



Our Ref: Lv051/11
Your Ref: CBI/PL/FA

CB(1)1968/10-11(07)

By Fax (2121 0420)

18 April 2011

Honorable CHAN Kam-lam, SBS, JP
Chairman, Panel on Financial Affairs
Legislative Council
Legislative Council Building
8 Jackson Road
Central, Hong Kong

Dear Honorable Chan

Review of the Minimum and Maximum Relevant Income Levels for Mandatory Provident Fund (MPF) Contributions

Thank you for your letter of 28 March 2011 inviting our Federation to provide comments on the above review. Below please find our comments:

1. Overall comments

- We need to well communicate the changes to employers and scheme members in order to avoid misunderstanding, mistakes, subsequent surcharge and complaints.
- The service providers also need to get well-prepared for the communications including i) updating all relevant marketing materials, administration guides, forms, letters & statements, corporates' websites, clients' website, ii) conducting briefings to employers, iii) issuing notices, iv) testing of clients' contribution data and v) preparing FAQ for clients' enquiries, etc.

2. Comments on minimum level of relevant income to be increased from \$5,000 to \$5,500 per month

- Increasing from \$5,000 to \$5,500 is not sufficient to protect workers who are on minimum pay of \$28 per hour. The minimum relevant income should be increased to, at least, \$6,000 in order to protect those minimum waged workers suffering from less take-home-pay as a result of the Minimum Wage law.



註冊有限公司 Incorporated with limited liability

香港灣仔路克道353號三湘大廈29樓

29/F Sunshine Plaza, 353 Lockhart Road, Wanchai, Hong Kong

電話 Tel: 2520 1868 傳真 Fax: 2520 1967

網址 Website: <http://www.hkfi.org.hk> 電郵 E-mail: hkfi@hkfi.org.hk

HKFi**3. Comments on maximum level of relevant income to be increased from \$20,000 to \$30,000 per month**

- The insurance industry generally welcomes this proposal given that it will increase the total MPF contribution amount and hence more retirement savings for scheme members. Nevertheless, we have the following comments for the Legislative Council and Government to consider.
 - ◆ We support a one-off approach to raise the maximum level of the relevant income from \$20,000 to \$30,000. The cost and complexity of a two-step implementation approach will not benefit most business in Hong Kong and may cause possible confusion too.
 - ◆ From the insurance industry's point of view, it is widely understood that current contribution level is insufficient to meet Hong Kong working population's retirement needs. We would recommend the Government to have a viable long term plan to increase the contribution rate or Relevant Income caps for the general public and the industry would note and plan accordingly. This was what the Australian government has done back in the 90's.
 - ◆ Although MPF Scheme is one of the retirement pillars, there is still an obvious gap in retirement preparedness for most people. We suggest that the Government should spend more resources in educating the public and encourage more retirement saving for quality retirement.
 - ◆ We need at least six months to enhance our MPF systems from the date the requirement is confirmed by the MPF Authority. System enhancement includes system development, user acceptance test, updating payroll/contribution calculation software, testing contribution data submitted from clients and contribution surcharge reporting to the MPF Authority.

Should you require any clarification, please do not hesitate to contact us on tel: 2861 9344.

Yours sincerely



Alex Chu
Chairman
Retirement Schemes Working Group
Life Insurance Council

AC/JW/wc