

立法會
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Panel on Financial Affairs

**Minutes of special meeting on
Wednesday, 20 April 2011, at 4:30 pm
in the Chamber of the Legislative Council Building**

Members present : Hon CHAN Kam-lam, SBS, JP (Chairman)
Hon CHAN Kin-por, JP (Deputy Chairman)
Hon Albert HO Chun-yan
Dr Hon David LI Kwok-po, GBM, GBS, JP
Hon James TO Kun-sun
Dr Hon Philip WONG Yu-hong, GBS
Hon Emily LAU Wai-hing, JP
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, BBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon KAM Nai-wai, MH
Hon Starry LEE Wai-king, JP
Dr Hon LAM Tai-fai, BBS, JP
Hon Paul CHAN Mo-po, MH, JP
Hon Mrs Regina IP LAU Suk-ye, GBS, JP

Members attending : Hon IP Wai-ming, MH
Hon Miriam LAU Kin-ye, GBS, JP
Hon LEE Cheuk-yan
Dr Hon Priscilla LEUNG Mei-fun
Hon LI Fung-ying, BBS, JP
Hon Paul TSE Wai-chun

Hon WONG Kwok-hing, MH
Hon WONG Kwok-kin, BBS

Member absent : Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP
Hon Abraham SHEK Lai-him, SBS, JP
Hon Vincent FANG kang, SBS, JP
Hon LEE Wing-tat

Public officers attending : Ms Julia LEUNG, JP
Under Secretary for Financial Services and the Treasury

Ms Katherine NG
Political Assistant to Secretary for
Financial Services and the Treasury

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

Attendance by invitation : Mandatory Provident Fund Schemes Authority

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

Organizations

Mr Stephen KWOK
President
Hong Kong Small and Medium Enterprises Association

Mr CHAN Chung-yau

Mr Martin OEI
Political Commentator

Mr CHAN Yan-kam
Assistant Program Officer
Catholic Diocese of Hong Kong Diocesan Pastoral
Centre for Workers (New Territories)

劉盟倫先生
Representative
Concern for Working Poor

Mr LAU Ka-hei
Representative
Concern for Retirement Scheme League

Mr Joel SUEN
Representative
Concern for Housing Group

Mr LAM Chiu
Representative
Concern for Singleton Group

Mr YAU Kin-man
Community Organizer
Society for Community Organization

Mr WONG Bi
Executive Director
The Lion Rock Institute

Mr Andy YEUNG Wai-yip

Mr LEE Wing-man
Committee Officer, Social Affairs Committee
The Federation of Hong Kong and Kowloon
Labour Unions

Mr CHUA Hoi-wai
Business Director, Policy Advocacy and Social Enterprise
The Hong Kong Council of Social Services

Mr CHU Kwok-kee
Standard Committee Member
The Hong Kong Chinese Importers' & Exporters' Association

Ms LAU Ka-shi
Chairman
The Hong Kong Retirement Schemes Association

Ms CHEUNG Lai-ha
Executive Committee Member
Hong Kong Confederation of Trade Unions

Mr CHUNG Chor-kit
Research Officer
The Professional Commons

Mr TAM Kin-sun
Committee Member
The Hong Kong Federation of Trade Unions -
Rights and Benefits Committee

Mr Raymond HO
Sai Kung District Council Member

Mr CHIU Wai-lok

Ms TZENG Li-wen
Community Officer
關注長者退休生活聯盟

Mr TSANG Chiu-wai
秘書長
Raymond WONG Friends of the Elderly

Mr Ivan CHAU
Legislative Assistant
Raymond WONG Office at Kowloon City

Mr KWAI Ting-kong
Financial Affairs Deputy Spokesperson
Democratic Alliance for the Betterment and
Progress of Hong Kong

Clerk in attendance : Ms Anita SIT
Chief Council Secretary (1)5

Staff in attendance : Mr Noel SUNG
Senior Council Secretary (1)5

Ms Haley CHEUNG
Legislative Assistant (1)5

Action

I Review of the minimum and maximum relevant income levels for Mandatory Provident Fund contributions

Submissions from deputations attending the meeting

(LC Paper No. CB(1)1968/10-11(01) — Submission from Society for Community Organization

LC Paper No. CB(1)1905/10-11(01) — Submission from The Lion Rock Institute

LC Paper No. CB(1)1905/10-11(02) — Submission from The Federation of Hong Kong and Kowloon Labour Unions

LC Paper No. CB(1)1968/10-11(02) — Submission from The Hong Kong Retirement Schemes Association

LC Paper No. CB(1)1905/10-11(04) — Submission from Hong Kong Confederation of Trade Unions

LC Paper No. CB(1)1905/10-11(05) — Submission from The Professional Commons)

Submissions from organizations not attending the meeting

(LC Paper No. CB(1)1905/10-11(03) — Submission from the HK Noise (English version only)

