

(Translation)

Motion on
“Comprehensively reforming the Mandatory Provident Fund Scheme”
moved by Hon TAM Yiu-chung
at the Council meeting of 2 November 2011

Motion as amended by Hon CHAN Kin-por, Hon James TO and Hon Alan LEONG

That, the Mandatory Provident Fund (‘MPF’) Scheme has already covered almost 85% of the labour force since its implementation, but as the MPF System is still at its initial stage and in need of continuous improvement, and the various social sectors have put forward many proposals for improving the Scheme, this Council considers that the authorities must conduct a comprehensive review of the MPF Scheme and examine the feasibility of the following measures and their impact in various respects:

- (a) to prompt the Mandatory Provident Fund Schemes Authority to enhance employees’ right to choose through the means of promoting market competition, for example, expeditiously implementing a full portability arrangement for the MPF Scheme;
- (b) to streamline the management and administrative procedures of MPF schemes and reduce the operating costs of MPF;
- (c) to adopt effective measures to press MPF Scheme trustees to lower their fees, such as enacting legislation to specify fee ceilings for different types of investment funds and fee types, and to require MPF Scheme trustees to collect fixed administration fees to replace the practice of collecting such fees at fixed percentages of the total asset values of MPF accounts;
- (d) to require MPF Scheme trustees to provide contributors with products resembling bank deposits that charge no management fees;
- (e) to introduce two additional fund products operated by the Government at low management fees, and linked respectively to Exchange Fund returns and inflation rates;
- (f) to enact legislation to require MPF Scheme trustees to set out the actual amounts of fees in the annual reports of the years concerned;

- (g) to obtain the operating costs data of MPF Scheme trustees and formulate measures to regulate trustees by making reference to the form of regulation of employees' compensation insurance;
- (h) to allow MPF Scheme contributors with exceptional reasons (such as critical illness) to apply for suspension of contributions or partial withdrawal of their MPF accrued benefits, so as to meet urgent needs;
- (i) to allow retirees to withdraw their MPF accrued benefits by instalments after the age of 65;
- (j) to introduce a maximum tax deduction of \$12,000 for voluntary MPF contributions;
- (k) to prompt the Labour Advisory Board to conduct discussions on the mechanism whereby employers' contributions under the MPF Scheme are used to offset severance payments and long service payments;
- (l) to enhance the regulation of MPF Scheme intermediaries; and
- (m) to step up law enforcement and increase penalties to combat the situation of default in contributions; and
- (n) to ensure that the MPF service market has sufficient competition and the automatic adjustment mechanism of the market can achieve its function, so that market competition can press MPF Scheme trustees to enhance their services; and
- (o) to comprehensively consult the community to ascertain the inadequacies of the MPF Scheme and how retirement protection can be effectively offered to all elderly persons, so as to prepare for the population ageing of Hong Kong,

with a view to achieving the aims of lowering fees, increasing employees' choices for investment and perfecting the regulatory mechanism.