

立法會
Legislative Council

LC Paper No. CB(2)2595/06-07
(These minutes have been
seen by the Administration)

Ref : CB2/HS/1/04

Subcommittee to Study the Subject of Combating Poverty

Minutes of meeting
held on Monday, 18 June 2007, at 4:30 pm
in Conference Room A of the Legislative Council Building

Members present : Hon Frederick FUNG Kin-kee, SBS, JP (Chairman)
Hon LEE Cheuk-yan
Hon Margaret NG
Hon CHAN Yuen-han, JP
Hon Emily LAU Wai-hing, JP
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, BBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon Fernando CHEUNG Chiu-hung
Hon Ronny TONG Ka-wah, SC

Members absent : Hon James TIEN Pei-chun, GBS, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon LEUNG Yiu-chung
Hon Abraham SHEK Lai-him, JP
Hon Albert Jinghan CHENG

Public Officers attending : Item I
Ms Jenny CHAN
Principal Assistant Secretary for Financial Services and the
Treasury (Financial Services)

Mr Darren McShane
Executive Director (Regulation & Policy)
Mandatory Provident Fund Schemes Authority

Mr Marty LUI
Senior Manager (Policy and Development)
Mandatory Provident Fund Schemes Authority

Mr Alan WONG Kwok-lun, JP
Assistant Commissioner for Labour (Labour Relations)

Item II

Mr Stephen FISHER, JP
Secretary to the Commission on Poverty

Ms Edna WONG Yuen-ling
Assistant Secretary to the Commission on Poverty

Clerk in attendance : Miss Betty MA
Chief Council Secretary (2) 4

Staff in attendance : Mr Chris LAI
Senior Council Secretary (2) 7

Miss Maggie CHIU
Legislative Assistant (2) 4

Action

I. Further discussion on issues relating to the recommendation in paragraph 5.1(t) in the Subcommittee's Report on Elderly in Poverty [LC Paper Nos. CB(2)2048/06-07 and CB(2)2154/06-07(01)]

The Subcommittee deliberated (index of proceedings attached at **Annex**).

Discussion with the Administration

Offsetting arrangement under the MPF Schemes

2. Members generally expressed concern that the arrangement whereby the long service payment (LSP) and severance payment (SP) could be offset against

Action

the accrued benefits derived from the employers' contribution to the Mandatory Provident Fund (MPF) Schemes had seriously affected the retirement protection for employees. Members considered that the offsetting arrangement had defeated the purpose of the MPF Schemes and a review should be conducted expeditiously.

3. Principal Assistant Secretary for Financial Services and the Treasury and Assistant Commissioner for Labour responded that the offsetting arrangement had been agreed by the parties concerned when the legislative proposals on the MPF Schemes were scrutinized by the Legislative Council (LegCo). The offsetting arrangement was to enable the long-established set-off procedure under the Employment Ordinance (Cap. 57) in respect of schemes under the Occupational Retirement Schemes Ordinance (Cap.426) against LSP and SP to continue for MPF Schemes. To review the offsetting arrangement under the MPF system was a complex issue which required the support of both employers and employees which was not evident. As such, the Administration presently had no plan to review such arrangement.

4. To facilitate the Subcommittee to assess the gravity of the problem, Mr LEE Cheuk-yan requested the MPF Authority (MPFA) to provide information on the number of employers and employees involved in offsetting of LSP/SP since the launch of the MPF Schemes.

MPFA

5. The Executive Director (Regulation and Policy) of MPFA (ED/MPFA) responded that as at 31 March 2007, the total amount of payment for offsetting LSP/SP as a percentage of the total payment under the MPF Schemes was about 36%. He also described how this figure had changed over time. He explained that the number of employers and employees involved was not available as employers and employees were not required to submit the information. He would provide data concerning the offsetting arrangement under the MPF Schemes to the Subcommittee, if available, after the meeting.

Management fees charged under the MPF Schemes

6. Noting that the average fund expense ratio of MPF funds amounted to 2.06% on an asset-weighted basis, members expressed dissatisfaction at the high management fees charged by fund managers under the MPF Schemes. To better protect the accrued MPF benefits of employees after retirement, members made the following suggestions –

- (a) to improve the transparency of fee information, e.g. a comparison of fees and charges across funds and schemes; and
- (b) to introduce measures to promote competition in the market so as to lower the management fees of individual schemes. Consideration

Action

should also be given to imposing a ceiling on the management fee charged by fund managers, say, at 1%.

