

立法會
Legislative Council

LC Paper No. CB(1) 3011/10-11
(These minutes have been seen
by the Administration)

Ref : CB1/SS/15/10/1

**Subcommittee on Mandatory Provident Fund Schemes Ordinance
(Amendment of Schedule 3) Notice 2011**

**Minutes of the third meeting
held on Friday, 29 July 2011, at 2:30 pm
in the Chamber of the Legislative Council Building**

Members present : Hon WONG Ting-kwong, BBS, JP (Chairman)
Hon LI Fung-ying, SBS, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Sing-chi
Hon Alan LEONG Kah-kit, SC

Members absent : Hon LEE Cheuk-yan
Hon Miriam LAU Kin-ye, GBS, JP
Hon IP Kwok-him, GBS, JP

Public officers attending : **For item II**

Miss Emmy WONG
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services) 3

Miss Elaine NG
Government Counsel
Department of Justice

Ms Gabriella YEE
Head (Policy Development & Research)
Mandatory Provident Fund Schemes Authority

Attendance by invitation : For item II

Individual

Mr Martin OEI
Political Commentator

Momentum 107

Mr NG Kin-wah
Member

Individual

Mr Raymond HO

Institution of Dining Art

Mr Simon WONG
Chairman

Diocesan Pastoral Centre for Workers (New Territories)

Mr CHAN Yan-kam
Assistant Program Officer

Hong Kong Catering Industry Association

Mr WOO Lun
Representative

Hong Kong Small and Medium Enterprises Association

Dr Stephen KWOK
President

The Hong Kong Chinese Importers' & Exporters' Association

Mr CHU Kwok-kee
Standard Committee Member

Association of Restaurant Managers

Mr CHEUNG Ka-ho
Vice-Chairman

The Lion Rock Institute

Mr WONG Bi
Executive Director

Federation of Hong Kong Industries

Mr HUI Cheung-wing
General Committee Member

Clerk in attendance : Miss Becky YU
Chief Council Secretary (1)1

Staff in attendance : Miss Evelyn LEE
Assistant Legal Adviser 10

Mrs Mary TANG
Senior Council Secretary (1)1

Miss Mandy POON
Legislative Assistant (1)1

I. Confirmation of minutes

(LC Paper No. CB(1) 2768/10-11 — Minutes of the meeting held on 29 June 2011

LC Paper No. CB(1) 2830/10-11 — Minutes of the meeting held on 11 July 2011)

The minutes of the meetings held on 29 June and 11 July 2011 were confirmed.

II. Meeting with deputations and the Administration

Meeting with deputations

2. The Chairman invited views from the following deputations on the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011 (Amendment Notice) -

- (a) Mr Martin OEI
(LC Paper No. CB(1) 2847/10-11(01))
- (b) Momentum 107
- (c) Mr Raymond HO
- (d) Institution of Dining Art
(LC Paper No. CB(1) 2809/10-11(01))
- (e) Diocesan Pastoral Centre for Workers (New Territories)
- (f) Hong Kong Catering Industry Association
(LC Paper No. CB(1) 2840/10-11(01))
- (g) Hong Kong Small and Medium Enterprises Association
(LC Paper No. CB(1) 2847/10-11(02))
- (h) The Hong Kong Chinese Importers' & Exporters' Association
(LC Paper No. CB(1) 2809/10-11(02))
- (i) Association of Restaurant Managers
- (j) The Lion Rock Institute
(LC Paper No. CB(1) 2832/10-11(01))
- (k) Federation of Hong Kong Industries
(LC Paper No. CB(1) 2840/10-11(02))

3. Members also noted the following submissions from deputations not attending the meeting -

LC Paper No. CB(1) 2809/10-11(03) — Submission from a member of the public;

LC Paper No. CB(1) 2809/10-11(04) — Submission from Mr YEUNG Wai-sing, member of the

Eastern District Council; and

LC Paper No. CB(1) 2809/10-11(05) — Submission from The Hong Kong Retirement Schemes Association.

