



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

Consultation Paper
Proposals to Improve the Content of
Annual Benefit Statements

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Hong Kong

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INTRODUCTION

1. This consultation paper invites comments on various proposals to improve the content of the annual benefit statement that is provided to members of mandatory provident fund (“MPF”) schemes.
2. The Mandatory Provident Fund Schemes Authority (the “Authority”) invites interested parties to submit written comments on the Proposals discussed in this consultation paper no later than 18 August 2006.
3. Any comments received from interested parties will be considered carefully by the Authority before the Proposals are finalised.
4. Any person wishing to comment on the Proposals should provide details of any organisation whose views they represent. Please note that the names of the commentators and the content of their submissions may be published by the Authority in connection with any further discussion or consideration of the Proposals. In this connection, please read the “Personal Information Collection Statement” at Annex 4 to this consultation paper.
5. If you wish to make a submission but do not wish your name to be published by the Authority, please state that you wish your name to be withheld from publication when you make the submission.
6. Written comments may be sent:

By mail to: Investment Regulation Department
Mandatory Provident Fund Schemes Authority
21/F, One International Finance Centre
1 Harbour View Street, Central
Hong Kong or

By fax to: (852) 2259 8331 or

By email to: winniechan@mpfa.org.hk
7. For further information, please contact the hotline of the Authority at (852) 2918 0102.
8. Additional copies of the consultation paper may be obtained from the above address or from the Authority’s web site at <http://www.mpfahk.org>.

PROPOSALS TO IMPROVE THE CONTENT OF ANNUAL BENEFIT STATEMENTS

BACKGROUND

1. Improvement to annual benefit statements (“ABS”) is Phase 2 of work by the Authority to improve the quality of information that is disclosed to members of MPF schemes. The first phase culminated in the issue of the Code on Disclosure for MPF Funds in June 2004. The Proposals to improve the content of annual benefit statements have been developed by the Authority to provide better information in the ABS for MPF scheme members. In particular, improvements are proposed in relation to how some key information is shown and in relation to details about information about fees, charges, contributions, transactions and performance of the accounts of scheme members. It is envisioned that the additional information will help scheme members get a better understanding of the details of their accounts and help them better manage their MPF affairs.

I. Current requirements

2. The ABS is issued to members of all MPF schemes. The ABS is the principal method by which scheme members receive individual account level information¹ about their MPF savings. Section 56 of the Mandatory Provident Fund Schemes (General) Regulation (the "Regulation") provides that an approved trustee of a scheme must ensure that scheme members receive a benefit statement within three months after the end of the financial period of a registered scheme. The content requirements of those benefit statements are set out in section 56(3) of the Regulation as follows:

- (a) the name of the member, the name of the scheme and the name of the approved trustee of the scheme; and
- (b) the total contributions that have been paid to the scheme in respect of the member during the financial period and specify, in so far as it is within the knowledge of the trustee, any contribution periods for which contributions that were required to be paid in respect of the member have not been paid; and
- (c) the value of accrued benefits of the member as at the beginning of the financial period

¹ See the Explanatory Box on page 9 for an explanation of “account level information”

and also the value of accrued benefits of the member as at the end of that period; and

- (d) if the member is a self-employed person, the total contribution paid to the trustee by the scheme member during the financial period; and
- (e) if the member is not a self-employed person, the total contribution paid to the trustee by the member's employer during the financial period; and
- (f) particulars of amounts transferred to or from the scheme during the financial period.

II. Purpose of the ABS

3. Based on the existing requirements, it could be considered that the ABS serves, at a minimum, the following purposes:

- confirmation of scheme membership and membership details: in this respect the ABS acts as a reminder to members of the existence and status of their accounts (including preserved accounts), the number of accounts they might hold in different schemes and the possible need to update details in relation to those accounts;
- confirmation of flows into and out of the members' accounts over the relevant period: in this respect the ABS is one of a range of mechanisms that encourages members to check, at a reasonably high level, that contributions and other transfers have been received, processed and invested and that there have been no unauthorised withdrawals or other transactions on the accounts; and
- confirmation of accrued benefits: in this respect the ABS plays an important role in helping members understand the progress of their MPF retirement savings. This information is a critical component in retirement planning that all scheme members are encouraged to consider.

4. Whilst the ABS provides a range of important information, it should be recognised that the ABS is merely one of a series of disclosure documents that scheme members would receive or have access to. The ABS is backward looking, in that it only provides factual information after the event. The ABS therefore is not intended to be the sole means of delivering all information that members should have access to. Information that the ABS is not intended to provide would include:

- information about individual fund performance, either historical (principally delivered through fund fact sheet and publication of unit prices) or prospective;

- information about scheme rules or information upon which members can make decisions about choosing funds within a scheme, or where relevant, choosing service providers (principally delivered through the scheme offering document); and
- information about the financial statements of a scheme or a fund.

III. Existing practices

5. In order to ascertain the current practice in respect of ABS disclosure, the Authority carried out a survey amongst approved trustees to review the range of information made available to members by trustees and service providers. The results of the survey revealed that all trustees complied with the statutory requirements and, in addition, many trustees provided additional information in the ABS or in a manner that supplemented the information in the ABS.

6. The contents and details of the additional information did, however, vary widely between the approved trustees. For example, according to the survey, some trustees provided information on details of each contribution², a breakdown of account balances into details of units and values by constituent funds, account performance information and fund allocation instructions of scheme members. Not many trustees provided information on transaction details on investments in constituent funds³ or exit value⁴. No trustee, either within the ABS or by other means, provided comprehensive information about fees charged against members' accounts or fees incurred at the fund level. A few trustees did however give some limited information about specific fees and charges.

IV. Need for improvement

7. The need to improve the content of the ABS was identified in various reviews conducted by the Authority and external experts retained by the Authority. Those reviews indicated that the existing content requirements of the ABS were inadequate in providing sufficient account information for members. The need for improvements has also been raised by a large number of stakeholders.

8. The report released by the Consumer Council [Choice Magazine issue 325] in

² See Explanatory Box on page 8 for an explanation of the term “contributions” in this paper

³ See Explanatory Box on page 8 for an explanation of the term “investments” in this paper

⁴ See Explanatory Box on page 8 for an explanation of the term “exit value” in this paper

November 2003 identified that consumers' understanding of their MPF benefits was weak and recommended that better disclosure in the ABS was required in relation to the details of account balances, transactions, contributions and handling charges.

9. In the consultation conducted on the Code on Disclosure for MPF Investment Funds (the "Code on Disclosure") in 2004, a number of scheme members made suggestions for improvements to the ABS, even though the consultation document specifically stated that comments on improvement to the ABS were not sought at that stage. The suggestions for improvement included standardising the format of the ABS, increasing the frequency of the ABS, and better information about costs and performance of MPF accounts.

