

**For discussion  
4 March 2013**

## **Legislative Council Panel on Financial Affairs**

### **Relevant Income Levels for the Purpose of Mandatory Contributions under the Mandatory Provident Fund Schemes Ordinance**

#### **Purpose**

The Mandatory Provident Fund Schemes Authority (“the MPFA”) conducted an interim review of the minimum level of relevant income (“Min RI”) and the maximum level of relevant income (“Max RI”) for Mandatory Provident Fund (“MPF”) contributions. The Administration would like to seek Members’ views on the review findings and related legislative amendments proposed by the MPFA before deciding on the legislative proposal.

#### **The Authority’s Review**

2. Section 10A of the Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) requires the MPFA to conduct a review of the Min RI and the Max RI not less than once in every four years. The MPFA conducted a review in 2010 in accordance with the Ordinance. During the last adjustment exercise, there were views that the adjustment mechanism of the Min RI under the MPF legislation should be updated having regard to the implementation of the Statutory Minimum Wage (“SMW”) on 1 May 2011. The MPFA is currently conducting a comprehensive review of the statutory adjustment mechanism.

3. The current Min RI level was set with reference to, among other factors, the SMW. Given that the SMW will be raised to \$30 effective from 1 May 2013, the MPFA has conducted an interim review of the relevant income levels pending a new statutory adjustment mechanism.

4. The MPFA has consulted the Labour Advisory Board, MPF Schemes Advisory Committee and MPF Industry Schemes Committee as part of the review. The Report on the interim review is at the Appendix.

The key recommendations of the MPFA are –

- (a) increasing the Min RI level from \$6,500 to \$7,100 having regard to the new SMW at \$30 effective from 1 May 2013;
- (b) taking forward the second-phase adjustment of the Max RI level last recommended by the MPFA in March 2011 based on its 2010 Review, i.e. increase the Max RI level from \$25,000 to \$30,000; and
- (c) implementing adjustments to both the Min and Max RI levels simultaneously for administrative efficiency three months from the approval of the relevant subsidiary legislation by the Legislative Council.

5. As a related matter, the MPFA also proposes to simplify the contribution calculation methods for casual employees of the construction and catering industries joining industry schemes to better cater for the needs of these employees and their employers, as detailed in its review report (see paragraphs 8.1 to 8.5 of the Appendix).

### **Advice sought**

6. Members are invited to offer views on the review findings and recommendations of the MPFA.

**Financial Services and the Treasury Bureau**  
**22 February 2013**

**Report on the Interim Review of the Minimum  
and Maximum Levels of Relevant Income  
and Other Related Issue**



**Mandatory Provident Fund Schemes Authority**

**February 2013**

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## **1. Abstract**

1.1 Section 10A of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (“Ordinance”) (Annex A) provides that the Mandatory Provident Fund Schemes Authority (“MPFA”) must, not less than once in every 4 years beginning with the commencement of that section on 19 July 2002, conduct a review of the minimum level of relevant income (“min RI level”) and maximum level of relevant income (“max RI level”) to ascertain whether or not there are grounds to amend the levels.

1.2 In accordance with section 10A of the Ordinance, the MPFA completed the first review of the min and max RI levels in July 2006 and the second review in July 2010. The next review is due in July 2014.

1.3 Subsequent to the second review completed in July 2010, the monthly min RI level was adjusted with reference to, inter alia, the initial Statutory Minimum Wage (“SMW”) rate of \$28 per hour implemented on 1 May 2011. In the light that the new SMW rate will become effective from 1 May 2013, the MPFA has completed an additional review of the min and max RI levels (“Interim Review”) ahead of the one due in July 2014 following the review in 2010.

1.4 This report sets out the results of the review and the recommendations of the MPFA on the adjustments to the min and max RI levels for mandatory contributions in the light of the new SMW rate.

1.5 In view of the comments received, the opportunity is also taken to set out in this report the recommendations of the MPFA on a related issue on the simplification of the contribution calculation methods for casual employees of the construction and catering industries joining industry schemes to better cater for the needs of these employees and their employers. The methods are currently prescribed in the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order (Cap.485E) (“Order”) (Annex B).

