

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

**Follow-up actions arising from the discussion  
at the meeting on 11 July 2011**

In the course of finalizing the legislative proposal on the Maximum Relevant Income Level (“Max RI”) and the implementation timeframe, the Mandatory Provident Fund Schemes Authority (“MPFA”) has consulted the relevant advisory bodies and the Administration and the MPFA have consulted the Legislative Council Panel on Financial Affairs (including attending a public hearing).

The statutory factors to be considered for the review of Max RI have pointed to a level of \$30,000 since 2002, but the existing Max RI of \$20,000 has not been amended since inception of the MPF system in 2000. This is not conducive to the objective of enhancing retirement protection. In this connection, our proposal to increase the Max RI has the support of political parties and a number of employers’ and employees’ associations, although their preferences vary from \$22,000 to \$30,000.

On the other hand, some employers’ associations indicated that businesses, especially small and medium enterprises, were still digesting the cost implications resultant from the implementation of the Statutory Minimum Wage (“SMW”) in May 2011 and any major increase in Max RI would pose hardship. There were also different views among employees as some did not support making additional Mandatory Provident Fund (“MPF”) contributions which would reduce their disposable income and investment flexibility.

After taking account of the views received, the Administration and the MPFA consider an increase of Max RI to \$25,000 would strike an appropriate balance between addressing the basic retirement needs of the working population and their present livelihood. We propose the implementation of the increased Max RI should commence on 1 June 2012, which is about one year after the announcement of the proposal on 14 June 2011, so as to allow employees and employers a longer time to adjust to the new contribution level.

The MPFA is planning a comprehensive review of the statutory adjustment mechanism in section 10A of the Mandatory Provident Fund Schemes Ordinance. According to the MPFA’s latest plan, the review will be conducted in late 2012 – early 2013, viz. 18 – 24 months after the implementation of the SMW when the effect of SMW is more evident.

The mechanism for adjusting the Max RI and, where applicable, further increase of the Max RI, will be considered in the context of the review.

**Financial Services and the Treasury Bureau**  
**Mandatory Provident Fund Schemes Authority**  
**28 July 2011**