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Panel on Financial Affairs
Meeting on 6 April 2009

Background Brief on Government injection into
Mandatory Provident Fund accounts of eligible persons

Purpose

This paper summarizes the background to Government's one-off injection of \$6,000 (the special contribution) to the Mandatory Provident Fund (MPF) accounts of eligible members of the MPF Schemes and the MPF-exempted Occupational Retirement Schemes (ORSO Schemes) whose aggregated monthly income does not exceed \$10,000. It also summarizes Members' views and concerns on the implementation and eligibility criteria for the special contribution.

Background

2. In the 2008-2009 Budget, the Financial Secretary announced a proposal to make a one-off injection of \$6,000 into the MPF accounts of employees and self-employed persons who earned not more than \$10,000 a month¹. The Panel on Financial Affairs (FA Panel) was briefed on the proposal at the meeting on 5 May 2008. To implement the proposal, the Administration introduced the Mandatory Provident Fund Schemes (Amendment) Bill 2008 (the Bill) which was enacted in July 2008. Further information on the arrangements for handling requests for review of eligibility was provided to the FA Panel in January 2009 before the proposal to create a new commitment of \$9 billion for making payment of the special contribution was approved by the Finance Committee (FC) on 20 February 2009.

¹ According to the Administration, \$10,000 was the median monthly employment earnings for the whole year of 2007.

3. In gist, the following categories of persons would be eligible for the injection if their aggregated monthly income does not exceed \$10,000 –

- (a) holders of an MPF contribution account² on 29 February 2008;
- (b) members of ORSO defined contribution schemes on 29 February 2008;
- (c) members of ORSO defined benefit schemes on 29 February 2008; and
- (d) holders of an MPF preserved account (who do not have any MPF contribution accounts) on 29 February 2008 who last contributed to an MPF contribution account or was an ORSO Scheme member between 1 March 2007 and 28 February 2008.

The assessment methodology adopted by the Mandatory Provident Fund Schemes Authority (MPFA) in determining the eligibility of an individual is at **Appendix I**.

4. Under the eligibility criteria described in paragraph 3, members of MPF Schemes and members of ORSO Schemes who were employed or self-employed as at 29 February 2008 with a monthly income not exceeding \$10,000 in any one of the months of December 2007, January and February 2008, as well as those members who have been in employment or self employment at any time during the one-year period from 1 March 2007 to 29 February 2008 and with a monthly income not exceeding \$10,000 in one of the last three months of their last employment/self employment during that period³ would be eligible to receive the special contribution.

5. The MPFA expects that the first batch of injection covering about 97% of the 1.4 million eligible persons will be completed before end March 2009, and the payment to be made to the rest before end April 2009 (the latter group being mainly those eligible ORSO members as the trustees need to make arrangements to set up new MPF preserved accounts for them).

Views and concerns expressed by Members

6. Members have no objection in principle to the policy intent underlying the proposed one-off injection to enhance the retirement protection for lower-income working people. However, during the scrutiny of the relevant legislation and the

² Includes MPF accounts that hold mandatory contributions of the employees/self-employed persons, as well as MPF accounts that hold voluntary contributions of the employees/self-employed persons concerned.

³ During the one-year period, the relevant person must have made contributions to an MPF account in respect of his employment/self employment concerned or was an ORSO scheme member.

funding proposal, some Members expressed the following views and concerns on the implementation and eligibility criteria of the injection of \$6,000 into the MPF accounts of employees and self-employed persons who earned not more than \$10,000 a month:

- (a) the feasibility of introducing other arrangements to allow more flexibility for establishing the income eligibility, such as using the average monthly income of the 12 months from 1 March 2007 to 29 February 2008;
- (b) to provide timely assistance to the low-income employees facing financial difficulties, the Administration should allow flexibility for the eligible persons to withdraw the special contribution of \$6,000 before the age of 65, such as by treating it as voluntary contribution to which the preservation rule does not apply; and
- (c) the details on the administrative arrangements to deal with complaints from any aggrieved person, in connection with the special contribution arrangements.

Recent developments

7. Following the making of the special contribution to MPF accounts in March 2009, there are media reports about suspected wrongful injections into accounts of ineligible persons, such as high income workers with monthly income far exceeding \$10,000 and retired person who had terminated his MPF account years ago. On 18 March 2009, the Administration issued a press release (**Appendix II**) on behalf of the MPFA, urging recipients of the special contributions to make enquiry if they are in doubt of their eligibility.

8. The Administration/MPFA will brief the FA Panel on 6 April 2009 on the implementation arrangements for the special contribution, as well as the cause and remedies for wrongful injections, if any.

