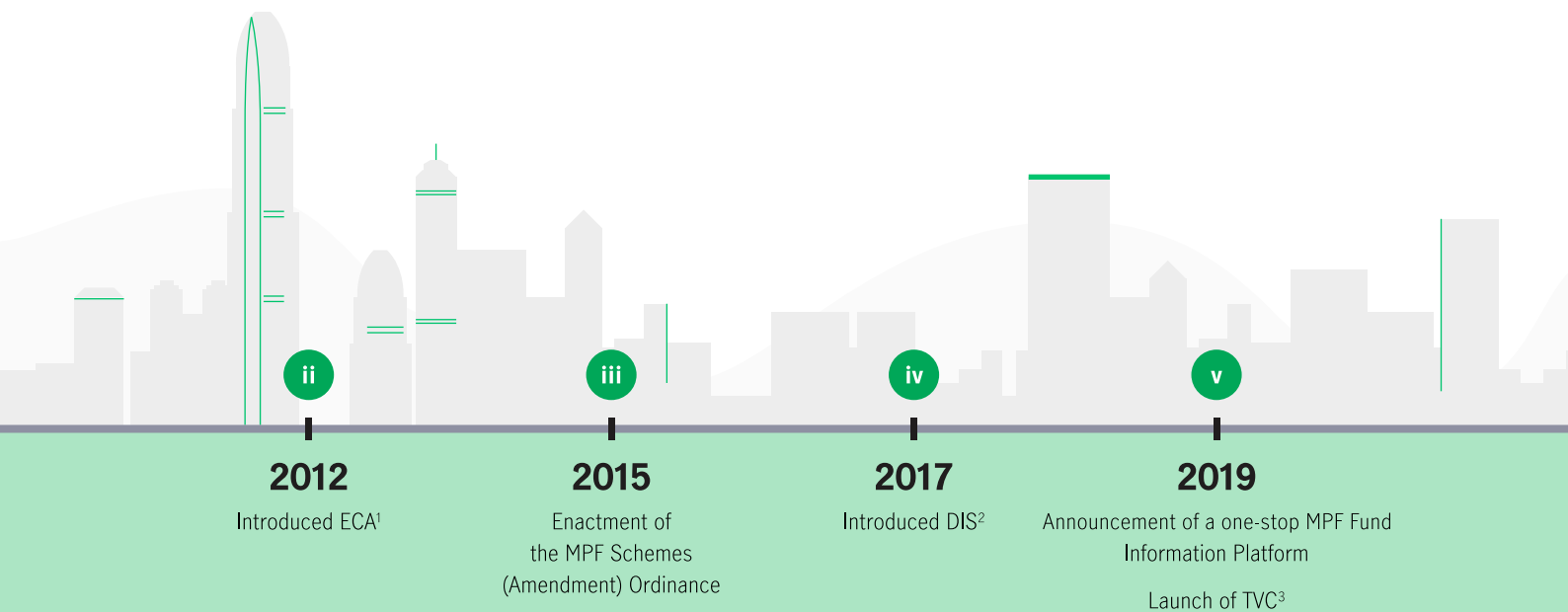
As for boosting efficiency, the government plans to roll out the centralised “eMPF” platform from 2022, allowing scheme members to use a single login to access and manage all their MPF accounts invested in different MPF schemes and funds. The platform should provide a better user experience and greater scheme administration efficiency, paving the way for further fee reductions.⁴²

risk. This innovation will be crucial in serving the segment of Hong Kong retirees who find themselves asset rich but income poor.

Boosting adequacy also requires financial education and consumer engagement to promote greater contributions to voluntary schemes and garner stakeholder acceptance of mandatory ones. Hong Kong’s MPF system is already deemed a success in increasing financial literacy and awareness of retirement needs. Manulife Investment Management is committed to supporting the government’s efforts to further enhance public awareness through a combination of human and digital channels.

Decumulation and education in focus

As mentioned previously, one key innovation of the core focus of pension design in future will shift to providing lifetime income (i.e. decumulation) in order to ensure adequacy and manage longevity



1 Employee Choice Arrangement
 2 Default Investment Strategy
 3 Tax Deductible Voluntary Contributions

- i** To improve MPF fund fees, charges and performance disclosure
- ii** Allow partial portability, and open up pre-retirement rollover
- iii** Allow continued investments 65+, delay withdrawal
- iv** Introduction of low fee default options (Capped at 0.95%)
- v** Discloses all MPF fund fees, charges and performance

Conclusion

Asia has started on the journey of pension reform, with notable accomplishments already made and further challenges waiting ahead.

