

## **Press Release**

### **Bill for enhancing withdrawal arrangements for MPF accrued benefits to be gazetted on Friday**

Wednesday, June 25, 2014

The Mandatory Provident Fund (MPF) Schemes (Amendment) Bill 2014 will be gazetted this Friday (June 27).

The Bill proposes to allow phased withdrawal of accrued benefits as an additional option for scheme members upon retirement and early retirement.

MPF trustees will be required under law to process free of charge a scheme member's request to make withdrawal up to 12 times a year, with no restriction on the amount withdrawn on each occasion.

The Bill also proposes to include "terminal illness" as an additional ground for the early withdrawal. The accrued benefits withdrawn in phases and on the additional ground of "terminal illness" will be tax-exempted.

"The proposals will provide a more flexible option for the scheme members to withdraw the accrued benefits, facilitating them to better plan and manage their MPF accrued benefits to meet their needs after retirement," said the Secretary for Financial Services and the Treasury, Professor K C Chan.

In addition, the Bill will introduce amendments in relation to the approval of new MPF constituent funds, as well as reducing trustees' compliance burden by simplifying administrative processes, with a view to driving down MPF fees.

The Bill also includes other technical amendment proposals to enhance the MPF System.

Professor Chan added that, "A proliferation of MPF funds may render the size of individual funds too small to achieve economies of scale and will not be conducive to fee reduction. The Bill provides a clearer legal basis for the Mandatory Provident Fund Schemes Authority (MPFA) to tighten approval of new funds by introducing a statutory approval criterion of 'in scheme members' interests'.

"Proposals to simplify administrative processes will help reduce trustees'

costs in servicing scheme members and in turn create room for MPF fee reduction."

The MPFA consulted the public from December 2011 to March 2012 on the withdrawal of MPF accrued benefits, and published the consultation conclusions in September 2012. Consultation results revealed that about 90 per cent of the respondents clearly supported allowing the withdrawal of MPF accrued benefits by instalments and the early withdrawal of MPF accrued benefits on the ground of "terminal illness".

At present, the law stipulates that the trustees are required to allow scheme members who have reached the age of 65 to withdraw MPF accrued benefits in a lump sum immediately or on a later date.

The existing law also allows the scheme members to withdraw accrued benefits before reaching the age of 65 on the grounds of early retirement, permanent departure from Hong Kong, death, total incapacity, and small balance account. Moreover, the law specifies that new MPF constituent funds require approval of the MPFA.

The Bill has been uploaded to the website of the Financial Services and the Treasury Bureau ([www.fstb.gov.hk/fsb/topical/mpfbill2014.htm](http://www.fstb.gov.hk/fsb/topical/mpfbill2014.htm)) for public viewing.

The Bill will be introduced into the Legislative Council for first reading on July 2.

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