10. The Complaints and Enquiries Section of the Authority receives up to 40 enquiry calls per month that raise issues related to the ABS. Specific issues raised in relation to the content of the ABS are as follows:

- the information in the ABS is difficult to understand because of the terminology used;
- the ABS should be issued more frequently than once a year;
- the ABS provides inadequate information about fees and charges (such as trustee fee and investment management fee); and
- the ABS contains inadequate details about transaction dates and fund prices.

The frequency with which these issues are raised suggests that a large number of scheme members want more information than they are currently receiving in their ABS.

11. A number of articles published in newspapers in the last few years also suggest the need for the disclosure of more detailed transactional information, at higher frequency and wider means of distribution for the ABS.

12. Industry bodies and representatives of trustees have generally expressed support for the need to improve the content of the ABS while at the same time ensuring that the costs of making improvements are taken into account.

13. The conclusions of the various reviews and comments point to the need to improve the content of the ABS.

14. Finally, the Recommendations on Core Principles of Occupational Pension Regulation, issued by the Organisation for Economic Co-operation and Development⁵ suggest

⁵ OECD Recommendations on Core Principles of Occupational Pension Regulation, 21 July 2004

that benefit statements for schemes such as MPF schemes should include the date and value of contributions made to the account, investment performance, earnings and/or losses and a record of all transactions (purchases and sales) occurring in the account⁶. Current content requirements for ABS do not meet these internationally recognised minimum standards.

15. On the other hand there is a need to balance expectations about the amount of additional information against the costs and actual benefits of providing it. Our consumer research has indicated that some members do not currently take an active interest in the contents of ABS and have a low tolerance for, or interest in further, more detailed information.

16. The Proposals set out in this consultation paper therefore suggest improvements to ABS that seek to:

- meet the reasonable information expectations of scheme members;
- provide general information that is relevant and easy to understand for all members;
- provide greater details for those members who are interested in that detail without burdening all members with excessive amounts of information; and
- minimise the cost impact of providing further information.

V. Development of the Proposals

17. The first stage in developing the Proposals involved identifying the areas in the ABS that required improvements. The insights gained from developing the Code on Disclosure and in reviewing the existing disclosure practices by approved trustees were evaluated against the existing statutory requirements for the ABS.

18. The statutory requirements for the ABS were also compared to the standards of disclosure for similar long-term savings products in other jurisdictions such as the United States, the United Kingdom, Australia, Singapore and the disclosure regime for retail funds in Hong Kong. The results of that analysis enabled the Authority to consider a range of disclosure practices to address the areas of inadequacy by adapting them to the local requirements and conditions.

19. The second stage of developing the Proposals involved formulating a set of core proposals taking into account the views of key stakeholders. To discuss and develop the proposals, the Authority held a number of working group meetings with representatives from the Hong Kong Investment Funds Association, the Hong Kong Trustees' Association, and other organisations such as the Consumer Council, the Institute of the Financial Planners of Hong

⁶ OECD Recommendations on Core Principles of Occupational Pension Regulation, 21 July 2004, Core Principle 5, paragraph 5.19.

Kong, the Hong Kong Confederation of Trade Unions, the Federation of Hong Kong & Kowloon Labour Unions, the Hong Kong Federation of Trade Unions and the City University of Hong Kong. The Authority recognises and appreciates the contributions of the industry bodies and other organisations in the development of the Proposals, particularly in identifying preliminary consumer expectations and resolving a number of technical issues relating to their development.

20. The third stage in developing the Proposals involved consumer testing by sampling the needs and preferences of MPF scheme members in late 2005. Aspects of the Proposals were modified in the light of the results of the consumer testing.

21. Based on the three stages above, the Authority has developed the Proposals which are now released for comments by interested parties.

VI. Further development

22. The Authority will comprehensively review the comments received from the consultation on the Proposals. The Proposals will be adjusted in the light of those comments as appropriate. The Authority will consider undertaking further consultation on any issues if necessary before implementation.

23. Further details on implementation timing and mechanisms (including the transitional timing) will be released in due course after the consultation exercise has been completed.

Explanatory Box

This box sets out an explanation of some of the key concepts and terms used in this consultation paper. It may help readers get a clearer understanding of the Proposals.

Scheme vs Fund: A scheme refers to an MPF registered scheme which is offered to eligible, prospective MPF scheme members to join by enrolment so that their MPF contributions will be invested. Funds are investment choices offered within a scheme to its scheme members after they have enrolled into the scheme. Funds within a scheme have different investment policies and strategies so as to provide scheme members with investment choices that carry varying levels of risk.

Contributions vs Investments: A contribution is the amount paid by the employer and/or the scheme member to the MPF account of the scheme member. The contribution is made either on a mandatory basis as required by the MPF legislation or as extra, voluntary contributions, in addition to the mandatory portion.

After the contribution is paid into the account of the scheme member, it is invested in the constituent fund(s) usually selected by the scheme member. The trustee of the relevant MPF scheme will invest the contribution by buying units in those constituent funds. The amount of contribution invested will be the amount after fees and charges have been deducted.

Exit Value: This is the amount that a scheme member would receive if the member withdraws benefits from the MPF account. This amount may be less than the amount shown in the ABS. The difference may be caused by fees and charges associated with the withdrawal of funds, adjustments made according to the rules of the scheme or other factors.

Switching vs Transfers: Switching refers to the process of moving the MPF benefits of a scheme member between different constituent funds that are within the same MPF scheme. This occurs when a scheme member changes the existing choices of constituent funds or the allocation of investment between different constituent funds within the same MPF scheme.

A transfer refers to the process of moving the MPF benefits of a scheme member from one MPF scheme to another MPF scheme. This occurs when a scheme member changes employment or when an employer or a holder of preserved account selects a new MPF scheme.

Member Account Level Information vs Fund Level Information: Member account level information refers to the information that is specific to the account of a scheme member. It is a record of the activities undertaken by or relevant to the individual member such as contributions, transfers, switching, fees and charges paid and transactions of constituent funds of the member account. By contrast, fund level information relates to information about the investment and management of the constituent fund. Fund level information relates to issues such as investment performance, fund operating expenses, investment objectives and strategy of the constituent fund.

Fees at Member Account Level and Fund Level: Fees can impact on members at several levels. Fees can either be incurred directly by the member at the account level (“member expenses”) and indirectly, by the constituent funds held by that member account (“fund expenses”). Member expenses usually relate to transactional activities in the member account such as contributions, transfer, and the buying and selling of units in constituent funds. Such expenses include fees deducted on each contribution, transfer to and from the member account, and each purchase and sale of MPF funds in the member account. Fund expenses include fees paid out of the constituent funds to trustees, investment managers and other service providers for services provided to the funds. Even more indirectly, funds may incur costs in investing into other funds.

THE PROPOSALS

Proposal 1: ABS to provide details on contributions and transfers

24. **Objectives of the Proposal:** Proposal 1 seeks to address the issue of inadequate information provided on contributions and transfers in the ABS. The information that is currently provided is insufficient and difficult to reconcile as scheme members are not given the detailed movements of funds in their accounts. The content proposed below will enable scheme members to draw meaningful conclusions as to whether the net balances in the account reconcile with contributions or transfers made during the financial period. Scheme members can use the new information to confirm contribution flows and transfer details.