We believe that while there is no single solution to serve Asia's pension markets, the five-pillar pension approach of the World Bank provides a useful framework to think about where reform is needed. Indeed, as many governments in Asia are at different phases of the pension reform process, they can devise specific policies for their unique demographic and fiscal situations. Once implemented, they can continually review their progress and make further improvements along the way.

We envisage that the second and third pillar will play an increasingly important role across the region. In particular, the third pillar is by far the least developed of the three across Asia (see Chart 6). We can therefore expect it to see significant growth in the coming years, most notably in China, where preparations are underway for the wide-scale introduction of a third-pillar scheme, including potential tax incentives. Hong Kong, too, is likely to see strong third-pillar growth following the launch in April 2019 of Tax Deductible Voluntary Contributions (TVC) MPF schemes.

Consumer engagement/ education and innovation will drive future progress

While structural pension reforms coupled with strategic tax incentives are critical for future success, markets in Asia must also focus on consumer engagement and education efforts. We believe these are best pursued through a multi-

channel, multi-format strategy that blends human and digital interaction. Hong Kong and Malaysia have already taken steps to boost their digital presence to make it easier for individuals to access pension-related information.

For consumer education, both the private sector and the government have important roles to play, and would do well to coordinate their efforts. As shown in the second case study, Malaysia's PPA offers a compelling example in this regard, providing vital leadership through its education and promotion campaigns targeting corporations and individuals.

Finally, governments with the help of the private sector are redefining what retirement means and how it is financed. In China, the nascent development of a holistic retirement ecosystem points to a new concept of retirement that emphasises health care and personal well-being along with financial security. While in Hong Kong, decumulation strategies are emerging to help individuals who are asset rich and income poor fund retirement through existing investment assets.

Overall, each of Asia's markets faces a long and challenging journey in achieving adequate pension coverage. But by taking learnings from each market, as well as the pension reform experiences of developed countries, they can forge their own sustainable path. The crucial task then is to garner stakeholder support through education and engagement. After all, cultivating awareness is the first step to promoting any change.

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Endnotes

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- ³ James Gallagher, " 'Remarkable' decline in fertility rates", BBC, 9 November 2018: <https://www.bbc.com/news/health-46118103>.
- ⁴ The eight countries include: Australia, Canada, China, India, Japan, Netherlands, United Kingdom, and the United States. World Economic Forum, "We'll Live to 100 – How Can We Afford It?" (May 2017): http://www3.weforum.org/docs/WEF_White_Paper_We_Will_Live_to_100.pdf.
- ⁵ World Economic Forum, "Investing in (and for) Our Future" (June 2019): http://www3.weforum.org/docs/WEF_Investing_in_our_Future_report_2019.pdf.
- ⁶ A defined benefit scheme generally guarantees a specific income stream during retirement based on factors such as salary history and duration of employment, and is often funded on a pay-as-you-go basis. A defined contribution plan, on the other hand, is fully funded, taking the form of an occupational pension scheme where the benefits accrued are based on the accumulated contributions made by employees and their employers.
- ⁷ A common factor that is well understood is population ageing. Japan is at one extreme, where the old-age dependency ratio (the ratio of those aged over 65 to those in the working-age population) is at 46% and set to climb to 52.7% by 2030 (based on projections by the Economist Intelligence Unit, with the caveat that such forecasts are subject to considerable uncertainty around migration trends and policies). In Hong Kong, Singapore, Taiwan and South Korea, where fertility rates rank among the lowest in the world, the old-age dependency ratio is forecast to jump dramatically between now and 2030, to a range between 35.4% and 43.5%. The situation is less extreme in other markets, but places like Thailand and China will also see marked increases in their old-age dependency ratios, from 16.5% to 29.1% in the former and from 16.9% to 27% in the latter. In contrast, places like Indonesia, the Philippines and Malaysia, where there are still ten times as many people of working age as there are people aged over 65, making demographic ageing seem less of an immediate policy priority.
- ⁸ Manulife Investment Management, "Live long and prosper? Retirement and Longevity Risk", Aging in Asia: Paper 5 (June 2014)
- ⁹ Julia Hollingsworth, "Hongkongers top life expectancy rankings worldwide for second year in a row", South China Morning Post, 29 July, 2017: <https://www.scmp.com/news/hong-kong/health-environment/article/2104584/hongkongers-top-life-expectancy-rankings-worldwide>
- ¹⁰ Thinking Ahead Institute research, "Global Pension Assets Study 2019" (2019).
- ¹¹ The World Bank's "Outcome Based Assessments for Private Pensions" provides the following definitions of the five key outcomes:
Efficiency: Maximizing net-of-fee returns by improving investment and cost performance subject to acceptable risks.
Sustainability: Ensuring that the promised retirement income will be delivered for this and future generations without placing burdens on government, employers, or workers for financing that will not be met.
Coverage: Maximizing the proportion of the working-age population that is accumulating retirement income entitlements and the proportion of retirees receiving such financial support in retirement.
Adequacy: Ensuring people accumulate retirement benefit entitlements that protect them from poverty, allow them to share in increased prosperity, and that people are protected against a severe drop in living standards at retirement, taking account of other sources of financial support.
Security: Ensuring the security of assets to minimize the risk that funds that have been (or should have been) accumulated to provide retirement benefits are lost or misappropriated before the benefits are delivered.
- ¹² World Economic Forum, "Investing in (and for) Our Future" (June 2019): http://www3.weforum.org/docs/WEF_Investing_in_our_Future_report_2019.pdf.
- ¹³ China's basic pension system targeting urban employees was established in 1951, two years after the founding of the People's Republic of China.
- ¹⁴ Benxi Lin, Zongjian Lin, Yu Yvette Zhang and Weiping Liu, "The Impact of the New Rural Pension Scheme on Retirement Sustainability in China: Evidence of Regional Differences in Formal and Informal Labor Supply," Sustainability, MDPI, Open Access Journal, pages 1-7, November 2018.
- ¹⁵ National Bureau of Statistics of China, "Statistical Communiqué of the People's Republic of China on the 2018 National Economic and Social Development": http://www.stats.gov.cn/english/PressRelease/201902/t20190228_1651335.html.
- ¹⁶ Chinese Academy of Social Sciences, as of April 2019: <http://www.cisscass.org/yanjiucginfo.aspx?ids=26&fl=3>.
- ¹⁷ The contribution limit for employers to the EA was 2018 adjusted down slightly from 1/12 of payroll to 8%, while combined contributions of employers and employees was lowered from 1/6 of payroll to 12%.
- ¹⁸ Bingwen, Zheng and Liu, Gulian, "The Role of Enterprise Annuity Funds in Chinese Social Security." Bingwen, Zheng and Liu, Gulian: https://euchinasrpp.eu/images/documents/Component2/2.3.2%20Zheng_Bingwen_the%20role%20of%20enterprise%20annuity%20fund%20in%20Chinese%20Social%20Security%20EN.pdf.