## **2. Background**

2.1 The Ordinance provides that unless exempted, an employer and an employee must each contribute 5% of the employee's RI for a contribution period to an MPF scheme, while a self-employed person ("SEP") must contribute 5% of the person's RI for a contribution period to an MPF scheme, subject to the min and max RI levels. The min and max RI levels are expressed as daily, monthly and yearly values to suit contribution periods of different lengths.

2.2 Section 9 of the Ordinance (Annex A) stipulates that a relevant employee or an SEP whose RI is less than the min RI level is not required to contribute to an MPF scheme while the employer of the employee still has to contribute for the employee. Presently, the min RI level prescribed in Schedule 2 to the Ordinance is \$6,500 per month (\$250 per day and \$78,000 per year) (Annex A).

2.3 Section 10 of the Ordinance (Annex A) stipulates that a relevant employee or an SEP whose RI is more than the max RI level is not required to contribute to an MPF scheme in respect of the excess RI. The employer of the employee is also not required to contribute for the employee in respect of the excess amount. Presently, the max RI level prescribed in Schedule 3 to the Ordinance is \$25,000 per month (\$830 per day and \$300,000 per year) (Annex A).

### **3. Statutory Adjustment Mechanism**

3.1 Section 10A of the Ordinance (Annex A) provides that the MPFA must, not less than once in every 4 years beginning with the commencement of that section on 19 July 2002, conduct a review of the min RI level and the max RI level to ascertain whether or not there are grounds to amend the levels in Schedules 2 and 3 to the Ordinance. The MPFA must take into account the following two statutory adjustment factors in conducting the review, i.e.

- (a) for min RI level – 50% of the monthly median employment earnings; and
- (b) for max RI level – monthly employment earnings at 90th percentile of the monthly employment earnings distribution,

both prevailing at the time of the review as compiled from the General Household Survey (“GHS”) conducted by the Census and Statistics Department (“C&SD”). Nothing in the legislation prevents the MPFA from taking other factors into account in conducting the review.

## **4. Review in 2010**

4.1 In accordance with section 10A of the Ordinance, the MPFA completed a review of the min and max RI levels in July 2010 (“2010 Review”) and submitted its findings to the Government for consideration. The 2010 Review found that, according to the statutory adjustment factors, the min RI level and the max RI level might be set at \$5,250 and \$30,000 respectively based on C&SD statistics prevailing at that time (i.e. data for the first quarter of 2010). When the statistical data for the third quarter of 2010 became available, the review findings were updated, with the statutory adjustment factor for the min RI level pointing to \$5,500 while that for the max RI level continued to point to \$30,000.

### **Adjustment to Min RI Level**

4.2 When the findings of the 2010 Review were presented to the Legislative Council Panel on Financial Affairs in February 2011, on the deliberations of the adjustment of the min RI level to \$5,500, most Panel members expressed concerns that the statutory adjustment mechanism had become outdated in the light of the implementation of the SMW on 1 May 2011. Pending a review of the mechanism, reference has been made to the hourly SMW rate and the median working hours in determining min RI. Assuming a 26-working day per month arrangement, if the SMW rate is applied to the median working hours of the entire working population [8 hours], the monthly reference is \$5,824; and if the SMW rate is applied to the median working hours of the four low paying sectors identified by the Provisional Minimum Wage Commission<sup>1</sup> [8.5 hours], the monthly reference is \$6,188. The Administration considered increasing min RI level from \$5,000 to \$6,500 acceptable as it also reflected the broad-based consensus of the public. The adjustment of the min RI level came into operation from 1 November 2011.

### **Adjustment to Max RI Level**

4.3 Regarding the max RI level, while Panel members were generally in support of increasing the level to \$30,000, there was a general view from other stakeholders that a

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<sup>1</sup> The four low paying sectors identified by the Provisional Minimum Wage Commission with reference to different information (including the statistics prepared by C&SD) when deliberating the recommended initial SMW rate were: restaurant; retail; estate management, security, and cleaning services; and other low paying sectors (including elderly homes, laundry and dry cleaning services, hairdressing and other personal services, local courier services, and food processing and production).



one-off increase from \$20,000 to \$30,000 would not be acceptable. In March 2011, in the light of the comments received, the MPFA recommended adopting a two-phased approach in adjusting the max RI level, first raising it to \$25,000 and then to \$30,000. The two-phased approach took into account (1) views that a one-off increase from \$20,000 to \$30,000 would impose too heavy a financial burden on employers; and (2) that the MPFA would be reviewing the adjustment mechanism and the progress of that review should be factored in. The adjustment of the max RI level to \$25,000 came into operation on 1 June 2012.