25. As indicated by the results of the surveys and reviews, scheme members consider information on fees and charges deducted from contributions and transfers as useful in improving their understanding of the total effect of the transactional activities undertaken by their accounts. Scheme members should consider the impact of fees and charges on their MPF benefits as the compounding effect of fees paid is very material over the long term.

26. **Proposal 1:** It is proposed that, subject to the exceptions discussed in paragraphs 39 to 41 below, the following details of each contribution and transfer be provided as part of the ABS:

- the date that the contribution is received by the trustee;
- the amount of the contribution before fees;
- the amount of any fees deducted from the amount contributed;
- the amount invested after the deductions of any fees and charges; and
- the nature of transfer (such as to and from another scheme, withdrawal pursuant to sections 159 to 165 of the Regulation).

27. To ensure that the ABS is not overloaded with information that is too detailed, it is proposed that contributions paid more frequently than monthly can, at the option of the trustee, be aggregated and shown as a monthly sub-total. This modification may be of particular application in respect of industry schemes and special voluntary contributions where the contributions may be irregular, more frequent than monthly and in variable amounts.

28. It is further proposed that, in addition to existing requirements, the ABS include yearly totals for each of the following

- the total amount of contributions invested after fees;
- the total amount transferred into and out of scheme (before fees);
- the total amount transferred into and out of scheme (after fees); and

- the total amount of fees deducted on contributions and transfers.

29. An example of what content provided in accordance with this Proposal would look like is set out in Part 1A of the Sample ABS and in the Contribution Statement (Part 2 of the Sample ABS) at Annex 1⁷.

30. Annex 1 is a long version of the Sample ABS which contains all the additional information proposed. Part 1 of the Sample ABS contains key summary figures and yearly totals of the MPF account. Parts 2 and 3 of the Sample ABS are the Contribution Statement and Fund Transaction Statement which provide details of the contributions and fund transactions of the MPF account respectively.

Proposal 2: ABS to provide details on fund transactions

31. **Objectives of the Proposal:** Proposal 2 addresses the issue of inadequate information provided in the ABS in respect of transactions of MPF funds. Many scheme members are not provided with confirmations about the details (such as purchase price and number of units bought) of their investments in constituent funds. The information currently provided in the ABS covers only summary information. Our consumer testing result suggests that scheme members find this difficult to understand and want more details about fund transactions.

32. In the case of a monthly retail fund investment plan, which is similar in nature to a MPF fund, investors are usually able to check the investment details such as price paid and units bought. Similar information is not being widely provided by MPF trustees as part of their existing practices.

33. Without such basic information, scheme members will not have the benefits of a comprehensive list of transactions that have been made on their behalf during the financial period. The list could serve as a record of fund choices so that members can assess the impact of their investment decisions on net accrued benefits during the financial period. It also allows scheme members to confirm that their instructions on fund allocation and switching have been implemented accurately and in a timely manner.

34. Scheme members prefer the information on transactions of constituent funds to be shown in the ABS as it enhances their understanding of the effect of transactional activities

⁷ The samples at Annexes 1 and 2 show what an ABS might look like in accordance with these Proposals. The samples at Annexes 1 and 2 assume that the trustee has consolidated preserved benefits into the one ABS. Please note that trustees are not required to consolidate preserved accounts into the one ABS.

on their MPF accounts and helps them better manage their retirement savings.

35. **Proposal 2:** It is proposed that, subject to the exceptions discussed in paragraphs 39 to 41 below, the ABS should contain the following details of each transaction where interests in constituent funds are bought or sold:

- the transaction date;
- the nature of the transaction (e.g. purchase or sale);
- the net amount transacted for investment after fees;
- the number of units transacted in each constituent fund;
- the purchase or sale price of units;
- any fees deducted, including bid/offer spreads and unit deductions; and
- the resulting balance of units held in each constituent fund in which transactions occurred.

36. It is further proposed that a yearly total amount of fees charged on transactions where interests in constituent funds are bought or sold be shown in the ABS, including those fees charged such as bid/offer spreads and unit deductions.

37. An example of what content provided in accordance with this Proposal would look like is set out in the Fund Transaction Statement (Part 3 of the Sample ABS) at Annex 1.

Approach to providing the new information under Proposals 1 and 2

38. It is necessary to acknowledge that some members may not be interested in, nor tolerant of receiving, detailed contribution, transfer and fund transaction information as itemised in Proposals 1 and 2 above. By contrast, some members will want access to detailed information on a more timely basis than provided by the annual statement. The Authority is also anxious to ensure that any incremental costs incurred in modifying systems and in relation to postage and printing of the ABS is kept to a minimum. Consideration has therefore been given to whether some of this information be made available to those members who are interested, but not forced upon those who are not. The cost implications and the concern that some members will not want the detailed information can be minimised by a more flexible approach in providing such detailed information in a more timely manner.

39. **Approach proposed:** It is proposed that trustees be given an option to provide some of the new content set out in Proposals 1 and 2 by means other than the ABS provided that:

- the information is reasonably available to all members who wish to access it;

- the means of distribution may be electronic or web based⁸ but must include a paper based option for those who request it;
- the information is accurate and updated no less than quarterly; and
- the ABS clearly signposts the nature of this information and how and when it can be accessed.

40. Where any of the provisos are not met, the obligation will remain on the trustee to provide the information as part of the ABS.

41. The above approach shall be applicable to the following items set out under Proposals 1 and 2 in respect of details on each contribution, transfer and transaction within the last two scheme financial periods:

- the date that the contribution is received by the trustee;
- the amount of the contribution before fees;
- the amount of any fees deducted from the amount contributed;
- the amount invested after the deductions of any fees and charges;
- the nature of transfer (such as to and from another scheme, withdrawal pursuant to sections 159 to 165 of the Regulation);
- the transaction date on which interests in constituent funds are bought or sold;
- the nature of the transaction (e.g. purchase or sale of constituent funds);
- the net amount transacted for investment after fees;
- the number of units transacted in each constituent fund;
- the purchase or sale price of units;
- any fees deducted, including bid/offer spreads and unit deductions; and
- the resulting balance of units held in each constituent fund in which transactions occurred.

42. Even in those instances where the trustee adopts this option, the ABS will still contain key summary information as listed below:

- Opening balance;
- the yearly total amount of contributions invested after fees;
- the yearly total amount transferred into and out of scheme (before fees);
- the yearly total amount transferred into and out of scheme (after fees);
- the yearly total amount of fees deducted on contributions and transfers;
- the yearly total amount of fees charged on transactions where interests in constituent funds are bought or sold;

⁸ Subject to adequate security arrangements but not requiring e-mail 'push' notification such as links.

- Account gain/(loss) during the financial period; and
- Closing balance.