Meeting with the Administration

(LC Paper No. CB(1) 2809/10-11(06) — List of follow-up actions arising from the discussion at the meeting on 11 July 2011

LC Paper No. CB(1) 2840/10-11(03) — Administration's response to CB(1) 2809/10-11(06))

Background information on the Notice

(Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011

Ref: G6/9/44/1C(2011)Pt.9 — The Legislative Council Brief

LC Paper No. LS81/10-11 — Legal Service Division Report

LC Paper No. CB(1) 2555/10-11(01) — Background brief on Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2011 and Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011)

4. The Subcommittee deliberated (Index of proceedings attached in **Annex**).
5. The Administration was requested to provide (in tabular form) its response to all the written submissions, including those from deputations not attending the meeting, on the Amendment Notice.
6. The next meeting would be held on Tuesday, 25 October 2011, at 4:30 pm.

III. Any other business

7. There being no other business, the meeting ended at 4:00 pm.

**Subcommittee on Mandatory Provident Fund Schemes Ordinance
(Amendment of Schedule 3) Notice 2011**

**Proceedings of the third meeting
held on Friday, 29 July 2011, at 2:30 pm
in the Chamber of the Legislative Council Building**

| Time marker | Speaker | Subject(s) | Action required |
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| <i>Agenda Item I - Confirmation of minutes</i> | | | |
| 000145 - 000227 | Chairman | The minutes of the meetings held on 29 June and 11 July 2011 (LC Paper Nos. CB(1) 2768 and 2830/10-11) were confirmed. | |
| <i>Agenda Item II - Meeting with deputations and the Administration</i> | | | |
| 000228 - 000828 | Chairman Mr NG Kin-wah, Momentum 107 Chairman | <p>Expression of views -</p> <p>(a) not supporting the proposal to increase the Maximum Relevant Income Level (Max RI) from \$20,000 to \$25,000 on account of its impact on employees. The additional Mandatory Provident Fund (MPF) contributions would, not only, reduce employees' disposable income, but would also cause the employee to face losses if the investments of their MPF funds were not sound;</p> <p>(b) the requirement for employers to make MPF contributions within a short time frame in the beginning of the month was too strict;</p> <p>(c) there were only limited choices of 19 MPF trustees in the market. Besides, the fees charged by MPF trustees were too high while the returns were too low;</p> <p>(d) there was a need to expedite the implementation of the Employee Choice Arrangement (ECA) which allowed for the transfer of MPF benefits by scheme members between different approved trustees; and</p> <p>(e) scheme members should be allowed to use their MPF benefits to pay for medical and mortgage expenses as well as other investments.</p> | |

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| 000829 - 001325 | Chairman Mr Raymond HO | <p>Expression of views -</p> <p>(a) MPF contributions would undermine the affordability of the younger generation to achieve home ownership, and deprive them of the opportunity to benefit from property appreciation;</p> <p>(b) MPF had also deprived scheme members of the freedom to invest their own savings;</p> <p>(c) the proposal to increase Max RI from \$20,000 to \$25,000 was not worth supporting; and</p> <p>(d) need to review the MPF Scheme and explore the feasibility of allowing scheme members to choose how to use their MPF contributions for investment.</p> | |
| 001326 - 001559 | Chairman Mr Simon WONG, Institution of Dining Art (IDA) | <p>Expression of views -</p> <p>(a) a recent survey conducted by IDA indicated that most employers and employees of the restaurant trade were opposed to the proposed increase of the Max RI from \$20,000 to \$25,000;</p> <p>(b) the proposed increase of Max RI would be a further blow to the restaurant trade which was already facing much difficulty in coping with inflationary pressure, rising operating cost and statutory minimum wage (SMW); and</p> <p>(c) IDA would support the shelving of the proposed increase of Max RI.</p> | |
| 001600 - 001823 | Chairman Mr CHAN Yan-kam, Diocesan Pastoral Centre for Workers (New Territories) | <p>Expression of views -</p> <p>(a) not supporting the proposed increase of Max RI as this would only benefit MPF trustees, which had failed to secure satisfactory investment returns from MPF contribution over the years;</p> <p>(b) the proposal to allow scheme members to use MPF benefits before maturity on discretionary grounds would defeat the purpose of the MPF Scheme; and</p> | |