- LC Paper No. CB(1)1905/10-11(06) — Submission from Mr YANG Mo, Southern District Council (Chinese version only)
- LC Paper No. CB(1)1905/10-11(07) — Submission from The Chinese Manufacturers' Association of Hong Kong (Chinese version only)
- LC Paper No. CB(1)1905/10-11(08) — Submission from The Chinese General Chamber of Commerce (Chinese version only)
- LC Paper No. CB(1)1968/10-11(03) — Submission from Economic Synergy (Chinese version only)
- LC Paper No. CB(1)1968/10-11(04) — Submission from Democratic Party (Chinese version only)
- LC Paper No. CB(1)1968/10-11(05) — Submission from the Hong Kong Chamber of Professional Property Consultants Limited (Chinese version only)
- LC Paper No. CB(1)1968/10-11(06) — Submission from the Federation of Hong Kong Industries (Chinese version only)
- LC Paper No. CB(1)1968/10-11(07) — Submission from The Hong Kong Federation of Insurers (English version only)

The Chairman welcomed the representatives of the Administration and deputations to the meeting. He reminded the deputations that their views presented at the meeting would not be covered by the protection and immunity provided under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382).

Briefing by the Administration

2. The Under Secretary for Financial Services and the Treasury (USFST) said that the Government appreciated the holding of a public hearing by the Panel to receive the views of the relevant organizations and the public on the proposed minimum and maximum relevant income (RI) levels for the Mandatory Provident Fund (MPF) contributions. The fact that 25 deputations attended this meeting showed the concern of relevant organizations and the public about the proposed revisions. In fact, about 2.5 million employees, or 70% of the working population, were contributing to their MPF schemes, and the current review of the minimum and maximum RI levels would affect about 500 000 employees. The Panel was briefed on the findings of the review prepared by the Mandatory Provident Fund Schemes Authority (MPFA) in February 2010. In accordance with the MPF Schemes Ordinance (Cap.485) (MPFSO), a review of the MPF contribution levels should take into account two statutory factors, namely 50% of the monthly median employment earnings for the minimum RI level and the monthly employment earnings at 90th percentile of the monthly employment earnings distribution for the maximum RI level. USFST pointed out that the minimum RI level of \$5,000 had not been revised since 2002. Simply based on the 50% of the monthly median employment earnings in the third quarter of 2010, the minimum RI level should be increased to \$5,500. In reviewing the minimum RI level, MPFA and the Government had also taken into account the implementation of the statutory minimum wage (SMW) on 1 May 2011, and considered the applicability of the Work Incentive Transport Subsidy Scheme. As regards the maximum RI level, the review in 2002 and 2006 showed that following the statutory factor, the level should be adjusted upwards to \$30,000. Since there were divergent views on the appropriate maximum RI level back then, the existing level of \$20,000 had not been adjusted since 2000. USFST stressed that in setting the minimum RI level, a balance had to be struck between addressing the basic retirement needs of the working population and maintaining their present livelihood. USFST pointed out that if the minimum RI level was increased to \$6,000 or \$6,500, some additional 84 000 and 200 000 employees respectively would become exempted from making employee's mandatory MPF contributions. Although more employees would have to make MPF contributions if the minimum RI level was set at \$5,500, the employees would receive better protection when they retired. USFST said that the Government would take into account the views expressed by the deputations and the implementation of the SMW in drawing up the relevant legislative proposals.

Presentation of views by deputations*Hong Kong Small and Medium Enterprises Association*

3. Mr Stephen KWOK, President of the Hong Kong Small and Medium Enterprises Association (HKSMEA) remarked that HKSMEA considered that the proposals to revise the minimum and maximum RI levels to \$5,500 and \$30,000 respectively would bring about more disadvantages than advantages. Regarding the minimum RI level, members of the HKSMEA were of the view that the threshold should be adjusted upward to \$6,000 or above, since after the implementation of the SMW on 1 May 2011, an employee would receive a minimum monthly wage of at least \$5,800. If the minimum RI level was set at \$5,500, all employees receiving the minimum wage would have to contribute to the MPF, and the purpose of setting a SMW would be lost. With the price increase in daily necessities, the need to contribute to the MPF scheme would add burden on the employees earning a monthly wage of \$5,500 only. Mr KWOK said that HKSMEA considered that the maximum RI level should be maintained at \$20,000 as employees who earned more than \$20,000 should be able to plan and invest for their living after retirement. The operation of the MPF System had been under constant criticism as the fees of MPF funds were high and the variety of MPF funds was limited. Employees with a salary of \$20,000 a month should be allowed, in addition to their MPF contributions, to invest their money in the open investment market. Based on the statistics provided by MPFA, if the maximum RI level was revised from \$20,000 to \$30,000, the additional contributions would amount to some \$4.3 billion a year, and it was doubtful whether such contributions would contribute to the development of Hong Kong's economy. Instead of contributing to the MPF scheme, the small and medium-sized enterprises (SMEs) wished to use the resources to enhance the welfare and training of their employees. With the implementation of the SMW on 1 May 2011, many enterprises, including the SMEs, would have to spend more on staff expenses, which might result in reducing the number of staff or even cessation of business. Hence, the SMEs should not be required to shoulder further financial burden as a result of the revision of the maximum RI level. Mr KWOK reiterated that the minimum RI level should be revised from \$5,000 to at least \$6,000 whereas the maximum RI level of \$20,000 should remain unchanged.