43. A sample of what the ABS might look like for trustees who adopt this approach is attached at Annex 2.

Proposal 3: ABS to provide information about performance of individual member accounts

44. **Objective for the Proposal:** Results from previous surveys and reviews have suggested that information about account level investment performance is considered useful and is sought by scheme members. Fund fact sheets provide information about fund level performance, but it is difficult for members to get an understanding about the investment performance of their account because they may have held a variety of different funds over the period and they will usually have changed contribution balance over the relevant period.

45. Information about performance could be calculated and provided in a variety of ways. Sophisticated performance figures could be produced showing time weighted and dollar weighted performance over various time periods, however this could involve significant system costs and might not be comprehensible or useful for many scheme members. The reviews and surveys conducted by the Authority indicated that, on balance, there is a preference by members for simple and easy to understand information in respect of account level performance. The performance figure indicating the gains and losses recorded by the member account expressed in dollar terms is considered as being adequate to meet the needs of the average scheme member.

46. **Proposal 3:** It is proposed that the ABS should show, in dollar terms, the gain or loss of the account over the financial period. The gain/loss figure should be presented as a part of the key summary information section of the ABS.

47. In order to allow scheme members to make meaningful comparative assessment about return expectations, longer-term figures are necessary. It is further proposed that the ABS should also show the account gain/loss figure for each of the previous four financial years, where that information was provided in an ABS⁹.

48. An example of what the proposed performance information might look, how it would be calculated and how it would be explained, are provided in Part 1A, Part 1B and in Note 1 of the Sample ABS attached at Annex 1.

⁹ This is a transitional proposal not requiring calculations for previous years. Accordingly it will take 5 years after implementation for all figures to be available.

Proposal 4: ABS to use standardised terms and show the flow of calculation for key summary figures.

49. **Objective of the Proposal:** The review of the existing practices by trustees and the results of consumer survey suggested that different ABS contained varying terms and items of content that are not easily understood by scheme members. Some of the terms used were too difficult for scheme members to understand. It therefore appears preferable to drive some level of standardisation and consistency regarding the terminology used in ABS. Standardisation will mean that common glossaries and other educational material will be able to support the comprehension of information contained in the ABS.

50. In order to make the calculation of key summary figures in the ABS more comprehensible to scheme members, some key figures should be given certain prominence, ordering and position in the ABS. This would ensure that at a minimum, members' attention is directed to a set of key summary figures. By limiting standardisation to those key figures only, the disadvantages of an overly prescriptive approach to standardisation (such as hindering product differentiation and creativity) is avoided.

51. It is considered that the key summary figures that would be of most interest to members and help their understanding would include opening balance, total contribution invested (after fees), total amount transferred into scheme (after fees), total amount transferred out of scheme (before fees), gain/(loss) during the financial period and closing balance.

52. **Proposal 4:** It is proposed that the use of terminology for describing some key items used in the ABS be standardised. The terms that are proposed to be standardised, and the proposed description of those terms are set out in a glossary called "Standardised Terms used in the Annual Benefit Statement" attached at Annex 3.

53. In order to improve the understanding of those standardised terms, it is proposed that the glossary be provided with the first ABS provided to members after the changes proposed in this paper are implemented. The glossary should, thereafter, be made available by trustees on request and on their websites, if any.

54. It is also proposed that the key summary figures including opening balance, total contribution invested (after fees), total amount transferred into scheme (after fees), total amount transferred out of scheme (before fees), gain/(loss) during the financial period and closing balance be shown in the order and position as set out in Part 1A of the Sample ABS attached at Annex 1.

Proposal 5: ABS to provide a caution statement about exit values

55. **Objective of the Proposal:** Exit value is the amount that the member would receive if the member were to withdraw benefits from his/her MPF accounts. This amount may be less than the figures shown in the ABS. Such differences might be significant and could be caused by fees and charges associated with withdrawal of funds, adjustments made for failing to meet guarantee conditions, statutory offsetting of severance payment or long service payment or application of vesting rules to the portion of employer voluntary contributions or other factors.

56. Scheme members should be made aware of the possibility that there could be a difference between the actual exit values and the values shown in the ABS at a specified date. Consideration was given to showing the actual exit values in the ABS, as at the date of the ABS. Testing has suggested that it would be difficult and perhaps disproportionately expensive to produce such a figure which might, in any event, be misleading as it might be based on assumptions that are not necessarily accurate or relevant to any given member.

57. **Proposal 5:** Given the above considerations, it is proposed that a general statement clarifying the difference between the value shown in the ABS and the actual exit value should be included in the ABS. The statement, to be amended as relevant for each scheme, should be to the following effect:

“CAUTION: The actual amount that you would have got if you had withdrawn funds from the scheme on the date of this statement may be less than the amounts shown in this statement. This is because there may be fees and charges associated with your withdrawal or other deductions or adjustments made according to the scheme rules. For clarification, please contact hotline at XXXX-XXXX.”

58. With respect to the vesting of employer voluntary contributions, it is proposed that the dollar amount vested in the accounts of the scheme members be shown in the ABS. It is also proposed that the total amount vested (i.e. the amount of vested employer voluntary contributions plus all mandatory contributions and employee voluntary contributions) also be shown as a dollar amount in the ABS.

An example of what the proposed caution statement and the information on the vesting of voluntary contributions might look like are provided in Part 1C of the Sample ABS attached at Annex 1.

COMMENTS SOUGHT ON THESE PROPOSALS

59. The Authority seeks comments from interested parties on the Proposals as set out above and in particular seeks comments on the issues set out below. Submissions are invited on both the Proposals above and the specific questions raised below. Submissions should, where possible, refer to the relevant question or specific proposal to which comments relate.

Question 1. Are you generally supportive of the proposals to expand the content of ABS? If not, please explain why you think that the content should not be expanded as proposed.

Question 2. Taking into consideration of the purposes of the ABS (paragraphs 3 and 4), and the general aim of the Proposals to improve the content of the ABS (paragraph 16), can you suggest other items that are not covered in the current Proposals, which should also be included in the ABS?

Question 3. Would any of the Proposals in your view involve costs that will be disproportionate compared to the benefits of the additional disclosure?

Question 4. Do you agree that the ABS should have detailed information on each contribution, fees charged on each contribution, the total amount of contributions invested (before and after fees), etc. as set out in Proposal 1? (See Part 2 of Annex 1 for a sample of the new information.)

Question 5. Do you agree that it is adequate to show contributions that are made more frequently than monthly (e.g. industry schemes) as a monthly sub-total of contributions at the discretion of the trustees so as not to overload the ABS?

Question 6. Do you agree that the ABS should have detailed information on each transaction, the fees charged on each transaction, the nature of the transaction, the net amount transacted for investment after fees, the units transacted, etc. as set out in Proposal 2? (See Part 3 of Annex 1 for a sample of the new information.)

Question 7. Are there any other types of fees and charges deducted in respect of contributions, transfers and transactions in constituent funds that should be but are not covered by Proposals 1 and 2?

Question 8. Do you agree that the ABS should show the dollar amount of fees paid by the scheme members' accounts?