References

9. A list of relevant papers is in **Appendix III**.

Enclosure**For information****Bills Committee on
Mandatory Provident Fund Schemes (Amendment) Bill 2008****Eligibility criteria for the injection to MPF accounts****Purpose**

To demonstrate the Government's commitment to enhancing retirement protection for the lower-income working people, the Financial Secretary announced in the 2008-09 Budget and subsequently during the Budget Concluding Speech on 23 April 2008 that a one-off injection of \$6,000 would be made to the Mandatory Provident Fund ("MPF") accounts of eligible persons. The Mandatory Provident Fund Schemes Authority ("MPFA") will be responsible for implementing the injection exercise. The Administration briefed Members of the LegCo Panel on Financial Affairs on the principal criteria for eligibility at the meeting on 5 May 2008, and explained further details concerning the assessment of eligibility and other arrangements of the injection exercise via the LegCo Brief issued on 10 June 2008 and attendance with the MPFA at the meetings of the Bills Committee on Mandatory Provident Fund Schemes (Amendment) Bill 2008 ("the Bill") on 27 and 30 June 2008. This paper consolidates the information provided to Members as mentioned above on the criteria which would be followed by the MPFA in assessing whether an individual is eligible to receive the injection.

Eligibility Criteria

2. The following categories of persons would be eligible for the injection if they meet the monthly income threshold requirement of earning not more than \$10,000 a month -

- (i) holders of an MPF contribution account on 29 February 2008;

- (ii) members of MPF-exempted Occupational Retirement defined contribution schemes on 29 February 2008;
- (iii) members of MPF-exempted Occupational Retirement defined benefit schemes on 29 February 2008;
- (iv) holders of an MPF preserved account (who do not have any MPF contribution accounts) on 29 February 2008 who last contributed to an MPF contribution account between 1 March 2007 and 29 February 2008; and
- (v) persons not covered in categories (i) to (iv) above but were members of an MPF Exempted Occupational Retirement Scheme (“ORSO scheme”) (including defined contribution and defined benefit schemes) between 1 March 2007 and 29 February 2008.

3. The MPFA will assess whether the persons mentioned in paragraph 2 above are eligible for the injection based on the following criteria -

- (i) if the lowest monthly income in the three consecutive months from (and including) the month of the anchored income (which means the last available monthly income record and the monthly income record in the two immediately preceding months) does not exceed \$10,000, then that person will be eligible for the injection;
- (ii) “anchored income” refers to the last available monthly income among all the months with income records in the period between 1 March 2007 and 29 February 2008;
- (iii) if a person is not employed for the full period in those three consecutive months as illustrated in Example (III) in the Annex, the MPFA will assess whether that person would be eligible for the injection based on the income information in those months with income records;
- (iv) for a person who holds multiple MPF/ORSO accounts, his monthly income for each of the respective months will be

aggregated; if the lowest aggregate monthly income in the three months does not exceed \$10,000, then that person will be eligible for the injection; and

- (v) for casual employees under the MPF industry schemes viz. workers in the construction and catering industries, in view of the sporadic nature of their employment, the MPFA will determine their monthly income using their average monthly income between 1 March 2007 and 29 February 2008. If the average monthly total income does not exceed \$10,000, then the casual employee concerned will be eligible for the injection.

4. The MPFA will adopt the following criteria in handling special cases below -

- (i) Change in employment or deceased after 29 February 2008

Any person who meets the eligibility criteria for the injection would remain eligible for the injection even if there are changes to his income or employment after 29 February 2008, or if he has ceased employment or passed away after 29 February 2008.

- (ii) Employees commencing employment on or before 29 February 2008 but have not been enrolled in an MPF scheme by the employer by that date.

If an employee has commenced employment on or before 29 February 2008 and meets the other eligibility criteria for receiving the injection but his employer has not enrolled him in an MPF scheme by that date, the employee concerned can inform the MPFA of the case so that the MPFA can take follow-up actions as soon as possible. After the employee has been enrolled and an MPF account for him is opened, the employee will receive the injection. The MPFA urges the employees concerned to inform the MPFA on these cases as soon as possible.

- (iii) Employment commenced in February 2008 but procedures for opening an MPF contribution account were completed after 29 February 2008

The existing legislation requires an employer to enroll an employee who maintained employment with him in an MPF scheme within 60 days after commencement of the latter's employment. As such, if the employee commenced his employment in February 2008, the employee may not have an MPF contribution account on 29 February 2008. In these cases, if the employee meets the income eligibility requirement, he will receive the injection after completion of enrollment procedures.