### **Review of Adjustment Mechanism**

4.4 During the legislative process, the MPFA also committed to start reviewing the statutory adjustment mechanism 18 months after the implementation of the SMW (i.e. in around November 2012). The period of 18 months was to allow the actual effects of the SMW on the income distribution of employees to become more apparent before deciding whether the mechanism needed to be adjusted and, if so, in what manner. The review of the statutory adjustment mechanism is now underway and that review will include issues such as the relationship between min RI level and SMW. The MPFA targets to put forward options for adjusting the min and max RI levels for consultation in mid-2013. Drawing from the consultation conclusions, the MPFA would make recommendations to the Government on how to adjust the min and max RI levels in future (“New Adjustment Mechanism”). Given the time required for development, legislative processes and implementation, it is likely that any min and max RI levels under a New Adjustment Mechanism will not be in place until after 2014.

## **5. Adjustments to Min and Max RI Levels**

### **Interim Review in light of New SMW Rate**

5.1 On 11 December 2012, the Chief Executive-in-Council adopted the recommendation of the Minimum Wage Commission to adjust the SMW rate from its prevailing level of \$28 to \$30. On 6 February 2013, the Legislative Council approved the new SMW rate, effective from 1 May 2013.

5.2 As the current min RI level was set with reference to, amongst other factors, the SMW, the MPFA has completed an additional review of the min and max RI levels ahead of the one due July 2014.

### **Monthly Min RI Level**

5.3 On the monthly min RI level, using the statutory adjustment factor, the level would be set at \$6,000, which is below the current min RI level of \$6,500. It would be unrealistic to use \$6,000 as the benchmark level and given the previous adjustment it would be more appropriate to make reference to the SMW. Using similar methodology for deriving the min RI level in 2011, and with the new SMW rate of \$30 and the latest statistics on the median daily working hours of the four low paying sectors<sup>2</sup> (being 9 hours<sup>3</sup>), the benchmark level would be at \$7,020. The MPFA considers that the min RI level should be increased to \$7,100 after taking into account the balance between current take-home pay and future retirement savings to employees as well as the administrative work and costs of employers and trustees.

### **Monthly Max RI Level**

5.4 Regarding the monthly max RI level, using the statutory adjustment factor, the level would be set at \$35,000, which is \$10,000 above the current max RI level of \$25,000. The MPFA considers that the phase two adjustment from the 2010 Review should be pursued to increase the max RI level from \$25,000 to \$30,000 without waiting for the implementation

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<sup>2</sup> See footnote 1 for the four low paying sectors.

<sup>3</sup> Statistics for May-June 2011 obtained through the 2011 Annual Earnings and Hours Survey issued by the C&SD.

of the New Adjustment Mechanism. The current max RI level of \$25,000 is roughly the 82nd percentile of the monthly employment earnings distribution according to the latest statistics (for June to August 2012)<sup>4</sup> prepared by C&SD at the time of the review. It is important that the max RI level reflects the income distribution of the working population so that the level of benefits of the MPF System can be maintained. Furthermore, if the adjustment to the max RI level is made at the same time as that to the min RI level, this would save the administration work and costs of employers and trustees.

**Daily/Yearly Min and Max RI Levels**

5.5 In addition to the monthly min and max RI levels, Schedules 2 and 3 to the Ordinance also specify their corresponding daily levels, currently at \$250 and \$830 respectively. The daily min and max RI levels apply to casual employees who are members of an industry scheme as well as other employees remunerated more frequently than on a monthly basis. In respect of the former group, the levels are reflected in the contribution scales prescribed by the MPFA by the Order.

5.6 If the min and max RI levels were eventually adjusted to \$7,100 and \$30,000, consequential legislative amendments to Schedules 2 and 3 to the Ordinance and the Order would need to be pursued to reflect the corresponding daily levels. Applying the conversion principles adopted in the 2010 Review to the possible monthly min and max RI levels of \$7,100 and \$30,000, the corresponding daily levels would be as follows:

	Monthly	Daily
Possible new min RI level	\$7,100	\$273 <sup>(a)</sup> rounded up to \$280
Possible new max RI level	\$30,000	\$1,000 <sup>(b)</sup>

<sup>(a)</sup> Monthly min RI level / 26 days  
<sup>(b)</sup> Monthly max RI level / 30 days

5.7 The yearly min and max RI levels in Schedules 2 and 3 would also need to be amended accordingly to \$85,200 (\$7,100 x 12) and \$360,000 (\$30,000 x 12).