7. ED/MPFA advised that the range of management fees charged by fund managers could be wide as different MPF Schemes had different fee structures. He emphasized that it was not easy to directly compare the fee level in Hong Kong with those of other international systems because of different scheme features. Responding to members' views and suggestions, ED/MPFA made the following points –

- (a) the MPF System relied on market forces to set the type and level of fees;
- (b) MPFA submitted to the LegCo a paper in 1997 estimating that the fee level would be from 1.6% to 2.4%;
- (c) MPFA considered that the fee level should be as low as reasonably possible. However expectations about how low fees could go must be reasonable;
- (d) MPFA had been constantly making efforts to promote market efficiency in setting fees at a reasonable level and improving the transparency of fee information. For instance, the Code on Disclosure for MPF Investment Funds was issued in 2004. MPFA was developing a comparative platform, first phase of which would be available in July 2007, to help compare fees and charges across funds and schemes. A bill containing the relevant amendments necessary for further disclosure to be implemented in the second phase would be introduced into LegCo shortly; and
- (e) to increase market competition, MPFA was considering expanding the portability of accrued benefits by allowing employees to transfer accrued benefits derived from their own contributions from the scheme chosen by their employers to an MPF scheme of their own choice.

II. Report of the Commission on Poverty

8. Secretary to the Commission on Poverty (Secy/CoP) briefed members on the Report of CoP which set out the work of CoP in the past two and a half years, and its recommendations on how to take forward the poverty alleviation work.

9. Members raised the following issues of concern relating to the Report of CoP –

Action

- (a) a high-level body chaired by the Chief Secretary for Administration should be set up to enhance the co-ordination of anti-poverty efforts and to monitor the implementation of the recommendations in the Report of CoP after the expiry of the tenure of CoP on 30 June 2007;
- (b) the policies on poverty should come under the new Labour and Welfare Bureau (LWB) so as to strengthen the co-ordination of anti-poverty efforts;
- (c) there was a lack of concrete measures in the CoP's Report on how to put the recommendations into implementation;
- (d) CoP's Report had made no reference to the Subcommittee's recommendations on the implementation of a universal retirement protection scheme and the introduction of a minimum wage; and
- (e) additional resources and manpower should be provided for District Councils (DCs) to launch anti-poverty projects at the district level.

10. Secy/CoP made the following responses –

- (a) the new LWB would be tasked to oversee and monitor the overall progress of poverty alleviation work, including the implementation of the CoP's recommendations. While there was established mechanism to co-ordinate cross-departmental efforts in policies that straddled several bureaux, the Government did not rule out the possibility of establishing a high-level body to deal with the poverty alleviation work. This would be a matter for the Third Term Government;
- (b) considering that a district-based approach would be adopted in promoting the development of SE, the Home Affairs Bureau could make use of its expertise and network in mobilising community resources at the district level to promote the development of SE;
- (c) CoP had made some concrete measures to take forward its recommendations in the Report. For instance, proposals on the setting up of the Child Development Fund would be drawn up after consultation with the non-governmental organizations. Funding proposal would then be submitted to the Finance Committee for approval;

Action

- (d) given the divergent views on the implementation of a universal retirement protection scheme and the introduction of a minimum wage and the far-reaching implications, the proposals would require in-depth discussion; and
- (e) additional resources had been made available for DCs to apply for district-based projects.

III. Any other business

11. Members expressed grave concern about a widening income disparity between the rich and the poor as revealed from the findings of the "Thematic Report: Household Income Distribution in Hong Kong".

12. The Chairman recapitulated that members agreed at a previous meeting that the Subcommittee would follow up on the findings of the Thematic Report, in particular on issues relating to the Gini Coefficient. The Chairman suggested and members agreed that the Subcommittee would discuss the findings of the Thematic Report at the next meeting was scheduled for 10 July 2007.

13. There being no other business, the meeting ended at 6:40 pm.

Council Business Division 2
Legislative Council Secretariat
3 August 2007

**Proceedings of the meeting of the
Subcommittee to Study the Subject of Combating Poverty
on Monday, 18 June 2007, at 4:30 pm
in Conference Room A of the Legislative Council Building**