- ¹⁹ Manulife Investment Management research as of November 2019.
- ²⁰ The first is a tax-deferred plan initially offered in Shanghai, Fujian Province and Suzhou Industrial Park in Jiangsu Province, where individuals are allowed to defer tax on part of their income used to purchase commercial pension insurance funds until they retire and draw income from the funds. The second is a tax incentive to invest in mutual funds, which has not yet been launched. Xinhua, "Shanghai issues first tax-deferred pension policy", 6 July, 2018: <http://www.chinadaily.com.cn/a/201806/07/WS5b1935a3a31001b82571ebf1.html>.
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- ²² Reuters, "China gives pension funds access to stock market", 23 August, 2015: <https://www.reuters.com/article/china-stocks-pensions/china-gives-pension-funds-access-to-stock-market-idUSL4N10Y09620150823>.
- ²³ Maggie Zhang, "Chinese insurers spot a silver lining in country's demographic time bomb", South China Morning Post, 15 August, 2016: <https://www.scmp.com/news/china/society/article/1999634/chinese-insurers-spot-silver-lining-countrys-demographic-time>.
- ²⁴ The EPF was established by the Federal Labour Department in 1949, eight years before Malaysia gained independence from Britain. The entity was made a statutory body in 1951 and is currently governed by the Employees Provident Fund Act, 1991.
- ²⁵ Pensions and Investments World 300, Thinking Ahead Institute, September 2019: https://www.thinkingaheadinstitute.org/en/Library/Public/Research-and-Ideas/2019/09/P_I_300_2019_research_paper.
- ²⁶ On the issue of adequacy, nearly seven in 10 EPF members aged 54 had less than RM\$50,000 in savings (US\$11,960), with the poorest 20% having average savings of only RM\$6,909. Given workers can withdraw their savings as a lump sum from the EPF at age 55, assuming they live until the age of 75, their savings would give them a retirement income well below the poverty line. World Bank's "Case Study on the Employees Provident Fund of Malaysia", June 2018: <http://documents.worldbank.org/curated/pt/197861540400101962/pdf/131289-WP-WorldBankReport-PUBLIC.pdf>.
- ²⁷ World Bank, "Case Study on the Employees Provident Fund of Malaysia", June 2018: <http://documents.worldbank.org/curated/pt/197861540400101962/pdf/131289-WP-WorldBankReport-PUBLIC.pdf>.
- ²⁸ The Star, "EPF members can contribute any amount to accounts from July 1", 29 June, 2018: <https://www.thestar.com.my/business/business-news/2018/06/29/epf-members-can-contribute-any-amount-to-accounts-from-july-1#MeLq5LlwdLyKQPW.99>
- ²⁹ Department of Statistics Malaysia (August 2019): https://www.dosm.gov.my/v1/index.php?r=column/cthemByCat&cat=149&bul_id=ekx5ZDVkVfAyWGg3WHNLUnJWL3RwUT09&menu_id=U3VPMldoYUxzVzFaYmNkWXZteGduZz09.
- ³⁰ KWAP web site, as of June 2019: <https://www.kwap.gov.my/EN/Contributions/Pages/Members.aspx>
- ³¹ KWSP web site (2018 annual report): <https://www.kwsp.gov.my/documents/20126/974925/1.+Facts+At+A+Glance.pdf/cbf4777c-8415-202b-64f0-692e1f35955a?t=1564377638113>.
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- ³³ The promotional measures can be found at: <https://www.ppa.my/prs-youth/why-start-now/>.
- ³⁴ Focus Malaysia. 15 January 2019. <http://www.focusmalaysia.my/Snippets/prs-sets-record-breaking-2018-with-new-members>.
