

**Administration/Mandatory Provident Fund Schemes Authority's response
to the submissions on the proposal to increase employees' control over Mandatory Provident Fund investment**

Organizations/ Individuals	Views/Concerns	Response by the Administration/ Mandatory Provident Fund Schemes Authority ("MPFA")
Federation of Hong Kong Industries	<ul style="list-style-type: none"> • Has no objection to allowing an employee to transfer the accrued benefits derived from his/her MPF contributions from the employer-chosen scheme to another schemes of his/her own choice. • Agree that the initial choice of trustee should remain vested in the employer and that the proposed transfer arrangement should not apply to employers' portion of MPF contributions. 	<ul style="list-style-type: none"> • Noted. • Noted.
The Hong Kong Chamber of Small and Medium Business ("HKCSMB")	<ul style="list-style-type: none"> • Support the proposal of allowing employees to transfer all accrued benefits derived from employee mandatory contributions to an MPF scheme of their own choice at least once, but not more than twice, per calendar year, on condition that the proposal would not require cumbersome procedures and add to the administration burden and operating costs of the relevant parties. • The proposal could duly enhance employees' control over their MPF investment and encourage competition in the MPF investment market. 	<ul style="list-style-type: none"> • Noted. • The MPFA proposes to set the minimum number of transfers at once per year, and individual trustees could allow their scheme members to make more frequent transfers at their own discretion. We welcome members' views on whether there should be a cap on the number of transfers. • Noted.

Organizations/ Individuals	Views/Concerns	Response by the Administration/ Mandatory Provident Fund Schemes Authority (“MPFA”)
	<ul style="list-style-type: none"> • Agree that the arrangement to allow employees to choose the trustees for making contributions in respect of both the employer’s and the employee’s contributions, or to allow employees to also transfer the accrued benefits derived from employer mandatory contributions should not be introduced at this moment in order to avoid extra administrative workload to the employers and significant changes to the existing MPF System. 	<ul style="list-style-type: none"> • Noted.
The Chinese Manufacturers’ Association of Hong Kong (“CMAHK”)	<ul style="list-style-type: none"> • Support the proposal of allowing employees to transfer all accrued benefits derived from employee mandatory contributions to an MPF scheme of their own choice at least once per calendar year, on condition that the proposal would not require cumbersome procedures and add to the administration burden and operating costs of the relevant parties. • The proposal could duly enhance employees’ control over their MPF investment and encourage competition in the MPF investment market. • Agree that the arrangement to allow employees to choose the trustees for making contributions in respect of both the employer’s and the employee’s contributions, or to allow employees to also transfer the accrued benefits derived from employer 	<ul style="list-style-type: none"> • Noted. • Noted. • Noted.

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	<p>mandatory contributions should not be introduced at this moment in order to avoid extra administrative workload to the employers and significant changes to the existing MPF System.</p>	
HKCSMB	<ul style="list-style-type: none"> • The MPFA should put in place regulatory and monitoring mechanism to ensure that the transfer fees charged by trustees are set at reasonable level. 	<ul style="list-style-type: none"> • Section 34 of the Mandatory Provident Fund Schemes (General) Regulation (“the General Regulation”) provides that trustees can only charge the actual and reasonable expenses incurred as a result of redeeming funds in connection with the transfer from a unit trust or similar type of investment and of purchasing units in another such investment (i.e. the bid and offer spread). The same requirement would apply to transfers of employee mandatory contributions under the MPFA’s proposal.
CMAHK	<ul style="list-style-type: none"> • The MPFA should put in place regulatory and monitoring mechanism to ensure that the transfer fees charged by trustees are set at reasonable level. 	<ul style="list-style-type: none"> • Same as above.
Mr Yeung Hing-choi	<ul style="list-style-type: none"> • Agree that the proposal put forward by the MPFA is a practicable measure and hope that the employee could have higher degree of control over their investment in future. • The portability of accrued benefits could promote competition among trustees. 	<ul style="list-style-type: none"> • Noted. • Noted.