<sup>4</sup> Based on the latest available statistics (for the third quarter of 2012) prepared by C&SD, the current max RI level of \$25,000 remained at roughly the 82nd percentile of the monthly employment earnings distribution.

## 6. Consultation with Stakeholders

6.1 The MPFA conducted consultation with the MPF Schemes Advisory Committee (“MPFSAC”), Labour Advisory Board (“LAB”) and MPF Industry Schemes Committee (“ISC”) on 15 January 2013, 16 January 2013 and 17 January 2013 respectively on whether adjustment should be made to the min and max RI levels and seeking views on the following specific issues:

- (a) whether an adjustment to the min RI level to \$7,020 should be made to reflect the new SMW rate of \$30, and if so, whether the \$7,020 benchmark should be rounded up to \$7,100; and
- (b) whether phase two increase to the max RI level should be pursued at the same time, increasing the level to \$30,000.

6.2 On the **adjustment of the min RI level to \$7,100**, the consultation results are set out below:

- (a) MPFSAC: Members reached consensus that the min RI level should be adjusted to synchronize with the new SMW rate of \$30. The adjusted min RI level should be no less than the \$7,020 benchmark.
- (b) LAB:
  - (i) Both employer and employee representatives generally agreed that the min RI level could be adjusted in the light of the new SMW rate of \$30. They considered the level of \$7,100 as acceptable.
  - (ii) An employee representative commented that as the min RI level was adjusted from the \$6,188 benchmark to \$6,500 in the 2010 Review, the same principle should be applied in this Interim Review to round the \$7,020 benchmark to \$7,500.
- (c) ISC: Members agreed that the min RI level should be adjusted but expressed different views on the adjustment amount.
  - (i) It was agreeable to adjust the level to \$7,100.
  - (ii) It might be better to adjust the level to \$7,500 so that more low income employees could be exempt from making MPF contributions, thus increasing their take-home pay.

6.3 On the **timing for implementation of the new min RI level**, the consultation results are set out below:

- (a) MPFSAC: Some members were keen that the adjustment be made in conjunction with the SMW change, however there was some discussion about the timing for the max RI level and the extent to which the two adjustments should be kept together. Members reached consensus that the time for implementation of the new min RI level should not be later than 1 November 2013.
- (b) LAB: Members generally considered that the time for implementation of the new min RI level should align with that for the new SMW rate (i.e. 1 May 2013) as far as practicable though an employer representative member suggested the implementation time of 1 November 2013, i.e. two years after implementation of the current min RI level of \$6,500 on 1 November 2011.
- (c) ISC: Members generally agreed that the time for implementation of the new min RI level should align with that for implementation of the new SMW rate (i.e. 1 May 2013) as far as practicable.

6.4 On the **phase two adjustment of the max RI level to \$30,000**, the consultation results are set out below:

- (a) MPFSAC: Members reached consensus that the max RI level should be adjusted to \$30,000.
- (b) LAB: Members generally had no objection to increasing the max RI level to \$30,000.
- (c) ISC: Members generally had no strong objection to increasing the max RI level to \$30,000, though some employer representatives raised the concerns that higher income employees might not be willing to make more MPF contributions arising from an increase to the max RI level.

6.5 On the **timing for implementation of the new max RI level**, the consultation results are set out below:

- (a) MPFSAC: Members reached consensus that the time for implementation of the new max RI level should be the same as that for implementation of the min RI level and agreed on the implementation date of not later than 1 November 2013.
- (b) LAB: Diverse views were expressed by the employer representatives and employee representatives.

- (i) The time for implementation of the new max RI level should be in May 2013 so as to align with that for the new min RI level (an employee representative).
  - (ii) It would be fair to both employers and employees to have the time for implementation set in no sooner than June 2014, i.e. two years after implementation of the current max RI level of \$25,000 on 1 June 2012 (employer representatives).
  - (iii) The max RI level adjustment should not take effect until the MPF administrative fees and performance had improved or else it would further damage employees' confidence in the MPF System (an employee representative).
- (c) ISC: Diverse views were expressed by the employer representatives and employee representatives. An employee representative considered it acceptable even if the new max RI level would not take effect until 2014/15. An employer representative also suggested the same timeframe.

