

立法會
Legislative Council

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Tel : 3919 3300

Date : 9 November 2011

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 23 November 2011

**Proposed resolution under
the Mandatory Provident Fund Schemes Ordinance**

I forward for Members' consideration a proposed resolution which the Secretary for Financial Services and the Treasury will move, at the Council meeting of 23 November 2011, under section 48 of the Mandatory Provident Fund Schemes Ordinance relating to the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011. The President has directed that "it be printed in the terms in which it was handed in" on the Agenda of the Council.

2. The speech, in both Chinese and English, which the Secretary will deliver when moving the proposed resolution is also attached.

(Mrs Justina LAM)
for Clerk to the Legislative Council

Encl.

Mandatory Provident Fund Schemes Ordinance

Resolution

(Under section 48 of the Mandatory Provident Fund Schemes Ordinance
(Cap. 485))

Resolved that the Mandatory Provident Fund Schemes Ordinance
(Amendment of Schedule 3) Notice 2011, made by the Chief Executive in
Council on *14 June* 2011, be approved.

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

(Made by the Chief Executive in Council under section 48 of the
Mandatory Provident Fund Schemes Ordinance (Cap. 485) subject to the
approval of the Legislative Council)

1. Commencement

This Notice comes into operation on 1 June 2012.

2. Mandatory Provident Fund Schemes Ordinance amended

The Mandatory Provident Fund Schemes Ordinance (Cap. 485) is
amended as set out in section 3.

3. Schedule 3 amended (Maximum level of relevant income per contribution period)

(1) Schedule 3, section 1(a)—

Repeal

“\$20,000”

Substitute

“\$25,000”.

(2) Schedule 3, section 1(b)—

Repeal

“\$650”

Substitute

“\$830”.

(3) Schedule 3, section 1(c)—

Repeal

“\$20,000”

Substitute

“\$25,000”.

(4) Schedule 3, section 2—

Repeal

“\$650”

Substitute

“\$830”.

(5) Schedule 3, section 3—

Repeal

“\$20,000”

Substitute

“\$25,000”.

(6) Schedule 3, section 3—

Repeal

“\$240,000”

Substitute

“\$300,000”.

4. Application of Schedule 3 as amended

Schedule 3 to the Mandatory Provident Fund Schemes Ordinance
(Cap. 485) as amended by section 3 applies in relation to a
contribution period that begins on or after the commencement date
of that section.



Clerk to the Executive Council

COUNCIL CHAMBER

14 June 2011

Explanatory Note

The purpose of this Notice is to amend Schedule 3 to the Mandatory Provident Fund Schemes Ordinance (Cap. 485) so as to adjust the maximum level of relevant income for contribution purposes under that Ordinance.

DRAFT

Legislative Council Meeting on 23 November 2011

**Speech of the Secretary for Financial Services and the Treasury
for moving the motion for approval of
the Mandatory Provident Fund Schemes Ordinance
(Amendment of Schedule 3) Notice 2011
under the Mandatory Provident Fund Schemes Ordinance**

President,

I move that the motion, as printed on the Agenda, be passed.

The motion aims to amend the various items on the Maximum Relevant Income Level ("Max RI") set out in Schedule 3 to the Mandatory Provident Fund Schemes Ordinance ("MPFSO").

Prescribing a Max RI in MPFSO is to reflect the policy objective of the Mandatory Provident Fund ("MPF") system in assisting the working population to make basic savings for retirement. Higher income employees and self-employed persons ("SEPs") may decide whether to top up their mandatory contributions through voluntary contributions or other investment to increase their retirement savings.

MPFSO provides that unless exempted, an employer and employee must each contribute 5% of the employee's relevant income as MPF mandatory contribution. The law also provides that for an employee whose relevant income is above the Max RI, both he and his employer are not required to make mandatory contribution in respect of the excess relevant income. The same arrangement also applies to SEPs.

Section 10A of MPFSO provides that the Mandatory Provident Fund Schemes Authority ("MPFA") must conduct a review on the Max RI and the Minimum Relevant Income Levels at least once in every four years. The Legislative Council approved the proposal to increase the Minimum Relevant Income Level from \$5,000 to \$6,500 in June 2011 and it has come into effect since 1 November 2011. As for the Max RI, MPFSO prescribes

that when conducting a review, MPFA must take into account the Statutory Factor, i.e. monthly employment earnings at 90th percentile of the monthly employment earnings distribution prevailing at the time of the review as compiled from the General Household Survey conducted by the Census and Statistics Department. MPFA may also consider other relevant factors.

In the latest review conducted by MPFA in 2010, according to the Statutory Factor, the Max RI should be increased from the existing \$20,000 to \$30,000. In fact, the reviews conducted in 2002 and 2006 have indicated that the Max RI should be increased to \$30,000 then according to the Statutory Factor. No adjustment has been made against the economic environment at that time and the lack of consensus in the community.

As the Max RI has been maintained at the level of \$20,000 since the implementation of the MPF system in 2000 and the review results since 2000 have suggested a level at \$30,000, both MPFA and the Administration consider it is necessary to increase the Max RI. This has the general support of various political parties and a number of organizations.

MPFA consulted the relevant advisory bodies in the process of proposing the Max RI. The Administration and MPFA also consulted the Legislative Council Panel on Financial Affairs, including attending a public hearing organized by the Panel. 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 in May 2011 and any substantial increase in the Max RI would cause financial hardship on their operations. As for employees, some supported making additional MPF contributions to provide greater retirement protection, while some others considered increasing the Max RI would reduce their disposable income and investment flexibility.

The Administration and MPFA also attended three meetings of the Subcommittee on Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2011, including a public hearing. We have explained to the Subcommittee our proposed amendment to increase the Max RI to \$25,000 which strikes an appropriate balance between meeting the basic retirement needs of the working population and fulfilling their existing living needs. As for our proposal to increase the Max RI with effect from 1 June 2012, the intention is to allow employees and employers a longer time to adapt to the new contribution level.

On the daily Max RI, we propose to adopt the current 30-day basis for conversion. The daily Max RI will accordingly be increased from \$650 to \$830. As for the annual Max RI for SEPs, we propose a corresponding increase from \$240,000 to \$300,000.

According to MPFA's review, based on the data for Q4 2010, if the Max RI is increased to \$25,000, 424 600 employees and their employers, as well as 89 900 SEPs will be required to make additional mandatory contributions.

If the Order is passed, MPFA will make corresponding amendments to the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order which sets out the Max RI for casual employees. We will also proceed with amending the Inland Revenue Ordinance to increase the maximum tax deductible amount attributable to mandatory contributions of employees and SEPs, from \$12,000 to \$15,000.

Finally, I would like to take this opportunity to thank members of the Subcommittee for their active participation in scrutinizing our proposed amendments.

President, I move the motion be passed to implement the amendments to the Max RI.

**Financial Services Branch
Financial Services and the Treasury Bureau
7 November 2011**