

## **Employees 'expect too much for own good' Survey warns of long-term woes**

Unrealistic expectations by employees of high returns on pension schemes could pose long-term problems for the Government, according to pension consultant Gain Miles.

This could result in social unrest because "not being able to obtain expected returns on retirement may undermine" their retirement security, said Gloria Siu Mei-fung, director and general manager.

The company said 7.95 per cent of the employees it surveyed expected to have more than 50 per cent return on their Mandatory Provident Fund investment.

It said 20.53 per cent expected returns of more than 20 per cent.

The average annual return on pension funds from 1987 to 1999 was 11.98 per cent.

Inflation-adjusted returns in this period were 4.87 per cent.

The company surveyed more than 4,000 employees from November to March about their expectations on the MPF, the compulsory retirement scheme launched on December 1.

The survey found that only 25.1 per cent of employees chose to put their MPF contributions into high-risk funds to achieve high returns. About 26.7 per cent chose low-risk or guaranteed funds, and 48.2 per cent chose the funds with medium-risk levels.

Many of the employees expected they would get about HK\$1.2 million when they retired at 65. Ms Siu attributed the misconception to 51 per cent of the employees having no investment experience before they joined the MPF.

She said when fund managers failed to deliver employees' unrealistically high returns, they might force their bosses to switch MPF providers.

This would lead to consolidation among the 20 MPF providers, leaving only a few players to monopolise the market.

Also, it might spark conflict between employers and employees who would blame their bosses for poorly performing MPF providers.

The survey showed that 13 per cent of employees believed it was their bosses, and not themselves, who bore the risk of the MPF investments.

Ms Siu said the misconception might lead to conflict as under the MPF plan, the employer had no responsibility for losses incurred by staff.

The survey found that 44 per cent of employees chose more than three funds under the misconception that this would diversify risk while in fact it would only increase cost.

She urged the Government to provide investment education to employees.

She said the Government should add rules to force MPF providers to invest employees' money into the fund products in a monotimely manner.