Question 9. Do you think that the approach to providing the new information under Proposals 1 and 2 strikes a reasonable balance between the accessibility of updated information to scheme members, cost implications of providing such information and flexibility to provide such information to those who are interested? Do you think that other content not included in

paragraph 41 should also be treated in the same manner?

Question 10. After consideration of the cost implications we have not proposed that the frequency of ABS should be increased beyond once per year. If implemented, the approach to providing the new information under Proposals 1 and 2 should ensure that most MPF members who want more regular information, have access to transactional information that is updated at least quarterly. Do you agree that this approach is an adequate response to the need for more regular information or would you prefer to receive ABS more frequently than annually?

Question 11. Do you agree that the ABS should show the dollar amount of gains and losses of the scheme members' accounts?

Question 12. Do you think it helpful to show similar figures of gains and losses for the previous four years?

Question 13. Would the information on performance help scheme members understand how their MPF investments are performing in recent years? Do you think that some more sophisticated measure is necessary? If so, what measure would you prefer?

Question 14. Do you agree that it is necessary to use simple and standardised terms in the ABS so as to make it easier to understand? Do you think a glossary explaining the difficult terms would enable scheme members to better understand the content of ABS?

Question 15. Do you have any specific comments on the terms or explanations set out in the "Standardised Terms used in the ABS" at Annex 3? Are there any other terms that are frequently used in the ABS but are not covered in the list of Standardised Terms (Annex 3) that should usefully be included?

Question 16. Is the summary of key figures as presented in Part 1A of Annex 1 useful to scheme members in understanding the movements in their accounts during the financial year?

Question 17. Do you think the summary should be provided in the same order and position in the ABS of all MPF schemes? Do you think setting the order and position in which the summary is provided help clarify the calculation of the key figures?

Question 18. Do you consider it necessary to provide a caution statement in the ABS if there are possible deductions or adjustments to account balances?

Question 19. Do you think that the caution statement adequately attracts attention and delivers the message clearly? If not, please suggest improvements to the position and/or wording of the statement.

Annual Benefit Statement (as at 31 December 2005)

ABC Trustees Limited

XYZ Mandatory Provident Fund Scheme

Part 1 – Summary Information

Particulars of Member: [*****]

Part 1A - Summary of Account Movements for the Year Ended 31 December 2005*

	<u>Total</u>
Opening Balance (as at 1 January 2005)	\$35,176.01
Total Contribution Invested (after fees) (a)	\$23,520.00
Total Amount Transferred Into Scheme (after fees) (b)	\$7,269.00
Total Amount Transferred Out of Scheme (before fees) (c)	(\$673.30)
Account Gain/(Loss) During The Period (Note 1) (d) = (e)-(a)-(b)+(c)	\$2,803.70
Closing Balance (as at 31 December 2005) (e)	\$68,095.41

(Please read "CAUTION" in Part 1C)

Part 1B- Summary of Gain/(Loss) of Account in Previous Financial Periods**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Account Gain/(Loss) During the Period (Note 1)	\$5,000.32	\$6,125.68	(\$4,421.85)	(\$2,956.32)

Part 1C – Account Balances by Source of Contributions and Account Type

	Employer's Contributions		Your Contributions		Your Preserved Account		Total
	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary	
Opening balances	\$9,397.90	\$10,196.80	\$6,452.27	\$8,812.74	\$316.30	\$0.00	\$35,176.01
Closing balances	\$17,812.74	\$20,136.92	\$12,742.12	\$17,403.64	\$0.00	\$0.00	\$68,095.41
Vested balances <i>(Please read "CAUTION" below)</i>	\$17,812.74	\$8,054.77	\$12,742.12	\$17,403.64	\$0.00	\$0.00	\$56,013.27

CAUTION: *The actual amount that you would have got if you had withdrawn funds from the scheme on this statement date may be less than the amounts shown in this statement. This is because there may be fees and charges associated with your withdrawal or other deductions or adjustments made according to the scheme rules. For clarification, please contact hotline at XXXX-XXXX.*

Part 1D - Total Contributions and Fees Deducted (Note 2)

	<i>Amount (before fees)</i>	<i>Fees Deducted</i>	<i>Amount (after fees)</i>
Total Contributions for the Period	\$24,000.00	\$480.00	\$23,520.00

Part 1E - Transfers In and Out and Fees Deducted (Note 2)

Date	Nature of Transfer	Accounts	Amount (before fees)	Fees Deducted	Amount (after fees)
15/4/2005	Transfer-in to Scheme (per transfer statement of [date])	Your MC	\$5,678.00	\$0.00	\$5,678.00
		Your VC	\$1,234.00	\$0.00	\$1,234.00
		Preserved MC	\$123.00	\$0.00	\$123.00
		Preserved VC	\$234.00	\$0.00	\$234.00
		Total	\$7,269.00		\$7,269.00
18/11/2005	Transfer-out of Scheme (per transfer statement of [date])	Preserved MC	\$439.30	\$8.96	\$430.34
		Preserved VC	\$234.00	\$4.78	\$229.22
		Total	\$673.30		\$659.56

Part 1F - Total Fees Charged to Your Account (Note 3): \$1,094.68

Part 1G - Periods with Contributions Outstanding: Nil

* Only Part 1A (the shaded part) is proposed to be added to the ABS in the prescribed order and position on a mandatory basis. The rest of the sample is for reference and illustrative purposes only.
 ** Part 1B is an illustration of the format for showing the past performance data of the Account. Real data is expected to be available and accumulated after the implementation of Proposal 3.

IMPORTANT NOTICE:

IF YOU HAVE ANY QUERY ON THIS DOCUMENT, PLEASE SEEK FURTHER INFORMATION FROM OUR WEBSITE AT trustco.com.hk OR BY CALLING OUR HOTLINE AT XXXX-XXXX.

Latest fund fact sheets of each constituent fund as at 31 December 2005 are attached with this statement. The fund fact sheets as at 30 June 2006 will be available by 31 August 2006 and can be obtained from our website or by calling our hotline after that date.

Explanatory Footnotes**Note 1**

This is the dollar amount of portfolio return for your account in this scheme, representing the change of the net asset values between the opening and closing balances of your account in this scheme after account movements such as contributions made, transfers and amount withdrawn or redeemed. A positive figure indicates that you have recorded gains during the period and figure quoted in brackets means losses.

Note 2

Details about each contribution and each transaction of constituent funds in your account are provided in a Contribution Statement and a Fund Transaction Statement attached with this statement

Note 3

These are the fees charged to your account for transactions such as contributions, transfers, withdrawals and redemption. The figure is the summation of transactional fees in Part 1D of this statement and Part 3B of the Fund Transaction Statement. Fees and charges that are payable by the constituent fund that you invest in (fees such as the investment management fees, trustee and administration fees) are not included in this figure. You can get information about fees and charges paid by constituent funds in the Fund Fact Sheet for the Scheme. The Fund Expense Ratio shows these amounts as a percentage of fund size.