Mr CHAN Chung-yau

4. Mr CHAN Chung-yau said that the MPF System was not indispensable. The Government had injected \$6,000 into the accounts of

each eligible MPF member in 2009 and planned to do the same this year. And now the Government changed its mind and proposed to pay each eligible citizen \$6,000 instead. The financial proposal for handing out \$6,000 to each eligible citizen would not be submitted to the Legislative Council until July 2011, which, in his opinion, was tantamount to political suicide. If the minimum RI level was adjusted to \$6,000 to cover the inflation rate, he expected that more than 100,000 people would join the public rally on 1 July to oppose the Government for not shouldering the responsibility of taking care of the livelihood of the public. The amount of deficits incurred from the MPF System was sufficient to make a payment of \$5,000 to each citizen. Mr CHAN asked whether the Government would consider repealing the MPF System.

Concern for Retirement Scheme League

5. Mr LAU Ka-hei, representative of the Concern for Retirement Scheme League said that it was unfair to the employees that the employers were allowed to use their MPF contributions to offset the severance/long service payments when they closed their business, as the employees should be entitled to the severance/long service payments under the Employment Ordinance (Cap. 57) (EO) as well as the accrued benefits from the employers' MPF contributions. Mr LAU requested that the relevant legislation should be amended to plug the loophole.

Concern for Working Poor

6. Mr 劉盟倫 from the Concern for Working Poor pointed out that a worker would receive at least \$6,900 under the SMW legislation, and the income criterion for entitlement to the employment-related transport subsidy was \$6,500. He asked whether, by implementing the SMW and setting the minimum RI level at \$5,500 for MPF contributions, the Government aimed to improve the welfare of the low-income workers on the one hand, and squeeze the money from the low-income workers on the other.

Concern for Housing Group

7. Mr Joel SUEN, Concern for Housing Group remarked that the fees for MPF funds were too high, and should be fixed at below 1%. Mr SUEN pointed out that a MPF scheme member would have to pay about \$78,000 more if the administration fee was increased from 1% to 2%, which was sufficient to support the life of a retiree for a year. Mr SUEN opined that employers should not be allowed to use their MPF contributions to offset the

severance/long service payments to their employees. Mr SUEN further remarked that employees suffering from serious illness should be allowed to withdraw their accrued benefits from the MPF scheme prematurely.

Concern for Singleton Group

8. Mr LAM Chiu, Concern for Singleton Group remarked that the MPF System had weakened the protection provided under the EO for employees as the employers were allowed to use their MPF contributions to offset the severance /long service payments to employees. Mr LAM pointed out that effective measures should be taken against employers who evaded payment of their MPF contributions, as there were 120 prosecution cases between November 2010 and March 2011 involving employers failing to make MPF contributions. Mr LAM supported setting the minimum RI level for MPF contributions at \$6,500 a month. Mr LAM opined that the Government should conduct a study on implementing a comprehensive retirement protection scheme, covering a review of the taxation system and protection for housewives and the unemployed handicapped, who currently did not enjoy any retirement benefits.

Society for Community Organization

9. Mr YAU Kin-man, Community Organizer of Society for Community Organization (SCO) said that the SCO considered that the minimum RI level for MPF contributions should be set at \$6,500, in line with the income criterion for the employment-related transport subsidy scheme. Mr YAU said that SCO doubted why the Government adopted different standards for defining low-income persons in different schemes, such as setting the income eligible for applicants of public housing at \$8,700 per month, \$6,500 per month for applicants of the employment-related transport subsidy scheme, and the proposed minimum RI level at \$5,500. Mr YAU said that SCO was also concerned about the high fees of MPF funds, as an increase of 1% in the fees would mean that a scheme member would lose an amount of money which was sufficient to support his living for several years after retirement. Mr YAU remarked that the Government should consider restricting the rate of the fees to within 1% through legislation, as the fees for similar overseas provident fund schemes ranged from 0.5% to 0.8% only, and the Employee Choice Arrangement might not necessarily lead to lower fees of MPF funds.