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| | | (c) need for a review of MPF Scheme, particularly on the use of employers' MPF contribution to offset long service payments as this would mean that employees were not entitled to any additional benefit. | |
| 001824 - 002144 | Chairman Mr WOO Lun, Hong Kong Catering Industry Association (HKCIA) | Expression of views - (a) the catering industry would not support the proposed increase of Max RI; and (b) the unemployment rate of the catering industry was high because enterprises had been hit hard by the rising operating costs as a result of SMW. | |
| 002145 - 002358 | Chairman Dr Stephen KWOK, Hong Kong Small and Medium Enterprises Association | Expression of views - (a) small and medium enterprises (SMEs) already had a hard time coping with the impacts of SMW. The proposed increase of Max RI would be a further blow to them; (b) not supporting the proposed increase of Max RI as it would only benefit MPF trustees which had failed to secure reasonable investment returns as opposed to the high annual fees; (c) employees could directly benefit from salary increases rather than the proposed increase of Max RI; and (d) employees should be given the freedom to invest their own savings. | |
| 002359 - 002719 | Chairman Mr CHU Kwok-kee, The Hong Kong Chinese Importers' & Exporters' Association | Expression of views - (a) had reservations on the proposed increase of Max RI from \$20,000 to \$25,000 lest this would further increase the operating cost; (b) consideration should be given to increasing the Max RI from \$20,000 to \$22,500; and (c) should enhance regulation of MPF trustees for the protection of scheme members. | |

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| 002720 - 003010 | Chairman Mr CHEUNG Ka-ho, Association of Restaurant Managers (ARM) | Expression of views - (a) would not support the proposed increase of Max RI from \$20,000 to \$25,000 as this would affect the operation of the trades; (b) instead of mandatory contribution towards MPF, employees should be given the freedom to invest their own savings on say properties which could provide them with greater protection upon retirement; and (c) without MPF contribution, the general community would have more to spend and this would stimulate the economy. | |
| 003011 - 003134 | Chairman Mr HUI Cheung-wing, Federation of Hong Kong Industries (FHKI) | Expression of views - (a) would support the proposed increase of Max RI from \$20,000 to \$25,000; and (b) implementation of the new Max RI in June 2012 would allow sufficient time for adjustment. | |
| 003135 - 003640 | Chairman Mr Martin OEI | Expression of views - (a) the MPF Scheme was in contravention of human rights and had deprived employees of the freedom to invest their own savings; (b) would not support any proposal to increase Max RI as the working class already had much difficulty in coping with the rising living costs. The proposed increase of Max RI would further aggravate the situation; (c) there should be enhanced regulation on MPF trustees which charged very high fees but failed to provide good services. Consideration should be given to linking their management fees with investment performance; and (d) employees should be free to decide how their MPF contribution should be used, as in the case of Singapore where scheme members could use their Central Provident Fund to pay mortgage and medical expenses. | |

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| 003641 - 004142 | Chairman Mr WONG Bi, The Lion Rock Institute (LRI) | Expression of views - (a) not supporting the proposed increase of Max RI as this would further benefit MPF trustees which were charging very high fees despite their poor investment performance; and (b) scheme members should be given the freedom to decide how their MPF contribution should be invested. | |
| 004143 - 004819 | Chairman Administration | Administration's response to deputations' views - (a) the MPF Scheme was implemented in 2000 in accordance with the three-pillar retirement protection model advocated by the World Bank. As one of the three pillars, it was intended to be a retirement scheme managed by the private sector. About 85% of the working population had some forms of retirement protection as compared with one-third before the implementation of the Scheme; (b) the annualized rate of investment return (net of fees and charges) for MPF System was more than 5% from December 2000 to March 2011; (c) there had been a 13% reduction in management fees charged by MPF trustees from January 2008 to July 2011; (d) the target was to introduce the legislative proposal for enhancement of the regulatory regime for MPF intermediaries in the fourth quarter this year with a view that ECA could be implemented in the second quarter of 2012; (e) while the latest review findings had indicated that Max RI should be increased to \$30,000, the Administration had proposed to increase Max RI to \$25,000 taking into account, among other things, the impact on the operation of employers and SMEs, and the views of employees ; (f) a working group under MPFA had been | |