## 7. Recommendations

7.1 The MPFA noted the following outcomes from the consultation exercise as discussed in Part 6 above:

- (a) There was widespread support for increasing the min RI level having regard to the SMW adjustment.
- (b) There were some differences of opinion as to the rounding that should be applied.
- (c) There was general, if not enthusiastic, acceptance that as a matter of principle, the max RI level should also be increased to \$30,000.
- (d) Diverse views were expressed as to timing of adjustments. Some were insistent that the min RI level should be adjusted in parallel with the SMW; however, few were in favour of increasing the max RI level at that early point. There was a general view that the max RI level increase should be delayed although there was also general acceptance that, if possible, both adjustments should occur at the same time.

7.2 Having regard to the discussion in paragraphs 5.3 and 5.4 above and the consultation results set out in Part 6 above, the MPFA recommends the Government consider the following:

- (a) Adopt a methodology similar to the one used for adjusting the min RI level in 2011 to increase the min RI level to \$7,100 – Suggestions from some stakeholders to increase the min RI level to \$7,500 were noted. As the review of the adjustment mechanism is underway, it would be appropriate to keep the rounding more conservative pending the completion of that review. The impact of increasing the min RI level to \$7,100 is set out in Annex C.
- (b) Follow through the outstanding phase two adjustment of the max RI level arising from the 2010 Review and increase the max RI level to \$30,000 – For the 2010 Review, the MPFA recommended adopting a two-phased approach in adjusting the max RI level, first raising it to \$25,000 and then to \$30,000. The two-phased approach took into account (1) views that a one-off increase from \$20,000 to \$30,000 would impose too heavy a financial burden on employers; and (2) that the MPFA would be reviewing the adjustment mechanism and the

progress of that review should be factored in. As the New Adjustment Mechanism would likely be in place after 2014, it is reasonable to consider proceeding with the phase two increase now. It is important that the max RI level reflects the income distribution of the working population so that the level of benefits of the MPF System can be maintained. The impact of increasing the max RI level to \$30,000 is set out in Annex D.

- (c) Allow three months from the approval of the new min RI level by the Legislative Council for implementation, while mindful that the implementation date of the min RI level should be as close as possible to the implementation date of the new SMW rate (i.e. 1 May 2013). As any amendment to the min RI level is subject to positive vetting by the Legislative Council, the MPFA cannot convey the adjusted level to employers and trustees until Council approval. Time needs to be allowed for the publicity campaign to reach all employers in Hong Kong and for the employers to make the necessary changes to their systems and procedures.

7.3 As to the timing for implementation of adjustment to the max RI level, the preference of the MPFA is to implement adjustments to both the min and max RI levels simultaneously for administrative simplicity.



## **8. A Related Issue – Simplification of the Contribution Calculation Methods for Casual Employees Joining Industry Schemes**

### **Background**

8.1 Casual employees in the construction industry and the catering industry are often daily-rated and paid more frequently than monthly (e.g. daily). This remuneration pattern might create an administrative burden on employers if they have to calculate the 5% mandatory contributions payable for each contribution period for each employee. In accordance with the Ordinance, the MPFA has made the Order (Annex B) exclusively for use by employers and casual employees in the construction industry and the catering industry participating in an industry scheme. The Order aims to provide simplified methods for calculation of the amount of mandatory contributions payable for and in respect of casual employees.

8.2 There are three scales of amounts of contributions to be made by an employer and an employee (“contribution scale”) under Part 1, Part 2 and Part 3 of Schedule to the Order. Each of the contribution scales reflects the current daily min and max RI levels of \$250 and \$830 prescribed in Schedules 2 and 3 to the Ordinance. The contribution scales in Part 1 and Part 2 are essentially the same. Hence, in simple terms, the Order can be said to prescribe two mutually exclusive contribution calculation methods each of which has a contribution scale applicable to a different situation: (i) casual employees who are paid income daily by their employers; (ii) casual employees who are paid income less frequently than daily.