Annual Benefit Statement (as at 31 December 2005)
ABC Trustees Limited
XYZ Mandatory Provident Fund Scheme

Part 2 - Contributions Statement

Part 2A - Contribution Details by Sources of Contributions (in HKD)

Date of Contribution	Employer's Contributions					
	Contributions (before fees)		Fees Deducted		Contributions Invested (after fees)	
	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary
31-1-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
28-2-2005	\$520.00	\$520.00	\$10.40	\$10.40	\$509.60	\$509.60
31-3-2005	\$480.00	\$480.00	\$9.60	\$9.60	\$470.40	\$470.40
30-4-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-5-2005	\$540.00	\$540.00	\$10.80	\$10.80	\$529.20	\$529.20
30-6-2005	\$460.00	\$460.00	\$9.20	\$9.20	\$450.80	\$450.80
31-7-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-8-2005	\$560.00	\$560.00	\$11.20	\$11.20	\$548.80	\$548.80
30-9-2005	\$440.00	\$440.00	\$8.80	\$8.80	\$431.20	\$431.20
31-10-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
30-11-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-12-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
<i>Sub-total</i>	<i>\$6,000.00</i>	<i>\$6,000.00</i>	<i>\$120.00</i>	<i>\$120.00</i>	<i>\$5,880.00</i>	<i>\$5,880.00</i>
Total		\$12,000.00		\$240.00		\$11,760.00

Date of Contribution	Employee's Contributions					
	Contributions (before fees)		Fees Deducted		Contributions Invested (after fees)	
	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary
31-1-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
28-2-2005	\$520.00	\$520.00	\$10.40	\$10.40	\$509.60	\$509.60
31-3-2005	\$480.00	\$480.00	\$9.60	\$9.60	\$470.40	\$470.40
30-4-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-5-2005	\$540.00	\$540.00	\$10.80	\$10.80	\$529.20	\$529.20
30-6-2005	\$460.00	\$460.00	\$9.20	\$9.20	\$450.80	\$450.80
31-7-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-8-2005	\$560.00	\$560.00	\$11.20	\$11.20	\$548.80	\$548.80
30-9-2005	\$440.00	\$440.00	\$8.80	\$8.80	\$431.20	\$431.20
31-10-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
30-11-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
31-12-2005	\$500.00	\$500.00	\$10.00	\$10.00	\$490.00	\$490.00
<i>Sub-total</i>	<i>\$6,000.00</i>	<i>\$6,000.00</i>	<i>\$120.00</i>	<i>\$120.00</i>	<i>\$5,880.00</i>	<i>\$5,880.00</i>
Total		\$12,000.00		\$240.00		\$11,760.00

Part 2B - Summary of Contributions (in HKD)

Sources of Contributions	Amount (before fees)	Fees Deducted	Amount (after fees)
Employer's contributions	\$12,000.00	\$240.00	\$11,760.00
Employee's contributions	\$12,000.00	\$240.00	\$11,760.00
Total	\$24,000.00	\$480.00	\$23,520.00

Annual Benefit Statement (as at 31 December 2005)
ABC Trustees Limited
XYZ Mandatory Provident Fund Scheme

Part 3 - Fund Transaction Statement

Part 3A - Account Balances by Constituent Fund

	Total
<u>Opening balances as at 1/1/2005</u>	
Constituent Fund - A	\$14,279.15
Constituent Fund - B	\$3,420.42
Constituent Fund - Guaranteed	\$17,476.44
	\$35,176.01
<u>Closing balances as at 31/12/2005</u>	
Constituent Fund - A	\$27,720.06
Constituent Fund - B	\$13,800.60
Constituent Fund - Guaranteed	\$26,574.75
	\$68,095.41

Part 3B - Transaction Fees Deducted

Offer Spread (Note 4)	\$461.18
Bid Spread (Note 5)	\$153.50
	\$614.68

Notes

4. Offer spread is the amount charged by the trustee/sponsor upon acquisition of units of a constituent fund by a scheme member. Offer price is the transaction price for acquiring units in a constituent fund inclusive of fees and charges marked up on the net asset value per unit of the fund.

5. Bid spread is the amount charged by the trustee/sponsor upon redemption of units of a constituent fund by a scheme member. Bid price is the transaction price for redeeming units in a constituent fund after fees and charges are deducted from the net asset value per unit of the fund.

Part 3C - Details of Unit Transactions

Constituent Fund - A						
Transaction date	Transaction nature	Amount	Unit prices	Total Unit Holdings	Fees paid	Fee type
1-1-2005	Opening balance	\$14,279.15	\$8.82	1,618.9512		
31-1-2005	Contribution invested (acquisition)	\$980.00	\$8.80	111.3636	\$19.22	O
15-2-2005	Switched out of Fund (redemption)	(\$3,520.00)	\$8.80	(400.0000)	\$71.84	B
28-2-2005	Contribution invested (acquisition)	\$1,019.20	\$8.80	115.8182	\$19.98	O
31-3-2005	Contribution invested (acquisition)	\$940.80	\$9.10	103.3846	\$18.45	O
15-4-2005	Transferred into Scheme (acquisition)	\$3,634.50	\$9.20	395.0543	\$0.00	O
30-4-2005	Contribution invested (acquisition)	\$980.00	\$9.30	105.3763	\$19.22	O
31-5-2005	Contribution invested (acquisition)	\$1,058.40	\$9.40	112.5957	\$20.75	O
30-6-2005	Contribution invested (acquisition)	\$901.60	\$9.50	94.9053	\$17.68	O
31-7-2005	Contribution invested (acquisition)	\$980.00	\$9.50	103.1579	\$19.22	O
31-8-2005	Contribution invested (acquisition)	\$1,097.60	\$9.50	115.5368	\$21.52	O
30-9-2005	Contribution invested (acquisition)	\$862.40	\$9.60	89.8333	\$16.91	O
31-10-2005	Contribution invested (acquisition)	\$980.00	\$9.60	102.0833	\$19.22	O
18-11-2005	Transferred out of Scheme (redemption)	(\$505.51)	\$9.65	(52.3845)	\$10.32	B
30-11-2005	Contribution invested (acquisition)	\$980.00	\$9.70	101.0309	\$19.22	O
31-12-2005	Contribution invested (acquisition)	\$980.00	\$10.05	97.5124	\$19.22	O
31-12-2005	Unit deduction (for fund level expenses)	-		0.0000		
31-12-2005	Miscellaneous adjustments	-		0.0000		
31-12-2005	Closing balance	\$27,720.06	\$9.85	2,814.2193		