The Lion Rock Institute

10. Mr WONG Bi, Executive Director of the Lion Rock Institute said that the MPF System was not welcomed by the public, which could be reflected in the protest against the proposal in the 2011-2012 Budget to inject \$6,000 into the MPF scheme members' accounts. The free market mechanism had failed during the global financial crisis, when the United States (US) government had to use public money to save the banks. In a free market, investors and/or financial institutions concerned should be accountable for the loss in their investments. Mr WONG opined that monetary or investment banks supremacy existed in Hong Kong. For instance, the Stock Exchange of Hong Kong allowed Goldman Sachs Structured Products (Asia) Limited to amend the errors found in the issuing documents of the warrants issued by the company. If a bank in Hong Kong went bankrupt, the Government would very likely use public money to rescue the bank. Mr WONG said that MPF contribution was in fact a form of tax, and a high proportion of the contributions went to the trustees by way of fees. The employers were also allowed to use their MPF contributions to offset severance/long service payments. Mr WONG pointed out that as at the end of 2010, the accumulated amount of total MPF contributions was about \$350 billion, and based on the average administration charge rate of 1.92%, MPF scheme members had to pay the trustees a sum of about \$6.6 billion a year as administration fees. If the maximum RI level was adjusted to \$30,000, 480 000 employees would be affected, involving additional contributions of about \$360 million a month, out of which \$7 million would be paid each month to the trustees as administration fees. Mr WONG was of the view that it was unreasonable that the Government had enacted legislation requiring the working populace to contribute money to the banks acting as MPF trustees, otherwise they would be subject to prosecution. Mr WONG said that the Government should deal with the problem of monetary supremacy.

Mr Andy YEUNG Wai-yip

11. Mr Andy YEUNG objected to adjusting upward the maximum RI level for MPF contributions. Mr YEUNG pointed out that Hong Kong had a free economy, and members of the public had the liberty in utilizing their money. Mr YEUNG opined that members of the public were mindful of the need to prepare for their retirement, and the MPF System was not necessary. Any move to reduce the income of employees might result in greater public expenditure for taking care of those who could not earn enough to support their living. The MPF System had also been criticised over the years for the

high management and administration fees, the low investment returns and the absence of a mechanism to allow scheme members to withdraw their money to deal with emergencies. Based on a survey conducted in the US, the returns from a number of investment funds were much lower than the average increase in the value of securities. Mr YEUNG opined that members of the public should be reminded of the importance of proper management of their finance. The proposal to revise the minimum and maximum RI levels would only bring more criticisms to the MPF System and allegations of transfer of interests to the business sector.

The Federation of Hong Kong and Kowloon Labour Unions

12. Mr LEE Wing-man, Committee Officer/Social Affairs Committee, the Federation of Hong Kong and Kowloon Labour Unions (FHKLU) said that the proposed minimum and maximum RI levels for MPF contributions were unrealistic. Based on the SMW to be implemented on 1 May 2011, the lowest income an employee could earn would be \$5,824. The income criterion for the Work Incentive Transport Subsidy Scheme was set at a monthly income of \$6,500. Mr LEE said that the FHKLU proposed to set the minimum RI level for MPF contributions at \$6,500. Otherwise, the take-home pay for low-income workers would be adversely affected by the need to make MPF contributions and the rising inflation. Given the many drawbacks of the MPF System, the Government should consider the feasibility of setting up a comprehensive retirement protection scheme.

The Hong Kong Council of Social Services

13. Mr CHUA Hoi-wai, Business Director, Policy Advocacy and Social Enterprise, the Hong Kong Council of Social Services (HKCSS) remarked that based on the five pillars for retirement protection promulgated by the World Bank, the MPF System was the second pillar providing retirement protection for the middle income group. In assessing the appropriate minimum and maximum RI levels for MPF contributions, the Government should take a wider view by reviewing the overall retirement protection arrangements for different income groups. Mr CHUA said that instead of making reference to the monthly employment earnings, the minimum RI level should be set based on the expenditure level on basic daily necessities which, according to a survey conducted by HKCSS, stood at \$6,285 each month. Thus, the HKCSS proposed that the minimum RI level should be set at \$6,600 in order to enable an employee to maintain his daily living, and contribute to their MPF schemes. Mr CHUA pointed out that based on the SMW and the Work Incentive Transport Subsidy Scheme, the minimum

wage level should be \$6,720 and \$6,500 respectively. Mr CHUA was of the view that the Government should make use of the data from the MPF System in drawing up retirement protection schemes for people in different income groups, and the relevant organizations and scholars should be invited to participate in the study.