### **Consultation on Issue**

8.3 In the light of operational experience gained and comments received from the construction industry that the two methods were too complicated to apply, the MPFA has conducted a review with the aim of simplifying the two contribution calculation methods. In 2012, the MPFA consulted the ISC and other stakeholders (the majority of which were employer groups and labour unions representing the construction and the catering industries) on the possible simplification options. It has been agreed that the two methods together with all the contribution scales under the Order should be replaced by a new method with a new

contribution scale. The new contribution scale, apart from reflecting the current daily min and max RI levels of \$250 and \$830, would contain easy-to-remember mandatory contribution amounts expressed in daily values which will apply to all casual employees in the construction and catering industries who are members of industry schemes for the determination of the amount of mandatory contributions payable. They can be daily-rated (be they daily-paid or non-daily-paid) and non-daily-rated (e.g. weekly-rated) casual employees. An employer of a daily-rated employee can simply ascertain the employee's daily income and check against the new contribution scale to identify the amount of contributions payable. In the case of a non-daily-rated employee, the employer will need to ascertain the employee's average daily income before checking against the new scale for the amount of contributions payable and computing the total amount of contributions to be paid.

8.4 When members of the ISC were again consulted on the adjustments to the min and max RI levels in January 2013 (as set out in paragraph 6.1 above), they expressed the views that the amendments relating to the aforesaid adjustments (as described in paragraphs 7.2 and 7.3 above) and those relating to the introduction of the new method with a new contribution scale (as described in paragraph 8.3 above) should be pursued at the same time such that the costs and effort for implementing the changes by employers and the industry can be reduced. As such, ISC members were also consulted on the revisions that might be made to the previously agreed new contribution scale for the purpose of reflecting the new daily min and max RI levels of \$280 and \$1,000.

### **Recommendations**

8.5 Taking into account the comments of the ISC and other stakeholders, the MPFA recommends that the Order be amended by replacing the two methods under the Order with a new method using a new contribution scale as set out in paragraph 8.3 above. We further recommend that the aforesaid amendments and those relating to the adjustments to the min and max RI levels be pursued at the same time. Under this approach, the new contribution scale reflecting the new daily min and max RI levels agreeable to the ISC is set out below:

	Daily income of casual employee	Employer's mandatory contribution	Employee's mandatory contribution
(1)	Less than \$280*	\$10	\$0
(2)	\$280 to less than \$350	\$15	\$15
(3)	\$350 to less than \$450	\$20	\$20
(4)	\$450 to less than \$550	\$25	\$25
(5)	\$550 to less than \$650	\$30	\$30
(6)	\$650 to less than \$750	\$35	\$35
(7)	\$750 to less than \$850	\$40	\$40
(8)	\$850 to less than \$950	\$45	\$45
(9)	\$950 to less than \$1,000	\$50	\$50
(10)	\$1,000* or more	\$50	\$50

\* New daily min and max RI levels

**An extract of the Mandatory Provident Fund Schemes Ordinance (Cap. 485)**

**Section 9**

**Heading: Minimum level of income for contribution purposes**

- (1) A relevant employee whose relevant income is less than the minimum level of relevant income is not required to contribute to a registered scheme but he may, if he so wishes, by notice in writing to his employer elect to do so.
- (2) An employer who receives a notice under subsection (1) must give effect to the election by making deductions and paying contributions in respect of the employee in accordance with section 7A.
- (3) A relevant employee may not make an election under subsection (1) in respect of a contribution period during which he is not a member of a registered scheme as required by section 7.
- (4) A self-employed person whose relevant income is less than the minimum level of relevant income is not required to contribute to a registered scheme.

**Section 10**

**Heading: Maximum level of income for contribution purposes**

- (1) A relevant employee whose relevant income is more than the maximum level of relevant income is not required to contribute to a registered scheme in respect of the excess relevant income but he may, if he so wishes, by notice in writing to his employer elect to do so.
- (2) An employer who receives a notice under subsection (1)—
  - (a) must give effect to the election by making deductions and paying contributions in respect of the employee in accordance with section 7A; and
  - (b) may also make contributions to the scheme in respect of that excess relevant income, but is not obliged to do so.
- (3) A relevant employee may not make an election under subsection (1) in respect of a contribution period during which he is not a member of a registered scheme as required by section 7.
- (4) A self-employed person whose relevant income is more than the maximum level of relevant income is not required to contribute to a registered scheme in respect of the

excess relevant income.