- ³⁵ Alliance for Financial Inclusion, "Malaysia's PM launches National Strategy for Financial Literacy (2019-2023)", 23 July, 2019: <https://www.afi-global.org/news/2019/07/malysias-pm-launches-national-strategy-financial-literacy-2019-2023>.
- ³⁶ Mandatory Provident Fund Schemes Authority, "MPFA organizes outreach activity to encourage Self-employed Persons to open MPF accounts", (January 2019): http://www.mpfa.org.hk/eng/information_centre/press_releases/8330_record.jsp
- ³⁷ In 2017, the expectancy of life at birth for men and women was 82 years and 88 years respectively; Census and Statistics Department, as of November 2018.
- ³⁸ Hong Kong median individual Income and life expectancy data are from the Hong Kong Census and Statistics Department: (<https://www.censtatd.gov.hk/hkstat/sub/so210.jsp>). The exchange rate used is 1 United States dollar= 7.84 Hong Kong dollars. The replacement rate standard used in the example is 50%. This is below the OECD average for net replacement rates of an average earner from public and mandatory private schemes, which is 63%. When voluntary private pensions are added, the average net replacement rate is 69%. When voluntary private pensions are taken into account, for the eight OECD countries where voluntary private pensions are widespread the average net replacement rate for these eight countries is 74% compared with 62% in gross terms: https://www.oecd-ilibrary.org/social-issues-migration-health/pensions-at-a-glance-2017/net-pension-replacement-rates-mandatory-and-voluntary-schemes_pension_glance-2017-16-en#targetText=Net%20pension%20replacement%20rates%3A%20mandatory%20and%20voluntary%20schemes,net%20replacement%20rate%20is%2069%25.
- ³⁹ The average MPF account is for regular employee contribution accounts which were established under master trust schemes and the employer sponsored scheme in December 2000 and have not been terminated as of 31 December 2018. Employee contribution accounts the holders of which joined the MPF System at inception: http://www.mpfa.org.hk/eng/information_centre/statistics/MPF_Statistical_Report/files/Statistical_Analysis_of_Accrued_Benefits_Held_by_Scheme_Members_2019.pdf. The exchange rate used here is 1 United States dollar= 7.84 Hong Kong dollars.
- ⁴⁰ The government has incentivised a voluntary third pillar from the start of the latest financial year by introducing a combined maximum tax deduction of up to HK\$60,000 on contributions to tax deductible voluntary (TVC) MPF schemes and deferred annuity premiums.
- ⁴¹ As of 2019 year end, the Mandatory Provident Fund Schemes Authority reported there were about 24,000 new TVC accounts registered in the first month of the TVC launch in April 2019, into which around HK\$350 million in contributions was made.
- ⁴² Cheng Yan-chee, "Hong Kong will get simpler, cheaper pension scheme with eMPF", South China Morning Post, 4 September, 2017: <https://www.scmp.com/comment/letters/article/2109686/hong-kong-will-get-simpler-cheaper-pension-scheme-empf>. Previous efforts to boost efficiency included the introduction of the Employee Choice Arrangement in 2012, allowing employees to shift their contributions between MPF schemes, and the Default Investment Strategy in 2017, stipulating all MPF providers offer a fund option with a lower management fee (capped at 0.95%). As a consequence, the MPF's Fund Expensive Ratio (FER) fell to a record low of 1.53% as of July 2018.

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