Time marker	Speaker(s)	Subject(s)	Action required
<i>Agenda Item I – Follow-up discussion on issues relating to the recommendation in paragraph 5.1(t) in the Subcommittee's Report on Elderly in poverty</i>			
000000 - 000632	Chairman	Meeting arrangements	
000633 - 001456	Chairman Admin	The Administration's response to issues raised by the Subcommittee regarding the Mandatory Provident Fund (MPF) Schemes at the last meeting	
001457 - 001959	Miss CHAN Yuen-han Admin	Miss CHAN Yuen-han's concern that the retirement protection for workers would be adversely affected by the offsetting arrangement and high management fees charged by fund managers The Administration's response that the proposed review of the offsetting arrangement would need to be discussed thoroughly by all the parties concerned	
002000 - 002529	Mr LEE Cheuk-yan Admin	Mr LEE Cheuk-yan's dissatisfaction at the Administration's reluctance to review the offsetting arrangement under the MPF Schemes and request for information on the number of employees and employers involved in the offsetting arrangement since the launch of the MPF Schemes The MPFA's advice that as at 31 March 2007, the total amount of payment for offsetting long service payment (LSP)/severance payment (SP) as a percentage of total payment was about 36%	
002530 - 003336	Dr Fernando CHEUNG Admin	Dr Fernando CHEUNG's suggestions that measures should be introduced to – (a) provide more information on different types of MPF products to enhance choice by employees; and (b) reduce the management fees charged by fund managers to a reasonable level The MPFA's advice that – (a) on-going educational efforts would be made and a web-based platform would be launched to enhance the MPF Scheme members' understanding of the fees and charges; and (b) new initiatives and legislation would be introduced to enhance competition in the industry, with a view to reducing the management fees	
003337 - 003719	Ms LI Fung-ying Chairman Admin	Views of Ms LI Fung-ying that a review of the MPF Schemes should be conducted expeditiously as it would require time for employees and employers to reach a consensus	

Time marker	Speaker(s)	Subject(s)	Action required
		The Administration's response that it need to take into account both the views of employers and employees in any proposed review of the MPF Schemes	
003720 - 004124	Mr LEE Cheuk-yan Admin	Views of Mr LEE Cheuk-yan's that – (a) the proposal for expanding the portability of accrued benefits by employees might create intense competition among MPF Trustees who would transfer the costs to scheme members; and (b) a ceiling should be imposed on the management fees charged by fund managers, say, at 1% The MPFA's response that – (a) imposition of a ceiling on management fees was a not common practice internationally; and (b) new initiatives would be introduced to enhance competition among MPF Trustees, with a view to reducing the management fees	
004125 - 004635	Dr Fernando CHEUNG Chairman Admin	Views of Dr Fernando CHEUNG that the Administration should set a concrete timetable for introducing measures to enhance choice by employees and increase competition among the MPF trustees, with a view to lowering the management fees The MPFA's response that it was considering ways to expand the portability of accrued benefits by allowing employees to transfer accrued benefits derived from their own contributions from the scheme chosen by their employers to a MPF fund of their own choice. It was hoped that proposals could be sent to the Government this year.	
<i>Agenda Item II – Report of the Commission on Poverty</i>			
004636 - 004925	Chairman Admin	Briefing by the Administration on the Report of the Commission on Poverty (CoP)	
004926 - 005632	Mr LEE Cheuk-yan Admin	Mr LEE Cheuk-yan's concern about the absence of a designated, high-level body to co-ordinate anti-poverty measures and follow up on the recommendations made by the Subcommittee and CoP after the expiry of tenure of CoP The Administration's response that – (a) the new Labour and Welfare Bureau (LWB) would be tasked to oversee and monitor the overall progress of poverty alleviation work; (b) there was established mechanism to facilitate co-ordination within the Government for policies that straddled more than one policy bureau, including anti-poverty policies; and (c) the Government would maintain an open mind in the proposed establishment of a high-level body to co-ordinate anti-poverty efforts	

Time marker	Speaker(s)	Subject(s)	Action required
005633 - 010156	Dr Fernando CHEUNG Admin	<p>Views of Dr Fernando CHEUNG that a designated bureau should be tasked with the overall responsibility for all anti-poverty measures, including promoting the development of social enterprise (SE) and caring for the needs of ethnic minority groups</p> <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) given its expertise and experience in mobilising community resources, the Home Affairs Bureau (HAB) would be tasked for promoting the development of SE through a district-based approach; and (b) different bureaux/departments would continue to care for the needs of ethnic minority groups under their respective purview 	
010157 - 010534	Ms LI Fung-ying Admin	<p>Views of Ms LI Fung-ying that there should be a designated, high-level body to co-ordinate anti-poverty efforts and to follow up on the implementation of recommendations in the CoP's Report</p> <p>The Administration's advice that a designated team would be set up under the new LWB to follow up on the implementation of the CoP's recommendations</p>	
010535 - 011504	Chairman Admin	<p>The views of the Chairman that –</p> <ul style="list-style-type: none"> (a) a high-level body chaired by the Chief Secretary for the Administration should be set up to enhance cross-departmental efforts in poverty alleviation; (b) the Government should address the problem of widening income disparity as revealed from the findings of the Thematic Report : Household Income Distribution in Hong Kong; and (c) there was a lack of concrete details in the CoP's Report on how to put the policy recommendations into implementation <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) the proposed establishment of a high-level body to co-ordinate anti-poverty efforts would be put on table for the next Administration to decide; and (b) concrete measures had been proposed in the CoP's Report to take forward recommendations on poverty alleviation 	
011505 - 012128	Ms Emily LAU Admin	<p>Discussion on the views/enquiries made by Ms Emily LAU –</p> <ul style="list-style-type: none"> (a) a designated high-level body should be tasked with the overall responsibility for co-ordinating anti-poverty efforts; (b) the problem of widening income disparity as reflected by the Gini coefficient needed to be addressed early; and 	