Constituent Fund - B						
Transaction date	Transaction nature	Amount	Unit prices	Total Unit Holdings	Fees paid	Fee type
1-1-2005	Opening balance	\$3,420.42	\$16.43	208.1814		
31-1-2005	Contribution invested (acquisition)	\$735.00	\$16.80	43.7500	\$14.41	O
15-2-2005	Switched into Fund (acquisition)	\$3,520.00	\$16.85	208.9021	\$0.00	O
28-2-2005	Contribution invested (acquisition)	\$764.40	\$16.90	45.2308	\$14.99	O
31-3-2005	Contribution invested (acquisition)	\$705.60	\$16.90	41.7515	\$13.84	O
15-4-2005	Transferred into Scheme (acquisition)	\$2,725.88	\$16.85	161.7730	\$0.00	O
30-4-2005	Contribution invested (acquisition)	\$735.00	\$16.80	43.7500	\$14.41	O
31-5-2005	Contribution invested (acquisition)	\$793.80	\$16.70	47.5329	\$15.56	O
30-6-2005	Contribution invested (acquisition)	\$676.20	\$16.60	40.7349	\$13.26	O
31-7-2005	Contribution invested (acquisition)	\$735.00	\$16.50	44.5455	\$14.41	O
31-8-2005	Contribution invested (acquisition)	\$823.20	\$16.40	50.1951	\$16.14	O
30-9-2005	Contribution invested (acquisition)	\$646.80	\$16.30	39.6810	\$12.68	O
12-10-2005	Switched out of Fund (redemption)	(\$3,328.26)	\$16.25	(204.8158)	\$67.92	B
31-10-2005	Contribution invested (acquisition)	\$735.00	\$16.20	45.3704	\$14.41	O
18-11-2005	Transferred out of Scheme (redemption)	(\$55.18)	\$16.15	(3.4167)	\$1.13	B
30-11-2005	Contribution invested (acquisition)	\$735.00	\$16.10	45.6522	\$14.41	O
31-12-2005	Contribution invested (acquisition)	\$735.00	\$16.35	44.9541	\$14.41	O
31-12-2005	Unit deduction (for fund level expenses)	-		0.0000		
31-12-2005	Miscellaneous adjustments	-		0.0000		
31-12-2005	Closing balance	\$13,800.60	\$15.27	903.7724		

Constituent Fund - Guaranteed						
Transaction date	Transaction nature	Amount	Unit prices	Total Unit Holdings	Fees paid	Fee type
1-1-2005	Opening balance	\$17,476.44	\$10.82	1,615.1978		
31-1-2005	Contribution invested (acquisition)	\$245.00	\$10.90	22.4771	\$4.80	O
28-2-2005	Contribution invested (acquisition)	\$254.80	\$10.91	23.3547	\$5.00	O
31-3-2005	Contribution invested (acquisition)	\$235.20	\$10.92	21.5385	\$4.61	O
15-4-2005	Transferred into Scheme (acquisition)	\$908.63	\$10.92	83.2074	\$0.00	O
30-4-2005	Contribution invested (acquisition)	\$245.00	\$10.93	22.4154	\$4.80	O
31-5-2005	Contribution invested (acquisition)	\$264.60	\$10.94	24.1865	\$5.19	O
30-6-2005	Contribution invested (acquisition)	\$225.40	\$10.95	20.5845	\$4.42	O
31-7-2005	Contribution invested (acquisition)	\$245.00	\$10.96	22.3540	\$4.80	O
31-8-2005	Contribution invested (acquisition)	\$274.40	\$10.97	25.0137	\$5.38	O
30-9-2005	Contribution invested (acquisition)	\$215.60	\$10.98	19.6357	\$4.23	O
12-10-2005	Switched into Fund (acquisition)	\$3,328.26	\$10.98	303.1199	\$0.00	O
31-10-2005	Contribution invested (acquisition)	\$245.00	\$10.99	22.2930	\$4.80	O
18-11-2005	Transferred out of Scheme (redemption)	(\$112.61)	\$10.99	(10.2467)	\$2.30	B
30-11-2005	Contribution invested (acquisition)	\$245.00	\$11.00	22.2727	\$4.80	O
31-12-2005	Contribution invested (acquisition)	\$245.00	\$12.12	20.2145	\$4.80	O
31-12-2005	Unit deduction (for fund level expenses)	-		0.0000		
31-12-2005	Miscellaneous adjustments	-		0.0000		
31-12-2005	Closing balance	\$26,574.75	\$11.77	2,257.6187		

Fee Type "O" refers to offer spread
"B" refers to bid spread

SAMPLE (Short Version)

Annual Benefit Statement (as at 31 December 2005)

ABC Trustees Limited

XYZ Mandatory Provident Fund Scheme

Particulars of Member: [*****]

Part 1A - Summary of Account Movements for the Year Ended 31 December 2005*

		<u>Total</u>
Opening Balance (as at 1 January 2005)		\$35,176.01
Total Contribution Invested (after fees) (a)		\$23,520.00
Total Amount Transferred Into Scheme (after fees) (b)		\$7,269.00
Total Amount Transferred Out of Scheme (before fees) (c)		(\$673.30)
Account Gain/(Loss) During The Period (Note 1) (d) = (e)-(a)-(b)+(c)		\$2,803.70
Closing Balance (as at 31 December 2005) (e)		\$68,095.41
<i>(Please read "CAUTION" in Part 1C)</i>		

Part 1B- Summary of Gain/(Loss) of Account in Previous Financial Periods**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Account Gain/(Loss) During the Period (Note 1)	\$5,000.32	\$6,125.68	(\$4,421.85)	(\$2,956.32)

Part 1C – Account Balances by Source of Contributions and Account Type

	Employer's Contributions		Your Contributions		Your Preserved Account		Total
	Mandatory	Voluntary	Mandatory	Voluntary	Mandatory	Voluntary	
Opening balances	\$9,397.90	\$10,196.80	\$6,452.27	\$8,812.74	\$316.30	\$0.00	\$35,176.01
Closing balances	\$17,812.74	\$20,136.92	\$12,742.12	\$17,403.64	\$0.00	\$0.00	\$68,095.41
Vested balances <i>(Please read "CAUTION" below)</i>	\$17,812.74	\$8,054.77	\$12,742.12	\$17,403.64	\$0.00	\$0.00	\$56,013.27

CAUTION: *The actual amount that you would have got if you had withdrawn funds from the scheme on this statement date may be less than the amounts shown in this statement. This is because there may be fees and charges associated with your withdrawal or other deductions or adjustments made according to the scheme rules. For clarification, please contact hotline at XXXX-XXXX.*

Part 1D - Total Contributions and Fees Deducted (Note 2)

	Amount (before fees)	Fees Deducted	Amount (after fees)
Total Contributions for the Period	\$24,000.00	\$480.00	\$23,520.00

Part 1E - Transfers In and Out and Fees Deducted (Note 2)

Date	Nature of Transfer	Accounts	Amount (before fees)	Fees Deducted	Amount (after fees)
15/4/2005	Transfer-in to Scheme <i>(per transfer statement of [date])</i>	Your MC	\$5,678.00	\$0.00	\$5,678.00
		Your VC	\$1,234.00	\$0.00	\$1,234.00
		Preserved MC	\$123.00	\$0.00	\$123.00
		Preserved VC	\$234.00	\$0.00	\$234.00
		Total		\$7,269.00	
18/11/2005	Transfer-out of Scheme <i>(per transfer statement of [date])</i>	Preserved MC	\$439.30	\$8.96	\$430.34
		Preserved VC	\$234.00	\$4.78	\$229.22
		Total	\$673.30		\$659.56

Part 1F - Total Fees Charged to Your Account (Note 3): \$1,094.68

Part 1G - Periods with Contributions Outstanding: Nil

* Only Part 1A (the shaded part) is proposed to be added to the ABS in the prescribed order and position on a mandatory basis. The rest of the sample is for reference and illustrative purposes only.

