



**Employers'  
Federation  
of Hong Kong**  
香港僱主聯合會

CB(1)2320/06-07(04)

Ref.: G2007 – 094

3 September 2007

The Hon Chan Kam-lam  
Chairman of the Bills Committee on  
Mandatory Provident Fund Schemes (Amendment) Bill 2007  
Legislative Council  
Legislative Council Building  
8 Jackson Road  
Central, Hong Kong

Dear Mr Chan,

**Mandatory Provident Fund Schemes (Amendment) Bill 2007**

Thank you for inviting the Employers' Federation of Hong Kong to express views on the above Amendment Bill.

The Employers' Federation has been one of the advocates for a community-wide retirement protection scheme for our valuable workforce and has worked closely with the Administration over the past decades in formulating and improving the related regulatory frameworks. We thus appreciate the continuous efforts of the Mandatory Provident Fund Schemes Authority in improving the operation of the MPF system.

The Federation has no objection to the proposed amendments to the Ordinance to stop unscrupulous employers from abusing the system. We would like to stress, however, the sensitivity and delicacy of including housing allowance and housing benefits in the definition of "Relevant Income" without careful definition and a good understanding of market practices. We thus urge the Administration to consider including cash housing allowance of benefits only in the definition of "Relevant Income" and to make a phased and gradual change so that employers will be given sufficient time to prepare for the related system changes and tests.

The Federation's detailed views on the Amendment Bill are as follows:

**1. Inclusion of "housing allowance and other housing benefits" in the definition of "Relevant Income"**

As an advocate for good employment practices, the Federation shares the concern that some unscrupulous employers are abusing the MPF system to avoid their statutory obligations. There are cases, however, where housing allowance and housing benefits are provided for genuine occupational needs or for historical reasons. The provisions concerned vary widely such that it is sometimes difficult to translate them into cash values. Moreover, it is rare that employers will and can use housing allowance and benefits in kind, e.g. provision of accommodation, as a portion of salary and wages. As such, we urge the Administration to consider including cash housing allowance only in the definition of "Relevant Income".

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Furthermore, the proposed amendment would affect the design of employee benefits of some organisations which use Relevant Income ("RI") less Employer's Mandatory Contribution (ER MC) as the basis for computing the level of voluntary contribution.

To accommodate the proposed changes, employers will be required to adjust their payroll systems. We thus urge the Administration to set a reasonable timeframe for implementing the new definition so that employers are given sufficient time to make the necessary adaptations.

## 2. Improvement of arrears recovery mechanism

The Federation supports the streamlining of the arrears recovery process. At the same time, the proposed amendment would require strict compliance without any buffer for employers to remit contribution data and payment by the end of the contribution day. Again we urge that employers should be given sufficient time to make the necessary adaptations to cope with the change.

## 3. Enhancement of the enforcement of MPF system

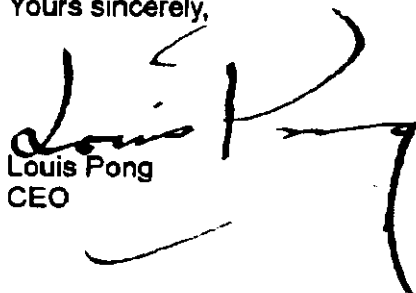
Currently the compliance is roughly 90%. We suggest to use an educational approach and tax incentives similar to 401K in the USA to drive 100% compliance.

## 4. Transfer of accrued benefits on cessation of employment

The proposed amendment allows a trustee to accept from an employee a notice of cessation of employment by statutory declaration in order to effect the transfer of accrued benefits. While we have no objection to this proposed amendment, we would wish to observe that, if there were any unresolved issues between the employer and employee, such act would potentially deprive the employer of some of his rights such as using the employer's mandatory contribution for offsetting long service or severance payment.

Should you require further clarification, please feel free to contact me at 2528 0712.

Yours sincerely,



Louis Pong  
CEO