Catholic Diocese of Hong Kong Diocesan Pastoral Centre for Workers (New Territories)

14. Mr CHAN Yan-kam, Assistant Programme Officer of Catholic Diocese of Hong Kong Diocesan Pastoral Centre for Workers (New Territories) said that the minimum RI level should be set at \$6,700, in line of the minimum income level based on the SMW. Mr CHAN said that the existing maximum RI level should remain unchanged as employees earning a monthly income of more than \$20,000 should be able to take care of their own retirement needs, by means of savings and/or investments, whereas the returns from the MPF funds were unstable, subject to the fluctuations of the financial market. Mr CHAN remarked that the public was disappointed that the MPFA had failed to respond to the concerns raised about the operation of the MPF System. Mr CHAN added that the Government should conduct a study for implementation of a more comprehensive retirement protection scheme, so that people who were not in the workforce would still be able to benefit from the retirement protection scheme.

Mr Martin OEI

15. Mr Martin OEI opined that before the minimum and maximum RI levels were revised, a review of the MPF fees should be conducted and the Employee Choice Arrangement should be implemented. In view of the high MPF fees, and the absence of punitive measures to penalise investment managers for losses of MPF funds, the MPF System should be abolished. Mr OEI remarked that people earning the minimum wage should not be required to make MPF contributions. If the minimum RI level for MPF contributions was revised, it should be set at a level between \$7,000 and \$8,000, whereas the existing maximum RI level should remain unchanged. Mr OEI did not support the introduction of a comprehensive retirement protection scheme, as such a scheme would add to the burden to the young people. Employees should have the freedom to deal with their incomes, and prepare their retirement life by savings or investments.

The Hong Kong Chinese Importers' & Exporters' Association

16. Mr CHU Kwok-kee, Standard Committee member of the Hong Kong Chinese Importers' & Exporters' Association said that the minimum RI level should be set at \$6,500 so as not to affect the livelihood of the low-income group. Given that the economy had not fully recovered, and SMEs had to face pressure of the increase in operation expenses as a result of the implementation of the SMW, the maximum RI level should be set at \$22,500 to tie in with the level for severance and long service payments. Mr CHU said that measures should be taken to reduce the fees of MPF schemes so as to provide reasonable protection for the interests of scheme members.

The Hong Kong Retirement Schemes Association

17. Ms LAU Ka-shi, Chairman of the Hong Kong Retirement Schemes Association (HKRSA) said that the HKRSA supported the review of the minimum and maximum RI levels for MPF contributions, with a view to striking a balance between providing short-term and long-term protection for scheme members. Ms LAU said that a review on the mechanism and factors to be considered for revising the minimum and maximum RI levels for MPF contributions should be undertaken.

Hong Kong Confederation of Trade Unions

18. Ms CHEUNG Lai-ha, Executive Committee member of the Hong Kong Confederation of Trade Unions (HKCTU) remarked that the proposed minimum RI level of \$5,500 was unreasonable. HKCTU proposed that the minimum RI level should be linked to the SMW and should be set at \$6,552, i.e. a monthly minimum wage of \$28 per hour for nine hours a day and 26 days in a month, so that employees receiving the SMW could afford to pay for their daily expenses. HKCTU supported the introduction of a comprehensive retirement protection scheme to protect the interests of employees.

The Professional Commons

19. Mr CHUNG Chor-kit, Research Officer, The Professional Commons said that before the minimum and maximum RI levels for MPF contributions were reviewed, the fundamental problems of the MPF System should be addressed. For instance, the situation where employers delayed or failed to pay their contributions remained serious. In the past year, the number of employers prosecuted for delay or failure in payment of MPF contributions

reached a record high of 245 persons. Despite the introduction of heavier penalties in the relevant legislation, the convicted employers were usually fined about \$3,000 for their offence, and no employer had been imprisoned in the cases. The deterrent effect of the statutory sanctions was therefore in doubt. Consideration should be given to raising the penalties under the MPFSO, and specifying more clearly the penalties for individual offences in the Ordinance for reference by the court. The arrangement for the employers to use their MPF contributions to offset the severance/long service payments should also be abolished. The MPF System and a comprehensive retirement protection scheme were not mutually exclusive, as the two schemes could operate in parallel in order to protect both the workforce and people who did not take up employment.

The Hong Kong Federation of Trade Unions - Rights and Benefits Committee

20. Mr TAM Kin-sun, committee member of the Rights and Benefits Committee, Hong Kong Federation of Trade Unions (HKFTU) said that the Rights and Benefits Committee of HKFTU had reservation on the proposed revision of the minimum RI level from \$5,000 to \$5,500, as an employee who benefited from the SMW would have to use the increased portion of his wage to make MPF contributions, and this would defeat the purpose of introducing the SMW to improve the standard of living of low-income employees. Mr TAM opined that the minimum RI level should be set at \$6,500 to align with the eligibility criterion for application of the employment-related transport subsidy.