5. Relevant examples to illustrate the application of the eligibility criteria mentioned above are set out in the Annex. The MPFA will publish publicity pamphlets to inform the public of the eligibility criteria and other relevant information about the injection exercise.

6. The MPFA will direct the trustees to pay the contributions to the relevant MPF accounts according to the list of eligible recipients, and to give written notification to the recipients after the injection was made. The MPFA will set up a mechanism for those who do not receive the injection but consider themselves eligible to request a review of their cases. The MPFA intends that members of the public may submit applications for review within a period of two to three months after completion of the injection. The MPFA has briefed the Bills Committee on the broad arrangements for handling public enquiries and applications for review. They will take into account views of Members of the Bills Committee in drawing up the detailed arrangements. Before the Administration seeks funding approval from the LegCo Finance Committee, the MPFA will provide the LegCo Panel on Financial Affairs with further information about the time line and detailed arrangements of this mechanism for public information.

Next steps

7. If the Bill is passed within the current legislative session, the MPFA will give written notification to the trustees and ORSO employers in July 2008 requiring submission in specified format of information covering over 5 million accounts. In view of the large volume of information involved, the MPFA needs to allow sufficient time for the trustees and employers to make the preparation. In parallel, the MPFA

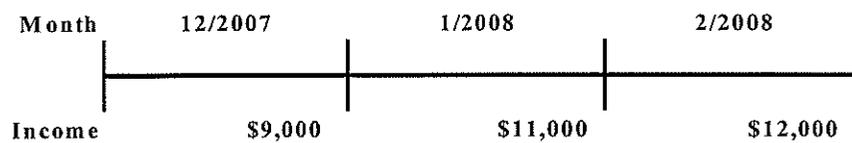
has embarked on enhancement of its computer system for storing, consolidating and processing the large amount of account information to be received. The MPFA expects to receive the information from the trustees and employers in around November 2008. The MPFA will follow up with the trustees and employers to seek clarification of the information where necessary in order to complete compilation of a list of eligible recipients as early as possible to tie in with the work of the Administration in seeking funding approval from the LegCo Finance Committee.

Financial Services and the Treasury Bureau
July 2008

Examples on Application of the Eligibility Criteria

Example (I) An employee has only one employment covering the employment period from December 2007 to February 2008.

Income for December 2007	:	\$9,000
Income for January 2008	:	\$11,000
Income for February 2008	:	\$12,000

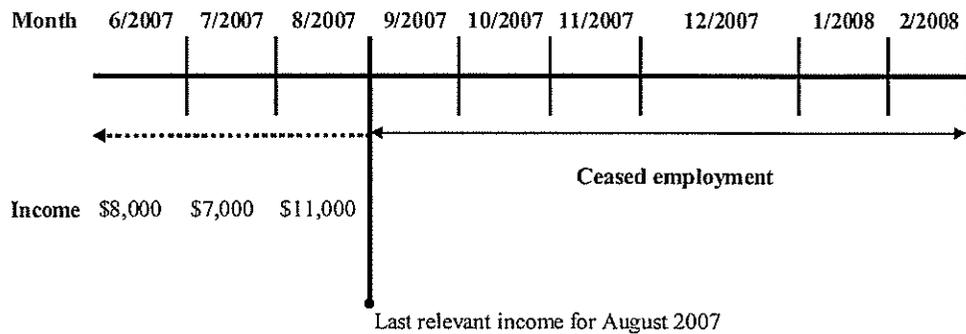


The income for December 2007 is the lowest among the three months and does not exceed \$10,000. The employee is eligible to receive the injection.

Example (II) An employee was under employment in June, July and August 2007 but has ceased employment since September 2007.

Income for June 2007	:	\$8,000
Income for July 2007	:	\$7,000

Income for August 2008 : \$11,000



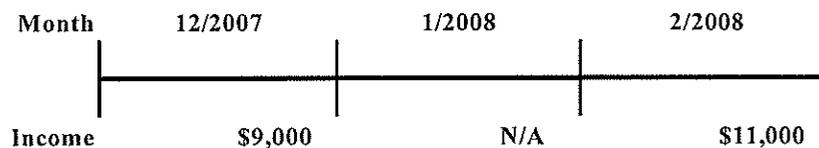
The income for July is the lowest among the three months of June, July and August and does not exceed \$10,000. The employee is eligible to receive the injection.

Example (III) An employee was engaged in a former employment in December 2007 and before and he started a new employment in February 2008, but he was not employed in January 2008.