## **Section 10A**

### **Heading: Authority to conduct review of minimum and maximum levels of relevant income every 4 years**

- (1) The Authority must, not less than once in every period of 4 years beginning with the commencement of this section, conduct a review of the minimum level of relevant income and the maximum level of relevant income to ascertain whether or not there are grounds to amend Schedule 2 or 3 or Schedules 2 and 3.
- (2) Without limiting the factors which the Authority may take into account for the purposes of conducting a review mentioned in subsection (1), the Authority must take into account-
  - (a) in respect of the minimum level of relevant income, 50 per cent of the monthly median employment earnings prevailing at the time of the review as compiled from the General Household Survey conducted by the Census and Statistics Department; and
  - (b) in respect of the maximum level of relevant income, 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.

## **Schedule 2**

### **Heading: Minimum level of relevant income per contribution period**

- (1) The minimum level of relevant income, in the case of a relevant employee (not being a casual employee who is a member of an industry scheme), is –
  - (a) if the employee is remunerated on a monthly basis, \$6500 per month;
  - (b) if the employee is remunerated more frequently than on a monthly basis, \$250 per day;
  - (c) if the employee is remunerated less frequently than on a monthly basis, \$6500 per month, that amount as prorated.
- (2) The minimum level of relevant income is, in the case of a casual employee who is a member of an industry scheme, \$250 per day.
- (3) The minimum level of relevant income is, in the case of a self-employed person, \$6500 per month or \$78000 per year.

### **Schedule 3**

#### **Heading: Maximum level of relevant income per contribution period**

- (1) The maximum level of relevant income, in the case of a relevant employee (not being a casual employee who is a member of an industry scheme), is –
  - (a) if the employee is remunerated on a monthly basis, \$25000 per month;
  - (b) if the employee is remunerated more frequently than on a monthly basis, \$830 per day;
  - (c) if the employee is remunerated less frequently than on a monthly basis, \$25000 per month, that amount as prorated.
- (2) The maximum level of relevant income is, in the case of a casual employee who is a member of an industry scheme, \$830 per day.
- (3) The maximum level of relevant income is, in the case of a self-employed person, \$25000 per month or \$300000 per year.

**An extract of the Mandatory Provident Fund Schemes  
(Contributions for Casual Employees) Order (Cap.485E)**

**Schedule**

**Part 1**

Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income more than once a day

Total amount of relevant income paid by an employer to a casual employee in a day	Total amount to be contributed by the employer for that day	Total amount to be deducted by the employer from the employee's relevant income for that day
Less than \$250.00	\$7.50	Nil
\$250.00 or more but less than \$260.00	\$13.00	\$13.00
\$260.00 or more but less than \$390.00	\$15.00	\$15.00
\$390.00 or more but less than \$520.00	\$22.50	\$22.50
\$520.00 or more but not more than \$650.00	\$30.00	\$30.00
More than \$650.00 but not more than \$830.00	\$37.50	\$37.50
More than \$830.00	\$41.50	\$41.50

Part 2

Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income at least, but not more than, once a day

Amount of relevant income paid by an employer to a casual employee in a day	Amount to be contributed by the employer for that day	Amount to be deducted by the employer from the employee's relevant income for that day
Less than \$250.00	\$7.50	Nil
\$250.00 or more but less than \$260.00	\$13.00	\$13.00
\$260.00 or more but less than \$390.00	\$15.00	\$15.00
\$390.00 or more but less than \$520.00	\$22.50	\$22.50
\$520.00 or more but not more than \$650.00	\$30.00	\$30.00
More than \$650.00 but not more than \$830.00	\$37.50	\$37.50
More than \$830.00	\$41.50	\$41.50

Part 3

Scale of amounts of contributions to be made in the case of a casual employee to whom an employer pays the relevant income less frequently than once a day

Average amount of relevant income paid by an employer to a casual employee per day in a contribution period	Amount to be contributed by the employer for that contribution period	Amount to be deducted by the employer from the employee's relevant income for that contribution period
Less than \$250.00	5% of the relevant income paid by the employer to the employee for that contribution period	Nil
\$250.00 or more but not more than \$830.00	5% of the relevant income paid by the employer to the employee for that contribution period	5% of the relevant income paid by the employer to the employee for that contribution period
More than \$830.00	\$41.50 per day in that contribution period	\$41.50 per day in that contribution period



### Impact of Increasing Min RI Level to \$7,100

If the min RI level were adjusted to \$7,100, only employees (“EEs”) and self-employed persons (“SEPs”) with earnings at or above \$6,500 but below \$7,100 would be affected. A summary of the impact of the adjustment<sup>1</sup> is set out in the table below.