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| | | <p>formed to study the grounds for early withdrawal of MPF accrued benefits. On some deputations' comparison with the practice in Singapore where scheme members could use a certain part of their contribution ahead of retirement age, it was worth noting that employers' and employees' contribution rate to the Central Provident Fund (CPF) of Singapore amounted to around 30% of the monthly salaries, which was much higher than that of MPF in Hong Kong. The review would also put strong emphasis on the retirement needs of the working population.</p> | |
| 004820 - 005148 | <p>Chairman Ms LI Fung-ying Mr Simon WONG/IDA Mr WOO Lun/HKCIA</p> | <p>Ms LI Fung-ying's enquiries -</p> <p>(a) the percentage of employees with monthly salary of more than \$20,000 in an average-sized restaurant; and</p> <p>(b) the impact of the proposed increase of Max RI on the restaurant trade.</p> <p>Mr Simon WONG/IDA and Mr WOO Lun/HKCIA's response that on average, about 10-12% of the staff of a restaurant chain had a monthly salary of \$20,000 or above.</p> | |
| 005149 - 010317 | <p>Mr Tommy CHEUNG Administration</p> | <p>Mr Tommy CHEUNG's views -</p> <p>(a) the restaurant trade was already suffering from rising operating cost as a result of increased food prices, SMW, and Trade Effluent Surcharge. The proposed increase of Max RI would further aggravate the situation; and</p> <p>(b) need to enhance regulation of MPF trustees and reduce their management fees.</p> <p>Administration's response -</p> <p>(a) as mentioned earlier, measures on various fronts had been implemented to drive down management fees and increase transparency of operation; and</p> <p>(b) efforts were being made to implement ECA as soon as practicable.</p> | |

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| 010318 - 011034 | Chairman Administration | <p>Chairman's enquiry on the progress of ECA.</p> <p>Administration's response -</p> <p>(a) preparatory work for implementing ECA was underway;</p> <p>(b) the consultation exercise on the enhancement of regulation on MPF intermediaries had just been completed, the relevant bill was expected to be introduced in the fourth quarter of 2011. If the legislative process could be completed within the current LegCo term, ECA would commence in the second half of 2012.</p> | |
| 011035 - 012859 | Chairman Mr WONG Sing-chi Mr Martin OEI Mr CHEUNG Ka-ho/ARM Mr WONG Bi/LRI Mr Simon WONG/IDA Mr Raymond HO Mr HUI Cheung-wing/FHKI Mr WOO Lun/HKCIA Head/MPF Authority (MPFA) Administration | <p>Mr WONG Sing-chi's enquiry on the retirement benefits being offered by the restaurant trade to their employees.</p> <p>Mr Simon WONG/IDA's remark that restaurant operators were already required to make MPF contribution for their employees.</p> <p>Mr WOO Lun/HKCIA's view that it was the responsibility of the Administration to provide retirement protection for workers, not the restaurant trade.</p> <p>Mr CHEUNG Ka-ho/ARM's remark that even MPF could not provide the needed retirement protection if workers did not plan ahead and used their money unwisely.</p> <p>Mr Raymond HO's view that the working population should be given the freedom to make their own investment, such as setting up their own businesses, rather than participating in MPF.</p> <p>Mr WONG Bi/LRI's remark that the MPF Scheme should be shelved as it had deprived scheme members of the freedom to invest their own savings. It was worth noting that there were many other fund schemes available in the market with higher returns and lower management fees.</p> <p>Mr HUI Cheung-wing/FHKI's support for MPF which provided the basic retirement protection to the working class. There was however a need to</p> | |

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| | | <p>enhance regulation on MPF intermediaries.</p> <p>Mr Martin OEI's view that more investment options should be made available to scheme members, and that SMW had deprived elderly workers of job opportunities as employers would tend to employ younger workers following the implementation of SMW.</p> <p>Head/MPFA's response that the MPF System was designed with investment options under MPF Schemes offered in the form of funds so as to facilitate diversification in investment, thereby reducing the risk arising from investing in a single product and making it more suitable for investment of savings for retirement.</p> | |
| 012900 - 013159 | Chairman Administration | Administration's explanation on its response to the list of follow-up actions arising from the discussion at the meeting on 11 July 2011 (LC Paper No. CB(1) 2840/10-11(03)). | |
| 013200 - 013218 | Chairman | The next meeting to be held on Tuesday, 25 October 2011, at 4:30 pm. | |