Income for December 2007 : \$9,000

Income for January 2008 : Not applicable
(Not employed)

Income for February 2008 : \$11,000



The employee has income record for only two of the three months, and the income for December 2007 is the lowest and does not exceed \$10,000. The employee is eligible to receive the injection.

Example (IV) An employee was engaged in a full-time job and a part-time job at the same time during the period from December 2007 to February 2008.

	<u>Full-time job</u>	<u>Part-time job</u>	<u>Aggregate income</u>
Income for December 2007	\$8,500	\$1,600	\$10,100
Income for January 2008	\$8,500	\$2,000	\$10,500
Income for February 2008	\$8,500	\$1,300	\$9,800

The aggregate income for February 2008 is the lowest among the three months and does not exceed \$10,000. The employee is eligible to receive the injection.

Press Releases

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MPFA urges recipients of \$6,000 injection to make enquiry if they are in doubt of their eligibility

The following is issued on behalf of the Mandatory Provident Fund Schemes Authority:

The Mandatory Provident Fund Schemes Authority (MPFA) today (March 18) urged MPF/ORSO scheme members who have received the Government's injection of \$6,000 to contact the MPFA if they are in doubt of their eligibility. The MPFA would arrange dedicated officers to follow up their cases.

According to an MPFA spokesperson, trustees are now injecting the special contributions of \$6,000 into the MPF accounts of eligible scheme members. In implementing the injection project, the MPFA has verified the data of over seven million MPF accounts before compiling a list of 1.4 million eligible recipients. The data were mainly provided by the trustees and employers concerned.

Due to the enormous amount of data that needed to be handled, the MPFA had envisaged possible erroneous scenarios and had formulated mechanisms to rectify possible wrongful injections. The MPFA has been empowered by legislation to withdraw the special contributions of \$6,000 from an MPF account concerned in case of wrongful injection.

Based on the eligibility criteria announced by the Government, an employee is deemed eligible for the injection if he had an MPF account or was an ORSO scheme member on 29 February 2008 while his monthly relevant income in any one of the Critical Months (namely December 2007, January and February 2008) did not exceed \$10,000. In fact, when the Government and the MPFA discussed the eligibility criteria for the injection project with the Legislative Council last year, it was agreed that a generous approach be adopted in the determination of an employee's eligibility.

If a scheme member had taken a no-pay leave or changed jobs during the Critical Months, his/her paid days for a certain month during the period might be less than an entire month. In that case, the monthly income reported by his/her trustee to the MPFA might be lower than \$10,000 or even be "zero". Accordingly, the member would be defined as eligible for the injection.

The spokesperson urged scheme members who have received the injection of \$6,000 but consider themselves ineligible should contact the MPFA at 2918 0102.

The MPFA would continue to work closely with the trustees and take follow-up actions when suspicious cases are noted, the spokesperson added.

Ends/Wednesday, March 18, 2009
Issued at HKT 21:00

List of relevant papers

Committee	Paper	LC Paper No.
Meeting of Panel on Financial Affairs (FA Panel)	<p>✧ Administration's paper on proposal on government injection into accounts of members of the Mandatory Provident Fund Schemes and Occupational Retirement Schemes for the meeting on 5 May 2008</p> <p>http://www.legco.gov.hk/yr07-08/english/panels/fa/papers/fa0505cb1-1379-6-e.pdf</p> <p>✧ Minutes of meeting on 5 May 2008 (paragraphs 31 to 42)</p> <p>http://www.legco.gov.hk/yr07-08/english/panels/fa/minutes/fa080505.pdf</p>	<p>CB(1)1379/07-08(06)</p> <p>CB(1)1774/07-08</p>
Bills Committee on Mandatory Provident Fund Schemes (Amendment) Bill 2008	<p>✧ Report of the Bills Committee on Mandatory Provident Fund Schemes (Amendment) Bill 2008</p> <p>http://www.legco.gov.hk/yr07-08/english/hc/papers/hc0704cb1-2091-e.pdf</p>	CB(1)2091/07-08
FA Panel	<p>✧ Administration's paper on Government injection into Mandatory Provident Fund accounts of eligible persons – arrangements for handling requests for review of eligibility</p> <p>http://www.legco.gov.hk/yr08-09/english/panels/fa/papers/facb1-627-1-e.pdf</p>	CB(1)627/08-09(01)
Finance Committee	<p>✧ Item for Finance Committee - New Item "Payment of special contributions into Mandatory Provident Fund accounts of eligible persons"</p> <p>http://www.legco.gov.hk/yr08-09/english/fc/fc/papers/f08-62e.pdf</p>	FCR(2008-09)62