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	<ul style="list-style-type: none"> • The “Capital Preservation Fund” should be renamed as “Capital Conservation Fund” to better reflect that this fund may incur loss. • Some trustees offer bonus units as rebate to scheme members. The member might not be able to get the bonus unit if he has transferred the benefits to another scheme or withdrawn the benefits before the cut-off date for determining the bonus unit that the scheme members are entitled. The member might not be able to make an informed comparison of the management fees among different schemes if he does not know whether bonus units are offered and the number of such units offered by the schemes. • The employers should provide information about the offer of bonus units to any new recruits and existing employees, in particular when they exercise their right to transfer their accrued benefits to another scheme. • The members who invest in soft guaranteed funds might lose the guaranteed return if they transfer their accrued benefits out of the fund before they meet the specific qualifying conditions. 	<ul style="list-style-type: none"> • The term “Capital Preservation Funds” (“CP Funds”) has been used since the inception of the MPF System. As scheme members should be well aware of the characteristics and nature of this type of funds, MPFA does not find it necessary to change the name of CP Fund. • The MPFA would conduct education programmes to facilitate scheme members to make informed decision on whether or not to transfer their accrued benefits to another MPF scheme.

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	<ul style="list-style-type: none"> • “Termination fees” may be charged by MPF schemes. • The offsetting arrangement of long service payment and severance payment under the MPF system should be abolished. 	<ul style="list-style-type: none"> • Under section 34 of the General Regulation, MPF trustees are not allowed to charge any “termination fees” upon transfer of benefits by scheme members. • Before the MPF System was put into operation, the law already allows employers to offset the accrued benefits derived from their contributions made to registered retirement schemes against severance payment or long service payment. It was decided only after extensive consultations and with the concerted efforts of all parties concerned that this long-established offsetting arrangement should continue upon commencement of the MPF System.
Hong Kong Trustees’ Association	<ul style="list-style-type: none"> • Support the MPFA’s proposal. • Propose that the ability of employees to choose to move accrued benefits to a scheme of their choice be limited to once per annum initially (say for the initial 2-year period) to ensure the record keeping system is not overloaded and to discourage employees treating these accounts as bank accounts rather than long term retirement savings vehicles. At the end of the 2-year period, employees will be permitted to transfer their accrued benefits twice per annum. • Propose that staggered transfer dates be set for schemes so that annual employee transfers do not all 	<ul style="list-style-type: none"> • Noted. • Please refer to the response to the views of the HKCSMB on whether there should be a cap on the number of transfers per annum. • MPFA’s proposal does not restrict employees to make transfers all at the same time. The MPFA will include

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	<p>occur at a similar time. The annual review of the scheme should not be used as an optional transfer date.</p> <ul style="list-style-type: none"> • Support the MPFA’s proposal that the trustees and administrators will require a 12 month lead time to make the necessary adjustments to their systems to incorporate the employee choice proposal. 	<p>in the relevant educational materials information reminding scheme members that the transfer option can be exercised at any time during a calendar year.</p> <ul style="list-style-type: none"> • Noted.
Hong Kong Chinese Enterprises Association	<ul style="list-style-type: none"> • Propose that the employees should be allowed to transfer their accrued benefits in a designated period of a year (which should not be in the beginning or ending of a year) to avoid adding administrative cost for the employers. • Agree that the employees should not be allowed to transfer the accrued benefits derived from employer mandatory contributions to an MPF scheme of their own choice as this would slow down the process for offsetting of severance payment or long service payment. 	<ul style="list-style-type: none"> • MPFA’s proposal does not require employers to put in additional administrative work when the employees choose to transfer the accrued benefits to another scheme. The transfer requests are administered by trustees. • Noted.
Labour Rights Committee of The Federation of Hong Kong & Kowloon Labour Unions	<ul style="list-style-type: none"> • Support the MPFA’s proposal as it would enhance the employees’ control of the retirement benefits, and promote market competition which would be conducive to driving down the fees and charges of MPF funds. 	<ul style="list-style-type: none"> • Noted.

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	<ul style="list-style-type: none"> Consider that the employees should be allowed to transfer the accrued benefits derived from the employer mandatory contributions to MPF schemes of their own choice at least once a year in the long-term future. The offsetting arrangement in the MPF System, as the greatest hindrance to the portability of employer mandatory contribution, should be abolished. 	<ul style="list-style-type: none"> Please refer to the response to the views of Mr Yeung Hing-choi on why the offsetting arrangement has been put in place after extensive consultation.