Mr Raymond HO, Sai Kung District Council Member

21. Mr Raymond HO said that the minimum RI level should be adjusted to zero so that the scheme members could make use of their income for their private purposes. Mr HO said that, as a Sai Kung District Council Member, he had dealt with cases whereby MPF scheme members had complained about the rigidity of the MPF schemes. In one of the cases, a man in the 50s suffering from serious illness applied to the MPFA for withdrawal of his MPF accrued benefits so as to enjoy his remaining years with his family. His application was rejected by MPFA on grounds that there was no evidence to prove his life span, and he had not reached the age of 65. Many young people might be able to pay for the down-payment for their houses if they were not required to make MPF contributions. Mr HO opined that the MPF System was infringing on the private property rights of employees. If low-income groups were exempted from MPF contributions and allowed to

retain the 10% MPF contributions for private use, the standard of their living would be greatly improved. Mr HO opined that the coverage of the MPF System should not be extended in view of the high fees and low investment returns of MPF funds.

CHIU Wai-lok

22. Mr CHIU Wai-lok said that the MPF System was in a way compelling scheme members to gamble their money, and even before the game started, the members had to pay a high administration fee in joining the schemes. Despite the information that some MPF schemes had recorded profits in their investments, the majority of scheme members had suffered losses. Mr CHIU opined that only a comprehensive retirement protection scheme for the entire populace would be able to provide retirement benefits to the public, and the Government should make use of the large fiscal surplus to implement a comprehensive retirement protection scheme. Mr CHIU was dissatisfied that the Democratic Alliance for the Betterment and Progress of Hong Kong had voted against or abstained from voting for establishment of a comprehensive retirement protection scheme, whereas Mr SIN Chung-kai of the Democratic Party had written a newspaper article stating that he objected to setting up a comprehensive retirement protection scheme. Mr CHIU queried whether Mr SIN's view represented the stance of the Democratic Party.

關注長者退休生活聯盟

23. Ms TZENG Li-wen, Community Officer of 關注長者退休生活聯盟 said that the MPF System only benefited the financial sector, and a comprehensive retirement protection scheme was the only solution for protection of the interests of the general public. The provision of a monthly pension of, say \$3,000, to all elderly persons would ensure that the retirees and elderly would live in a dignified way, and since public discontent was on the brink of eruption, the Central Policy Unit should immediately look into the arrangements for setting up such a comprehensive retirement protection scheme. Hong Kong had been extremely successful in the past, and now the Government should learn from the systems of the neighbouring economies such as Singapore and Taiwan with a view to improving its retirement protection measures.

Raymond WONG-Friends of the Elderly

24. Mr TSANG Chiu-wai, Secretary General of Raymond WONG-Friends of the Elderly remarked that based on a minimum wage of \$33 per hour as proposed by workers, the minimum RI level should be set at \$6,900, and there should not be a maximum RI level. A comprehensive retirement protection scheme with contributions from the Government, the employers and the employees was the only solution for protection of the interests of the general public. An amount of about \$500 billion should be sufficient to support the setting up a comprehensive retirement protection scheme. Mr TSANG remarked that the proposals on setting the minimum and maximum RI levels for MPF contributions, the Employee Choice Arrangement etc. only served the purpose of diverting the attention of the public from the need to establish a comprehensive retirement protection scheme.

Raymond WONG Office at Kowloon City

25. Mr Ivan CHAU, Legislative Assistant of Raymond WONG Office at Kowloon City remarked that it was doubtful whether the MPF System could provide retirement protection for the members, especially the low-income group. Mr CHAU pointed out that based on the SMW, a worker working nine hours a day for 26 days a month would earn about \$6,500 a month. A member contributing \$700 a month to his MPF scheme would only receive about \$300,000 at the age of 65 which would not be sufficient to support the member's living after retirement. The MPF schemes was also subject to uncertain factors such as the fluctuations of the financial market and the investment decisions of the fund managers, and it seemed that the growth rate of MPF scheme benefits could not even cover the inflation rate. In the case of Kowloon City district, the average income of each household was about \$20,000 and for an individual was only about \$6,900 a month. About 32,000 households earned less than \$10,000 a month and about 45,000 households had a monthly income between \$10,000 and \$30,000. More than 100 000 people in the district aged above 55 who had to face the problems of retirement. It was unlikely that the low-income groups were able to have savings to support their living after retirement. Many old people in Kowloon City district still had to be engaged in low income work in order to earn a living. Mr CHAU opined that a review on the effectiveness of the MPF System for retirement protection should be considered.

