

財經事務及庫務局局長

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本面稽號 OUR REF.:
來函稽號 YOUR REF.:

15 June 2011

The Honourable Jasper Tsang Yok-sing, GBS, JP
President, Legislative Council
Legislative Council Building
8 Jackson Road
Central
Hong Kong

Dear President,

**Notice of Motion by the Administration -
Revision of Minimum Relevant Income and
Maximum Relevant Income Levels for
Mandatory Provident Fund Contribution**

Further to my letter of 14 June and our discussion over the phone this morning, I set out below the information requested vide the email of Ms Dora Wai, Chief Council Secretary on 14 June.

The time allowed for the last adjustment of Min RI in 2002 was around 7 months. For other legislative amendment exercises in the past, where adjustments to computer systems were involved, a transitional period of at least 6 months was provided. Understanding the urgency of the current round of amendments, the Mandatory Provident Fund Schemes Authority ("MPFA") has consulted trustees and employers' association on the lead time required for implementing the revised Minimum Relevant Income Level ("Min RI") and Maximum Relevant Income Level ("Max RI"). We have carefully assessed the situation with MPFA after taking into account feedback from trustees and employers, and agree with the recommendations of MPFA that lead time of 4 months counting from passage of the motion would be necessary.

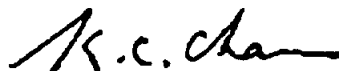
A list of the key tasks for implementation of the changes that is prepared by MPFA is attached at Annex for reference. As shown in the list, there are numerous tasks required involving not only the trustees, over 240,000 employers, but in some cases also over 240 000 self-employed persons ("SEPs") participating in the MPF Scheme.

While we share the consensus view expressed by the Panel on Financial Affairs that there is an urgent need to increase the Min RI as soon as possible and have pressed MPFA to expedite the process, we consider that reasonable time also needs to be allowed for the preparation. Given the very compressed timetable, it is essential that we can have the endorsement of the revised Min RI as early as possible. The later the revised Min RI is confirmed, the later the implementation date would be, which needs to take into account the 4 months' preparation time required. It is against such consideration and lest there be cases of wrongful deductions upon commencement of the revised level or confusion due to inadequate implementation time that I write to seek your waiver of the notice period, instead of following the normal course to move the motions on 6 July 2011.

As you will notice from the list of issues set out at Annex, it would be more cost effective to the trustees and employers to implement the changes to both Max RI and Min RI together, particularly the changes to computer systems including, for example, modifications of payroll / contribution software, their testing and distribution to employers, software installation by employers as well as briefings for them. It is thus our wish to expedite both resolutions together.

I would be much obliged if you would give consent to my request to waive the notice requirement so as to help ensure the smooth implementation of the revised Min RI and Max RI.

Yours sincerely,



(Professor K C Chan)
Secretary for Financial Services and the Treasury

c.c. **The Honourable Miriam Lau, GBS, JP, Chairman of the House Committee**
Ms Pauline NG, Secretary General
Director of Administration

Examples of tasks to be completed by approved trustees for implementation of changes to minimum and maximum levels of relevant income

- (i) **Enhancements to scheme administration systems**
 - Adjust the minimum and maximum RI levels in the scheme administration system of the trustees and their appointed scheme administrators to enable processing of contributions and reporting of default contribution cases to the MPFA.
 - Perform full-scale testing on the contribution flow in the system after changes have been made to ensure no errors.

- (ii) **Modification of payroll/contribution software**
 - Modify the payroll/contribution software distributed by the approved trustees to their employer clients.
 - Perform full-scale testing on the payroll/contribution software after modification has been completed to ensure no errors.
 - Distribute the modified and tested software to relevant employers.
 - Allow sufficient time for employers to download and install the modified software from the website of their approved trustees.
 - Provide briefings to employers to ensure proper use of the modified software.
 - For employers with their software developed in-house or purchased from vendors, allow time for them to communicate internally and with vendors to facilitate all necessary enhancements.

- (iii) **Updating of relevant documents and materials**
 - Revise relevant information in the offering documents, handbooks and other related materials and on the website of the approved trustees.

- (iv) **Marketing and employer education**
 - Prepare and send notices, letters and other communication materials to the employer clients to inform them of the change in the minimum and maximum RI levels.

- (v) **Revision of remittance statements**
- Revise pre-printed remittance statements or forms which contain information on the amount of minimum and maximum RI levels for use by employers.
 - Perform testing on relevant systems and software for generating preprinted remittance statements or forms to ensure no errors.
- (vi) **Notification to Self-employed persons (SEPs)**
- Inform SEPs who have elected the maximum RI level as their contribution basis that the contribution amount will be increased. For those SEPs who have elected to make contributions by direct debit, at least one month's notice needs to be given to them so that they can make the necessary debit arrangement to cater for the increase in the amount of contributions.
 - Inform SEPs who do not need to make contributions as a result of the adjustment of the minimum RI level.
 - Send revised payment schedules to SEPs who have elected to make contributions on an annual basis and whose contributions for the current year will be affected as a result of the adjustment of the two RI levels.
- (vii) **Implications for voluntary contributions**
- Affect employers and employees who make voluntary contributions with reference to the minimum and maximum RI levels.
 - Allow time for communication with employers and employees, as they may wish to amend or suspend the current arrangement of making voluntary contributions, in light of the change of the RI levels.
- (viii) **Implications for ORSO schemes**
- Amend the rules of ORSO schemes on calculation of contributions if contributions are calculated with reference to the minimum and maximum RI levels.
 - Revise the formula for calculation of minimum MPF benefits under MPF exempted ORSO schemes as appropriate.
 - Allow time for communication with ORSO administrators for them to take proper action.

(ix) **Training of staff**

- Provide training to MPF intermediaries, frontline servicing and operation staff to equip them with the knowledge to handle an expected upsurge in contribution-related enquiries or instructions from clients arising from the change in the minimum and maximum RI levels.