

**Legislative Council Panel on Welfare Services  
Subcommittee on Retirement Protection**

**The latest position of studies and measures  
related to the retirement protection system in Hong Kong**

**Purpose**

This note reports the latest position of the Administration's studies and measures related to the retirement protection system in Hong Kong.

**Present position of the retirement protection system in Hong Kong**

2. The existing retirement protection system in Hong Kong draws reference to the World Bank's multi-pillar model. It includes three pillars, namely the non-contributory social security system (made up of the Comprehensive Social Security Assistance Scheme, and the Social Security Allowance Scheme under which Old Age Allowance and Disability Allowance are provided), the Mandatory Provident Fund (MPF) System, and voluntary private savings. Furthermore, the Administration has, over the years, been playing an active role in providing various community support, health care and residential care services for the elderly at concessionary rates. It has also implemented measures such as the priority allocation of public housing for the elderly and the dependent parent tax allowance. All these measures subsidise the daily living and personal care expenses of the elderly to a certain extent. They provide diversified support for the elderly, which is in addition to, and as important as, financial support.

**Studies being refined by the Central Policy Unit**

3. As the Chief Executive remarked in the 2011-12 Policy Address, the Administration is focusing its work on enhancing, consolidating and strengthening the existing retirement protection system in Hong Kong with a view to maximising the complementary effect of the existing multi pillars. Compared with introducing fundamental changes to the existing system, this is a more constructive, more pragmatic and easier way to achieve results. In this connection, the Central Policy Unit (CPU) is

continuing its work in refining its studies. This includes conducting a territory-wide household survey, which covers 10 000 households, to understand the latest economic situation of the elderly in Hong Kong and their retirement plans. The survey already commenced in February this year. Upon completion of all household visits and data collection work, initial results of the survey are expected to be available by the end of this year at the earliest.

4. In the meantime, CPU continues to collect public opinions through various channels, such as organising focus group meetings for participation by academics, financial experts, think tanks and non-governmental organisations; and making reference to deliberations of this Subcommittee and proposals submitted by deputations.

5. Upon completion of its work on refining the studies, CPU will submit the overall study findings and recommendations to the Administration for review and consideration of the way forward.

### **The MPF System**

6. The MPF System (System) aims to assist the working population to accumulate retirement savings. It requires both employees and their employers to make mandatory contributions equivalent to 5% of the employees' income, subject to the minimum and maximum relevant income levels<sup>1</sup>, so as to assist the employees to save for basic retirement needs. The System is complementary to the other two pillars.

7. The Administration and the Mandatory Provident Fund Schemes Authority (MPFA) will take into account the views of different quarters of the community and continue to improve the System. At this stage, our main focus include: in respect of fees, we are working closely with the Bills Committee of the Legislative Council established to scrutinise the Bill for regulating MPF intermediaries. We aim to secure the passage of the Bill in the current legislative session such that the Employee Choice Arrangement can commence in November this year to increase market competition and promote fee reduction. The Administration also plans to propose amendments to the relevant subsidiary legislation to improve the levy mechanism for the MPF Compensation Fund within this month. If approved, the levy, equivalent to 0.03% of net MPF scheme assets, can be suspended in the fourth quarter of this year, bringing further reduction to the fund expense ratio of MPF. Other relevant on-going works include: MPFA's review on

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<sup>1</sup> Currently, the minimum relevant income level is \$6,500 per month and the maximum relevant income level is \$20,000 per month. The latter will be increased to \$25,000 per month in June 2012.

withdrawal of accrued benefits; the consultancy study on trustees' administrative costs; and the feasibility study of establishing a central database as a supporting measure for implementing full portability in future. The Administration will maintain close liaison with MPFA to further enhance the System.

**Labour and Welfare Bureau**  
**Financial Services and the Treasury Bureau**  
**Central Policy Unit**  
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