** Part 1B is an illustration of the format for showing the past performance data of the Account. Real data is expected to be available and accumulated after the implementation of Proposal 3.

IMPORTANT NOTICE:

IF YOU HAVE ANY QUERY ON THIS DOCUMENT, PLEASE SEEK FURTHER INFORMATION FROM OUR WEBSITE AT trustco.com.hk OR BY CALLING OUR HOTLINE AT XXXX-XXXX.

A Contribution Statement (showing each contribution you have made) and a Fund Transaction Statement (showing each transaction of constituent funds in your account) are also available. These Statements also show details of any fees or charges incurred. These Statements can be obtained through our website or by calling our hotline.

Latest Fund Fact Sheets for each constituent fund as at 31 December 2005 are attached with this Annual Benefit Statement. The fund fact sheets as at 30 June 2006 will be available by 31 August 2006 and can be obtained from our website or by calling our hotline after that date.

Explanatory Footnotes**Note 1**

This is the dollar amount of portfolio return for your account in this scheme, representing the change of the net asset values between the opening and closing balances of your account in this scheme after account movements such as contributions made, transfers and amount withdrawn or redeemed. A positive figure indicates that you have recorded gains during the period and figure quoted in brackets means losses.

Note 2

Details about each contribution and each transaction of constituent funds in your account are also available. See the Important Notice above for details about how to get this information.

Note 3

These are the fees charged to your account for transactions such as contributions, transfers, withdrawals and redemption. Detailed information about the fees deducted for each fund transaction of your account during the financial period is also available. See the Important Notice above for details about how to get this information.

Fees and charges that are payable by the constituent fund that you invest in (fees such as the investment management fees, trustee and administration fees) are not included in this figure. You can get information about fees and charges paid by constituent funds in the Fund Fact Sheet for the Scheme. The Fund Expense Ratio shown in the Fund Fact Sheet sets out fees and charges paid by the constituent fund as a percentage of fund size.

Standardised Terms Used in the Annual Benefit Statement

Terms used in this Annual Benefit Statement have the following meaning.

Standardised Terms	Meaning
Account gain/(loss)	Dollar value of overall investment return of a member's account in a scheme during the financial period. The figure represents the change in value of the account balance during the financial period after netting off the fund transactions like contributions and transfers during the year.
Amount withdrawn	Dollar value of proceeds from the redemption of units of constituent funds, after deduction of fees and charges, withdrawn by scheme member during the financial period.
Bid price	Transaction price for redeeming units in a constituent fund after fees and charges are deducted from the net asset value per unit of the fund.
Bid spread	Amount charged by the trustee/sponsor upon redemption of units of a constituent fund by a scheme member.
Closing balance	Dollar value of the MPF accounts of a scheme member as at the end of the financial period.
Miscellaneous adjustments	Audit adjustments made to the figures in the annual benefit statements.
Offer price	Transaction price for acquiring units in a constituent fund inclusive of fees and charges marked up on the net asset value per unit of the fund.
Offer spread	Amount charged by the trustee/sponsor upon acquisition of units of a constituent fund by a scheme member.
Opening balance	Dollar value of the MPF accounts of a scheme member as at the beginning of the financial period.
Switch-in to Fund	Amount moved out of a constituent fund that is invested in another constituent fund in the same scheme.
Switch-out of Fund	Amount received from the redemption of units of constituent funds that is moved from one constituent fund to other constituent fund in the same scheme during the financial period.
Total contributions (before fees)	Total contributions paid to a scheme during the financial period before deduction of fees and charges.
Total contributions (after fees)	Total contributions paid to a scheme during the financial period and invested into constituent funds, after deduction of fees and charges.
Transfer-in to Scheme (before fees)	Amount moved to a scheme during the financial period before deduction of fees and charges.
Transfer-in to Scheme (after fees)	Amount moved to a scheme during the financial period after deduction of fees and charges invested into constituent funds.
Transfer-out of Scheme (before fees)	Amount moved out of a scheme during the financial period before deduction of fees and charges.

Standardised Terms	Meaning
Transfer-out of Scheme (after fees)	Amount moved out of a scheme to another registered scheme during the financial period, after deduction of fees and charges.
Unit deduction	Method of charging fees to the constituent funds or scheme members by reducing the number of units held in the funds or by the scheme members.
Vested balances	Dollar value of MPF account balances accrued to a scheme member according to the governing rules of the schemes.

Note to approved trustees: Approved trustees should ensure that any difference in terminology used between the Standardised Terms and existing disclosure is adequately explained. Approved trustees might, for example, make cross references in the above table to the relevant terms in the existing disclosure explaining any differences in meaning.

PERSONAL INFORMATION COLLECTION STATEMENT

1. This Personal Information Collection Statement (the “PICS”) is made in accordance with the guidelines issued by the Privacy Commissioner for Personal Data. The PICS sets out the purposes for which your Personal Data¹ will be used following collection, what you are agreeing to with respect to the Authority’s use of your Personal Data and your rights under the Personal Data (Privacy) Ordinance, Cap 486 (the “PDPO”).

Purpose of Collection

2. The Personal Data provided in your submission to the Authority in response to this Consultation Paper may be used by the Authority for one or more of the following purposes:
 - in exercising the Authority’s statutory functions under the Mandatory Provident Fund Schemes Ordinance;
 - for research and statistical purposes;
 - for other purposes permitted by law.

Transfer of Personal Data

3. Personal Data may be disclosed by the Authority to members of the public in Hong Kong and elsewhere, as part of the public consultation on the Consultation Paper. The names of persons who submit comments on the Consultation Paper together with the whole or part of their submission may be disclosed to members of the public. This may be done by publishing this information on the Authority’s web site and in documents to be published by the Authority during the consultation period, or at, or following its conclusion.

Access to Data

4. You have the right to request access to and correction of your Personal Data in accordance with the provisions of the PDPO. Your right of access includes the right to obtain a copy of your Personal Data provided in your submission on the Consultation Paper. The Authority has the right to charge a reasonable fee for processing any data access request.

¹ Personal Data means personal data as defined in the Personal Data (Privacy) Ordinance.

Retention

5. Personal Data provided to the Authority in response to the Consultation Paper will be retained for such period as may be necessary for the proper discharge of the Authority's functions.

Enquiries

6. Any enquiries regarding the Personal Data provided in your submission on the Consultation Paper, or requests for access to Personal Data or correction of Personal Data, should be addressed in writing to:

The Personal Data (Privacy) Officer
Mandatory Provident Fund Schemes Authority
21/F., One International Finance Centre
1 Harbour View Street, Central
Hong Kong