Time marker	Speaker(s)	Subject(s)	Action required
		(c) the rationale for HAB to take up the responsibility for promoting the development of SE	
012129 - 013002	Mr LEUNG Kwok-hung Admin	<p>Mr LEUNG Kwok-hung's dissatisfaction at CoP's failure to come up with concrete anti-poverty measures, in particular the implementation of a universal retirement protection scheme and the introduction of a minimum wage, as well as promoting the development of SE</p> <p>The Administration's response –</p> <ul style="list-style-type: none"> (a) measures had been and would be introduced to assist those with working ability to move from welfare to self-reliance; (b) SEs could not rely on Government's support for running successful businesses; and (c) the implementation of a universal retirement protection scheme and the introduction of a minimum wage would have far-reaching implications which needed to be studied in depth 	
013003 - 013609	Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's enquiry about –</p> <ul style="list-style-type: none"> (a) timing of launching the pilot transport support scheme for low-income workers living in remote areas; (b) concrete measures to implement the proposed Child Development Fund; and (c) actions to take forward the proposal of "one-stop shop" in the provision of training and employment assistance <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) the pilot transport support scheme would be launched shortly; (b) funding proposals on the setting up of the Child Development Fund would be submitted to the Finance Committee for approval after consultation with the non-government organisations; and (c) discussions were being held on how to further strengthen training and retraining efforts and facilitate better integration in the delivery of training and employment assistance 	
013610 - 014332	Mr LEUNG Kwok-hung Admin	<p>Mr LEUNG Kwok-hung's dissatisfaction at the lack of concrete anti-poverty measures proposed by CoP, especially in promoting the development of SE and assisting the working poor</p> <p>The Administration's response that –</p> <ul style="list-style-type: none"> (a) the Government would step up its efforts to strengthen "The Enhancing Self-Reliance Through District Partnership Programme"; (b) A summit on the development of SE chaired by the Chief 	

Time marker	Speaker(s)	Subject(s)	Action required
		<p>Executive would be held later this year; and</p> <p>(c) CoP had recommended various measures to enhance work incentives and skills of the working poor</p>	
014333 - 014943	Mr LEE Cheuk-yan Admin	<p>Views of Mr LEE Cheuk-yan's that –</p> <p>(a) transport subsidy scheme should continue to operate after the one-year pilot;</p> <p>(b) introduction of a minimum wage was the most effective way to "make work pay" for the working poor; and</p> <p>(c) additional resources should be provided to District Councils (DCs) for launching district-based anti-poverty projects</p> <p>The Administration's response that the resources allocated for DCs could be better utilised to achieve poverty alleviation purposes. District Officers could make use of their local network and community resources to enhance anti-poverty efforts</p>	
014944 - 015029	Chairman Admin	<p>The Chairman's suggestions that –</p> <p>(a) additional resources and secretariat support should be provided to DCs for launching district-based anti-poverty projects; and</p> <p>(b) a designated bureau/department should be tasked with the overall responsibility for monitoring the implementation of the recommendations in CoP's Report</p> <p>The Administration's response that –</p> <p>(a) resources allocated for DCs could be better utilised to achieve the poverty alleviation purposes; and</p> <p>(b) the new LWB would be responsible for monitoring the implementation of the recommendations in CoP's Report</p>	
015030 - 020021	Dr Fernando CHEUNG Admin	<p>Discussion on Dr Fernando CHEUNG's concern about measures to address the problem of widening income disparity</p> <p>The Administration's advice that the new LWB would encourage greater co-ordination of efforts across the Government to assist the working poor. Income redistribution between the rich and the poor involved complex economic policies which needed to be studied in depth</p>	
020022 - 020516	Mr LEUNG Kwok-hung Admin	<p>Mr LEUNG Kwok-hung's concern about –</p> <p>(a) worsening income disparity as reflected by the rising trend of the Gini coefficient; and</p> <p>(b) absence of concrete measures proposed by CoP to alleviate the problems faced by the working poor</p> <p>The Administration's response that –</p>	

Time marker	Speaker(s)	Subject(s)	Action required
		(a) the Gini coefficient of Hong Kong and other major countries were not strictly comparable, given different methodologies were adopted; and (a) CoP had reviewed the existing and recommended new measures to address the problem of poverty	
<i>Agenda Item II – Any other business</i>			
020517 - 020636	Chairman	Concluding remarks on the CoP's Report	
020637 - 020906	Chairman Mr LEUNG Kwok-hung	Date of the next meeting and issues to be discussed	

Council Business Division 2
Legislative Council Secretariat
3 August 2007