Overall impact on (a) total monthly contributions and (b) accrued benefits upon retirement per EE/SEP member

<b>EE / SEP monthly earnings</b>	<b>\$6,500 – &lt;\$7,100</b>
No. of EEs covered by MPF schemes (% of total no. of EEs covered by MPF schemes (i.e. 2 422 600))	53 300 (2.2%)
No. of SEPs covered by MPF schemes (% of total no. of SEPs covered by MPF schemes (i.e. 326 100))	8 400 (2.6%)
<b>(a) Total monthly contributions</b>	
Decrease in total monthly EE contributions	(\$18.17 million)
Decrease in total monthly SEP contributions	(\$2.92 million)
<b>Total decrease in monthly contributions</b>	<b>(\$21.09 million)</b>
<b>(b) Accrued benefits upon retirement per member<sup>2</sup></b>	
Decrease in accrued benefits upon retirement per EE member	<b>(\$213,500)</b>
Decrease in accrued benefits upon retirement per SEP member	<b>(\$217,200)</b>

<sup>1</sup> Estimations are based on the information obtained from various sources including (i) the Q3 2012 GHS compiled by C&SD; (ii) the information provided by the FSTB; and (iii) the September 2012 MPF Schemes Statistical Digest issued by the MPFA.

<sup>2</sup> Estimations are based on the assumption that the member is at the age of 35 and makes MPF contributions for 30 years and investment return is at 3.4% per annum (i.e. the same rate as the annualized internal rate of return of MPF System for the period from 1 December 2000 to 30 September 2012).

### Impact of Increasing Max RI Level to \$30,000

If the max RI level were adjusted to \$30,000, the adjustment would affect employees (“EEs”) (and their employers (“ERs”)) and self-employed persons (“SEPs”) whose earnings exceed \$25,000. A summary of the impact of the adjustment<sup>1</sup> is set out in the table below.

Overall impact on (a) total monthly contributions and (b) accrued benefits upon retirement per EE/SEP member

EE/ SEP monthly earnings	\$25,000 – \$30,000	>\$30,000	>\$25,000
No. of EEs covered by MPF schemes (% of total no. of EEs covered by MPF schemes (i.e. 2 422 600))	126 000 (5.2%)	251 200 (10.4%)	377 200 (15.6%)
No. of SEPs covered by MPF schemes (% of total no. of SEPs covered by MPF schemes (i.e. 326 100))	26 100 (8.0%)	45 500 (14.0%)	71 600 (22.0%)
<b>(a) Total monthly contributions</b>			
Increase in total monthly ER contributions	\$25.73 million	\$62.79 million	\$88.52 million
Increase in total monthly EE contributions	\$25.73 million	\$62.79 million	\$88.52 million
Increase in total monthly SEP contributions	\$5.61 million	\$11.38 million	\$16.99 million
<b>Total increase in monthly contributions</b>	<b>\$57.07 million</b>	<b>\$136.96 million</b>	<b>\$194.03 million</b>
<b>(b) Accrued benefits upon retirement per member<sup>2</sup></b>			
Increase in accrued benefits upon retirement per EE member			
- ER contributions	\$127,900	\$156,500	\$147,000
- EE contributions	\$127,900	\$156,500	\$147,000
<b>Total</b>	<b>\$255,800</b>	<b>\$313,000</b>	<b>\$294,000</b>
Increase in accrued benefits upon retirement per SEP member	<b>\$134,600</b>	<b>\$156,500</b>	<b>\$148,600</b>

<sup>1</sup> Estimations are based on the information obtained from various sources including (i) the Q3 2012 GHS compiled by C&SD; (ii) the information provided by the FSTB; and (iii) the September 2012 MPF Schemes Statistical Digest issued by the MPFA.

<sup>2</sup> Estimations are based on the assumption that the member is at the age of 35 and makes MPF contributions for 30 years and investment return is at 3.4% per annum (i.e. the same rate as the annualized internal rate of return of MPF System for the period from 1 December 2000 to 30 September 2012).