

Press release

LCQ3: Mandatory Provident Fund system

Wednesday, May 26, 2010

Following is a question by the Hon Ip Wai-ming and a reply by the acting Secretary for Financial Services and the Treasury, Ms Julia Leung, in the Legislative Council today (May 26):

Question:

Regarding the implementation of the Mandatory Provident Fund (MPF) system, will the Government inform this Council:

(a) whether it knows the number of complaints received by the Mandatory Provident Fund Schemes Authority in the past three years about employers defaulting on MPF contributions and the total amount involved, as well as the number of cases filed to the court last year for recovering from employers contributions in arrears which were allowed and the total amount recovered;

(b) whether it knows the current charging rates of various registered MPF schemes, broken down by type of fund, i.e. aggressive funds, mixed assets funds and capital preservation funds, etc.; and

(c) given that the MPF system has been implemented for more than nine years, whether the authorities will conduct a comprehensive review of the MPF system?

Reply:

President,

(a) In 2007-08, 2008-09 and 2009-10, the Mandatory Provident Fund Schemes Authority (MPFA) received 6,075, 6,975 and 5,965 complaint cases about employers defaulting on MPF contributions respectively and the total amount involved was some \$108 million, \$74 million and \$64 million respectively.

Upon receipt of default contributions complaints, MPFA will investigate and follow up immediately. If a complaint case is found substantiated, MPFA will request the employer concerned to pay the arrears immediately. According to the experience last year, nearly 90% of the default contributions can be recovered after MPFA's follow-up actions. Regarding those other employers who do not follow MPFA's request to pay the arrears, MPFA will recover the arrears for the employees from them through civil claims.

In 2009-10, the number of cases that MPFA filed to the court for recovering from employers contributions in arrears and which were allowed were 313 and the total amount involved was about \$6.4 million.

(b) Constituent funds offered under MPF schemes are classified into 5 broad categories. They include MPF Conservative Fund, Guaranteed Fund, Bond Fund, Mixed Assets Fund and Equity Fund. Currently, the average Fund Expense Ratio (FER), viz. the expense of a MPF Fund as a percentage of the fund size, ranges from 1.13% to 2.36% whilst the overall FER of all funds is 1.92%. Details are set out below. To promote market transparency and to facilitate checking by scheme members, MPFA has set out the FER of individual MPF funds and relevant information on their fees in its fee comparative platform posted on its website.

<u>Type of Funds</u>	<u>Average FER</u>
MPF Conservative Fund	1.13%
Guaranteed Fund	2.36%
Bond Fund	1.92%
Mixed Assets Fund	2.03%
Equity Fund	1.95%
Overall	1.92%

(c) Since the inception of the MPF system in December 2000, the Government and MPFA have optimised the arrangements in various areas under the existing system in light of the experience gained from actual operation and the latest market development. A total of 7 bills were enacted upon approval of the Legislative Council to amend the MPF legislation. Major amendments include increasing the level of penalties against default contributions, allowing employees to transfer accrued benefits derived from their own contributions during current employment, and simplifying and improving the operation of the MPF System. Looking ahead, MPFA will continue to review and improve the operation of the MPF system with a view to enhancing retirement protection for the employed population more effectively.

Ends