

Press release

**LCQ2: Provision of annuity plans under
the Mandatory Provident Fund Scheme**

Wednesday, July 13, 2011

Following is a question by the Hon Lee Cheuk-yan and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (July 13):

Question:

Under the existing Mandatory Provident Fund (MPF) Scheme, if scheme members wish to withdraw the accrued benefits from their MPF accounts when they reach the age of 65, they may do so only by withdrawing all the benefits in one go. In this connection, will the Government inform this Council whether the authorities will conduct a study on requiring MPF trustees to provide annuity plans for scheme members, so that the latter can choose to inject all or part of the accrued benefits into such plans and withdraw a fixed amount of money on a monthly basis upon retirement, thereby ensuring a stream of stable income for their retirement; if they will, of the details; if not, the reasons for that?

Reply:

Acting Madam President,

Currently, under the Mandatory Provident Fund Schemes Ordinance (MPFSO) and the Mandatory Provident Fund Schemes (General) Regulation, scheme members may withdraw the benefits accrued from their mandatory contributions in a Mandatory Provident Fund (MPF) Scheme when reaching the retirement age of 65, regardless of whether they are employed. The MPFSO also allows scheme members to postpone the withdrawal of accrued benefits in a MPF Scheme after reaching the age of 65. Upon withdrawal of their accrued benefits, scheme members may choose to invest in a variety of investment or retirement income products which are available in the market, including annuity plans referred to in the question.

The Mandatory Provident Fund Schemes Authority (MPFA) has established a working group to review the modes of withdrawal of MPF accrued benefits. In the review, the MPFA will consider the operational experience of the MPF System in the past 10 years and the views gathered; make reference to the withdrawal options and experiences of overseas jurisdictions; and study various withdrawal options, including the present lump-sum payments arrangement, programmed or phased withdrawals, annuities as well as combination of any of these options, etc.

The MPFA will fully consider the practical operating situation of the MPF System in Hong Kong, the overseas experiences in implementing different withdrawal options and stakeholders' views. The MPFA plans to submit its preliminary recommendations to the Government within this year.

We keep an open mind on the modes of withdrawal of MPF benefits. The primary consideration is that it can meet the needs of scheme members to achieve better retirement protection. We will liaise closely with the MPFA on the review and take appropriate follow-up actions regarding the review results, including consultation with the Panel on Financial Affairs and listening to public views.

Ends