Democratic Alliance for the Betterment and Progress of Hong Kong

26. Mr KWAI Ting-kong, Financial Affairs Deputy Spokesperson of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), remarked that the SMW would be implemented on 1 May 2011 after years of demand from the workers, and it would be unfair to the employees receiving the minimum wage if they were required to contribute 5% of their income to the MPF scheme as a result of the revision of the minimum RI level to \$5,500. Mr KWAI said that the DAB considered that the proposed minimum RI level of \$5,500 was undesirable. The minimum RI level should be set at \$6,500 and that 60% instead of 50% of the monthly median employment earnings should be used as the basis for reviewing the minimum RI level for MPF contributions. With the implementation of the SMW, employers would shoulder an additional burden if the maximum RI level was revised to \$30,000 and this would hamper the competitiveness of Hong Kong. Mr KWAI remarked that the DAB considered that the maximum RI level should be set at \$25,000, and consideration should be given to allowing MPF scheme members to withdraw, before the age of 65, the accrued benefits of their contributions to a MPF scheme in emergency situations, such as serious illness and unemployment.

(Post-meeting note: The submissions from Mr Martin OEI, the Hong Kong Chinese Importers' and Exporters' Association, the Hong Kong Federation of Trade Unions, The Democratic Alliance for the Betterment and Progress of Hong Kong, the Liberal Party and the Employers' Federation of Hong Kong were issued to Members vide LC Paper No. CB(1)2029/10-11 on 27 April 2011.)

Declaration of interest

27. Mr WONG Kwok-kin declared interest as a non-executive director of the MPFA. Mr IP Wai-ming declared interest as a member of the MPF Schemes Advisory Committee.

Discussion

Minimum relevant income level

28. Mr WONG Kwok-hing commented that the proposed minimum RI level of \$5,500 was unrealistic in view that the proposed minimum level was not commensurate with the income criterion of other government schemes for low-income people. Mr WONG opined that in setting the minimum RI

level, the MPFA should make reference to the income criterion for the Work Incentive Transport Subsidy Scheme scheme, i.e. \$6,500, and the factors used in the Scheme. Mr WONG remarked that the income criterion of various government schemes should be aligned.

29. Mr LEE Cheuk-yan remarked that there appeared to be a general consensus that the minimum RI level should be set at \$6,500. Based on the SMW, a worker would receive an average of \$6,552 a month. Mr LEE opined that for those workers who earned less than \$6,500 a month, the Government should pay the MPF contributions on their behalf.

30. Mr IP Wai-ming remarked that the Hong Kong Federation of Trade Unions supported that the minimum RI level should be set at \$6,500, and the majority of the views received also indicated that the threshold for MPF contributions should be set at \$6,500. Mr IP said that based on the MPFSO, the MPFA should also take into consideration other relevant factors, in addition to the median employment earnings, in setting the minimum RI level. The suggestion of revising the minimum RI level to \$5,500 failed to take into account the implementation of the SMW and fell far short of the public's expectation.

31. USFST responded that unlike the minimum and maximum RI levels for MPF contributions, the income criterion of the Work Incentive Transport Subsidy Scheme was based on 60% the monthly median employment earnings for a single person which did not represent fully the earnings of the entire working population, and the subsidy was premised on a household basis. The Government would consider the views of Members and the deputations, as well as the SMW in putting forward a proposed minimum RI level for MPF contributions.

Maximum relevant income level and legislative timeframe

32. Mr IP Wai-ming enquired whether the time taken to enact the revised minimum RI level of \$6,500 could be shortened, so that workers whose income had been increased resulting from the implementation of the SMW on 1 May 2011 would not be required to make MPF contributions if their income did not exceed \$6,500 a month.

33. USFST responded that the Government was aware that some workers whose incomes would increase as a result of the implementation of the SMW would need to make MPF contributions if the minimum RI level was not adjusted upward. The adjustments of minimum and maximum RI levels

would had to go through necessary legislative procedures, and trustees and employers would need reasonable time to adjust their systems to implement the revised levels. USFST remarked that if a consensus on the RI levels could be reached shortly, the Government aimed to introduce the proposed legislative amendments into the Legislative Council in Q2 2011 and the revised minimum RI level could be implemented in around four months' time.

34. Mr WONG Kwok-kin expressed disappointment that the Government had acted in a bureaucratic manner, by rigidly adhering to the monthly median employment earnings and failing to make reference to the implementation of the SMW on 1 May 2011, in proposing the minimum RI level to be set at \$5,500. Given that the MPFA had submitted its report and recommendations on the review of the minimum and maximum RI levels to the Government in mid-2010 which detailed the factors the MPFA had taken into consideration in revising the minimum and maximum RI levels, Mr WONG was dissatisfied that the Government had taken nearly a year to consider and present its proposals to the Panel in February 2011, when the SMW arrangements would be implemented on 1 May 2011. Mr WONG opined that there was a dereliction of duty on the part of the Government in the matter. Mr WONG was dissatisfied that based on the proposed minimum RI level of \$5,500, a worker earning the minimum SMW of \$28 per hour and a monthly income of \$5,824 (i.e. \$28 times eight hours a day and 26 days in a month) would have to make MPF contributions. Mr WONG enquired whether there was any administrative procedure whereby those workers who were required to make MPF contributions as a result of the implementation of the SMW could be exempted from making contributions until the minimum RI level was revised to a level of more than \$5,500.

