

Press release

**LCQ17: Minimum level of relevant income for
Mandatory Provident Fund contributions**

Wednesday, March 2, 2011

Following is a question by the Hon Regina Ip and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 2):

Question:

The Provisional Minimum Wage Commission (PMWC) set the initial statutory minimum wage rate at \$28 per hour which was endorsed by the Executive Council and passed by this Council, and will come into force on May 1, 2011. Members of the market have pointed out that, after the implementation of the Minimum Wage Ordinance (Cap. 608) (MWO), the monthly income of those employees currently earning \$4,750 to \$4,999 per month will probably increase to \$5,000 or above, i.e. the minimum level of relevant income stipulated in the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO), and hence these employees will have to pay 5% of their monthly income (i.e. \$250 or above) as contribution to the Mandatory Provident Fund (MPF), which will probably lead to a reduction in their actual income. In this connection, will the Government inform this Council:

(a) of the number of employees whose current monthly income is below \$5,000 with a breakdown by age, sex, average number of dependents and amount of income (including those employees earning \$4,750 to \$4,999 per month);

(b) of the number of employees, as estimated by the authorities, whose current monthly income is below \$5,000 and will increase to the minimum level of relevant income stipulated in MPFSO after the minimum wage rate comes into force, and whether these employees' actual income will be reduced after making contribution to MPF; and

(c) whether the authorities have studied to which level the existing minimum level of relevant income stipulated in MPFSO has to be upwardly adjusted in order to address the issue of a possible reduction in the actual income of the employees whose current monthly income is \$4,750 to \$4,999, as a result of the implementation of MWO, as well as their timetable for adjusting the minimum level of relevant income?

Reply:

President,

Section 10A of the 《Mandatory Provident Fund Schemes Ordinance》 (Cap. 485) (MPFSO) provides that the Mandatory Provident Fund Schemes Authority (MPFA) must, not less than once in every 4 years, conduct a review of the minimum level of relevant income (Min RI) and the maximum level of relevant income (Max RI) for the purpose of Mandatory Provident Fund (MPF) mandatory contributions.

On Min RI, MPFSO provides that, without limiting the factors which MPFA may consider, it must take into account "50 per cent of the monthly median employment earnings prevailing at the time of the review as compiled from the General Household Survey conducted by the Census and Statistics Department". MPFA conducted a review in July 2010 in accordance with MPFSO. Thereafter, MPFA updated the review results based on the statistical data of Q3 2010. According to the updated review results, consideration may be given to increase Min RI to \$5,500.

If Min RI is set at \$5,500, the implementation of Statutory Minimum Wage (SMW) will not give rise to any case of reduction in the take-home pay of individuals whose current monthly income is less than \$5,000 and do not need to make MPF contributions on account of the resultant increase of their monthly income to a level reaching or exceeding Min RI which would subject them to the requirement to make MPF contributions.

Our reply to the questions of Hon Regina Ip is as follows –

(a) The number of employees whose monthly income is below \$5,000 as of Q3 2010 is set out at Annex.

We do not have breakdown by the average number of dependents.

(b) and (c) As explained above, if Min RI is increased to \$5,500, the take-home pay of individuals whose current monthly income is less than \$5,000 and do not need to make MPF contributions will not be reduced on account of their monthly income having been increased to a level reaching or exceeding Min RI after the implementation of SMW which would subject them to the requirement to make MPF contributions.

The Financial Services and the Treasury Bureau briefed the Legislative Council Panel on Financial Affairs on the above-mentioned review results of MPFA on February 21, 2011. We will take into account the views of various parties and seek to put forth the relevant legislative amendments to the Legislative Council in Q2, 2011.

Ends