香港特別行政區政府
財經事務及庫務局
財經事務科
香港添馬添美道二號
政府總部二十四樓

FINANCIAL SERVICES BRANCH
FINANCIAL SERVICES AND
THE TREASURY BUREAU
GOVERNMENT OF THE HONG KONG
SPECIAL ADMINISTRATIVE REGION
24TH FLOOR
CENTRAL GOVERNMENT OFFICES
2 TIM MEI AVENUE
TAMAR
HONG KONG

電　話 TEL.: 2810 2156
圖文傳真 FAX.: 2865 6778
本函檔號 OUR REF.:
來函檔號 YOUR REF.: CB1/PL/FA

3 June 2014

Ms Angel SHEK
Senior Council Secretary
Legislative Council Complex
1 Legislative Council Road
Central
Hong Kong
(Fax No.: 3529 2837)

Dear Ms SHEK,

Legislative Council Panel on Financial Affairs

Follow-up actions arising from the meeting on 5 May 2014
Mandatory Provident Fund Schemes (Amendment) Bill 2014

Thank you for your letter of 7 May 2014. Our responses to the issues raised at the meeting on 5 May 2014 are set out in the ensuing paragraphs.

To relax the definition of terminal illness (remaining life expectancy of 12 months) given that the provision of a medical certificate that a person is suffering from a terminal illness or a certain stage of the terminal illness should suffice to justify the early withdrawal

2. To ensure effective and efficient administration so as to keep administrative cost as low as practicable, we need an easy-to-understand and objective definition of "terminal illness" so that the claim procedure will be straightforward. The proposed definition of "remaining life expectancy of 12 months" is the outcome of the public consultation on the proposals launched in December 2011 and subsequent intensive discussion with medical professional

bodies. We have also drawn reference to the 12-month life expectancy yardstick adopted for similar purposes in the Australian Superannuation System.

To allow early withdrawal of MPF accrued benefits by scheme members for meeting expenses on medical examination, treatment or surgery which is essential to enable early diagnosis and healing of terminal illnesses

3. The rationale for proposing "terminal illness" as the additional ground for early withdrawal of Mandatory Provident Fund ("MPF") benefits is that preserving MPF benefits for old age protection becomes significantly less relevant for a dying person.

4. Other additional grounds for early withdrawal of MPF benefits were thoroughly discussed during the public consultation in 2011-2012. We need to evaluate other additional grounds for early withdrawal in the context that the MPF system is a dedicated scheme designed exclusively for retirement benefits for the workforce in Hong Kong and the relatively low rate of contribution. Allowing early withdrawal for medical treatment should be weighed against the consideration that the scheme member, if not terminally ill, still requires retirement protection. Allowing such an early withdrawal means less will be remained for the retirement needs of the scheme member concerned in future. Given that the public healthcare system in Hong Kong provides adequate healthcare services to members of the public, we do not consider that using MPF benefits for medical treatment should be included as an additional ground for early withdrawal at this stage. However, we will continue to keep under review the scope of the grounds for early withdrawal in future review exercises.

To consider providing greater flexibility in withdrawal, including increasing the number of withdrawals per year that are free of charge

5. We aim to maintain a relatively simple and efficient administrative framework to keep administrative cost in the MPF system as low as practicable. Higher frequency of withdrawals means higher administrative costs.

6. Our proposal seeks to strike a reasonable balance between improving the flexibility in withdrawal to scheme members and maintaining the efficiency and cost-effectiveness of the MPF System. In light of the views of Panel Members, we have further liaised with the industry on the free-of-charge phased withdrawal arrangement, and amended the proposal to statutorily require trustees to allow scheme members to withdraw once a month with at least $5,000 for each instalment, free of charge.

To consider providing incentives (e.g. a higher percentage of guaranteed return from the MPF investment concerned) to encourage scheme members to opt for phased-withdrawal of MPF accrued benefits instead of one-off withdrawal in a lump sum, so that scheme members will better plan the use of the retirement funds

7. When deciding whether to withdraw their MPF benefits by phase and, if so, the frequency of withdrawals and the amount of each withdrawal, a scheme member should have regard to his own situation, including his personal preferences, levels of risk tolerance and other sources of wealth. Phased-withdrawal is not necessarily the best option for a scheme member. Providing financial incentives to encourage phased-withdrawal is therefore not justified.

8. If the Bill is passed by the Legislative Council, the Mandatory Provident Fund Schemes Authority will enhance its education and publicity efforts to remind scheme members that if they are not in urgent need of the MPF benefits upon retirement, they may consider keeping the benefits in their personal accounts for continuous investment until they have the need to withdraw them.

Yours sincerely,

(Eddie Cheung)
for Secretary for Financial Services and the Treasury

c.c. Mandatory Provident Fund Schemes Authority (Attn: Darren McShane)