35. USFST responded that the SMW rate of \$28 per hour was proposed in November 2010, and the relevant legislative procedures were only completed in January 2011. The Government then proceeded to consult the Panel on the review results of MPFA in February 2011, highlighting that in addition to the monthly median employment earnings, other factors, including the SMW, would be taken into account in revising the minimum RI level.

36. Ms Emily LAU remarked that the revision of the minimum RI level should synchronise with the implementation of the SMW. There seemed to be a consensus that the minimum RI level should be set at \$6,500, and the Democratic Party supported revising the minimum RI level to \$6,500. Ms LAU remarked that some concerned parties had expressed reservation on

the proposed maximum RI level of \$30,000. She enquired whether the Government was confident that a consensus could be reached on the minimum and maximum RI levels, and the legislative procedures could be completed by July 2011. Ms LAU added that the Government should consider implementing a comprehensive retirement protection scheme to replace the MPF System.

37. The Chairman remarked that the legislative timeframe should not be long if a consensus could be reached on the minimum and maximum RI levels, and the trustees and employers should not need to take a long time to adjust their systems.

38. USFST responded that subject to a mainstream view on the minimum and maximum RI levels for MPF contributions, the Government planned to introduce the legislative proposals into the Legislative Council in Q2 2011 so that the legislative procedures could be completed within the current legislative session ending in July 2011. The Head (Policy Development and Research), MPFA supplemented that after completion of the legislative procedures, the trustees and the employers would need to take about three to four months to adjust their systems before the revised arrangements could be implemented. USFST added that the revisions to the systems of the trustees and the employers could be made simultaneously so that the amended legislation could be implemented by end of 2011.

39. Mr LEE Cheuk-yan opined that, as the maximum RI level had not been adjusted since 2000, and the review in 2006 had already recommended adjustment of the maximum level to \$30,000, the maximum RI level should be set at \$30,000. Mr LEE Cheuk-yan remarked that as there seemed to be a consensus that the minimum RI level should be set at \$6,500, whereas there were divergent views on the maximum RI level, consideration should be given to handling the revision of the minimum and maximum RI levels separately so as to enable early implementation of the revised minimum RI level.

40. The Chairman pointed out that the majority of Members and deputations present had expressed the view that the minimum RI level for MPF contributions should be set at \$6,500, whereas there were divergent views on the maximum RI level, namely there were suggestions that the level should be set at \$22,500, 25,000 or remain unchanged.

41. USFST responded that the Government noted the views of Members and deputations that the minimum RI level should be linked to the SMW

and/or the Work Incentive Transport Subsidy Scheme, whereas the maximum RI level should be set at \$25,000 or the level should be adjusted upward to \$30,000 by phases. Some business organizations also had reservation over the suggestion of raising the maximum RI level to \$30,000 despite that the maximum RI level had not been revised since 2000. USFST remarked that the Government aimed to seek a mainstream view on the RI levels from the views expressed, and present the legislative proposals on the minimum and maximum RI levels for MPF contributions to the Legislative Council in one go.

Review cycle

42. Mr WONG Kwok-hing opined that instead of reviewing the maximum and minimum RI levels for MPF contributions once every four years, the reviews should be conducted more frequently, e.g. once every two to three years, similar to the arrangement for the employment-related transport subsidy scheme.

43. USFST responded that while under the legislation the maximum and minimum RI levels for MPF contributions must be reviewed at least once in four years, if necessary, the review could be conducted more frequently within a period shorter than four years.

General

44. Mr LEE Cheuk-yan said that the Hong Kong Confederation of Trade Unions had at the very beginning objected to the establishment of the MPF System, but given that the system had been in operation, the system should be allowed to continue, because employers would not transfer their contributions to the salaries of their employees even with the curtailment of the MPF system. Mr LEE was of the view that the fees of the MPF schemes/funds were excessively high, and the employers' contributions should not be allowed to be used to offset the severance/long service payments. Mr LEE opined that a comprehensive retirement protection scheme should be set up instead so that proper care could be given to the elderly.

45. The Chairman remarked that in view of the divergent views on how the minimum and maximum RI levels for the MPF contributions should be set, e.g. whether the minimum RI level should be linked to the SMW, or based on 60% instead of 50% of the monthly median employment earnings, a review on the mechanism for setting the RI levels should be conducted. Mr

WONG Kwok-hing and Mr IP Wai-ming opined that, given that the MPF System had been in operation for more than 10 years, a comprehensive review of the detailed arrangements and effectiveness of the system should be conducted.

III Any other business

46. There being no other business, the meeting ended at 6:35 pm.

Council Business Division 1
Legislative Council Secretariat
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