

**Extract from the minutes of meeting
of the Finance Committee of the Provisional Legislative Council
on 3 April 1998**



Item No. 4 - FCR(98-99)6

HEAD 106 - MISCELLANEOUS SERVICES

- . New Capital Account Subhead “Mandatory Provident Fund Schemes Authority”**
- . New Capital Account Subhead “Compensation Fund for the Mandatory Provident Fund Schemes”**

11. As \$22 million had been approved in 1995 for engaging consultants to assist in the preparation of subsidiary legislation relevant to the Mandatory Provident Fund (MPF) Schemes, a member expressed concern over the proposed appointment of another group of consultants to advise on the pay and conditions of service for staff of the Mandatory Provident Fund Schemes Authority (MPFA). He enquired about the cost and the time frame involved. The Secretary for Financial Services (SFS) and the Principal Executive Officer, Mandatory Provident Fund Office confirmed that the cost to be incurred would be less than \$500,000 and that the expenses had already been included in the \$5 billion sought for the setting up of the MPFA. The study, which would commence in April 1998, was expected to take two months. In response to another member, SFS advised that consequent upon an amendment to the MPF Schemes Bill, the MPFA would be the authority for deciding on inter alia the staff remuneration package and the Administration would not be in a position to make such decisions.

12. On the schedule for the setting up of the MPFA, SFS advised that the Authority would be set up as soon as practicable and that members of the Management Board would hopefully be appointed by June 1998. As regards remuneration for Board members, SFS said that the executive directors of the Board were employees of the MPFA and would therefore receive salaries. Details for the non-executive directors had yet to be decided, although in principle the service they provided should not be free.

13. In reply to a member on the financing of the MPFA, the Director, Mandatory Provident Fund Office (D/MPFO) advised that the Authority would be expected to operate on a self-financing basis in the long term through fees and charges collected and investment returns generated from the grant of \$5 billion. SFS stressed that figures on the resource requirements of the MPFA were prepared by the MPFO and were indicative only; these would be subject to the eventual decisions of the MPFA.

14. Having regard to the significant grant of \$600 million, which originally was proposed at \$300 million, as seed money for the MPF Compensation Fund, a member asked if the levy rate of 0.03% per year of the accrued benefits of members under the MPF Compensation Fund could be reduced. The member was of the view that in consideration of the imminent retirement of some contributors to the scheme, a reduction of the levy rate in the initial years should be considered in order to minimize losses to such contributors. D/MPFO advised that the amount of contribution for an average member at about \$50 per year was relatively small, and there was a limit to which the amount could be further reduced. The details would nevertheless have to be considered by the MPFA.

15. Mr Frederick FUNG Kin-kee advised that Members of the Hong Kong Association for Democracy and People's Livelihood were, in line with their usual stand on the issue, not in support of the proposal.

16. The Committee approved the proposal.

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