

## **Press release**

### **LCQ7: Review of the Mandatory Provident Fund system**

Wednesday, June 9, 2010

Following is a question by the Hon Leung Yiu-chung and written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 9):

Question:

It has been learnt that the Government will conduct, within this year, a review of the Mandatory Provident Fund (MPF) system, which has already been implemented for almost 10 years. In this connection, will the Government inform this Council:

- (a) of the specific areas, contents and timetable of the aforesaid review;
- (b) which bureau and government department are responsible for coordinating the aforesaid review; of the role of the Mandatory Provident Fund Schemes Authority in the aforesaid review; and
- (c) whether it will, when conducting the aforesaid review, collect the views of the public and organisations; if it will, of the means and channels used to collect views; if not, the reasons for that?

Reply:

President,

Since the inception of the Mandatory Provident Fund (MPF) system in December 2000, the Mandatory Provident Fund Schemes Authority (MPFA) has reviewed the arrangements in various areas under the existing system in the light of the experience gained from actual operation, the latest market development and the opinions of various stakeholders. The MPFA has maintained close liaison with the Financial Services and the Treasury Bureau in respect of the review results to explore improvement measures and implement the proposals, including legislative amendments. In the past 10 years, the

Legislative Council has passed seven Bills 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.

The MPFA will continue to review and improve the operation of the MPF system. The MPFA is now reviewing the adequacy of the contents of the information disclosed and the channels of disclosure of information to scheme members. The MPFA is also reviewing the existing arrangement under the Mandatory Provident Fund Schemes Ordinance (MPFSO) whereby, unless in specified circumstances (including early retirement at the age of 60, death, permanent departure from Hong Kong, total incapacity and accounts with accrued benefits do not exceed \$5,000), scheme members are not allowed to withdraw their accrued benefits before reaching the age of 65, as well as whether scheme members who have reached the retirement age of 65 should be allowed to withdraw their accrued benefits by phases. The MPFA aims to complete the relevant review this year. The Bureau and MPFA will consider appropriate follow-up actions in the light of the review results and will consult the Legislative Council on any proposals for legislative amendments. In formulating the relevant proposals, the MPFA will consult and consider the views of the Mandatory Provident Fund Schemes Advisory Committee (MPFSAC) and the Management Board (MB) of the MPFA. The membership of MPFSAC and MB includes individuals who come from the employers and employees sector as well as from other professions.

Apart from the above, the MPFA will complete a review of the minimum and maximum relevant income levels in accordance with the MPFSO this year, and submit recommendations to the Government after consulting MPFSAC and MB. We will consult the Legislative Council on the review findings thereafter.

Ends