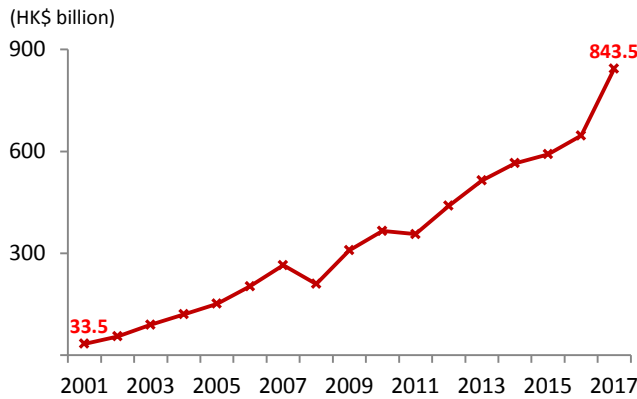




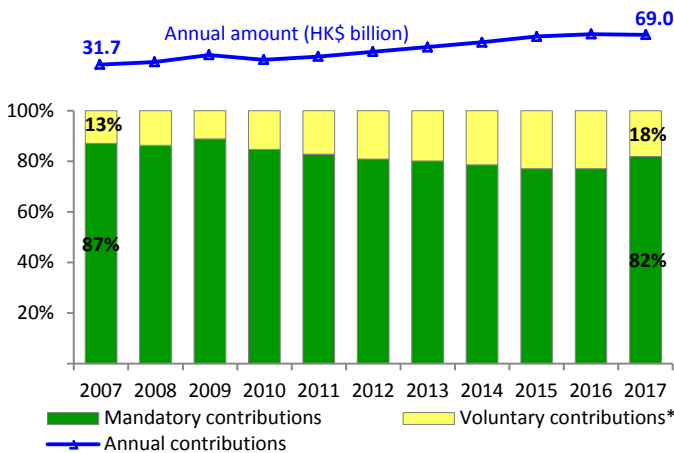
## Mandatory Provident Fund and offsetting mechanism

**Figure 1 – MPF asset value up to 2017\***



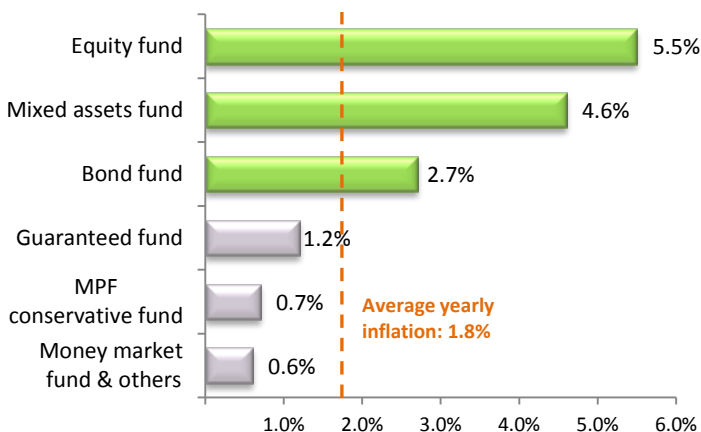
Note: (\*) Figures as at end of the year.

**Figure 2 – Annual MPF contributions by type during 2007-2017**



Note: (\*) Including Special Voluntary Contributions.

**Figure 3 – Average annual rate of return# of MPF funds by type up to 2017**



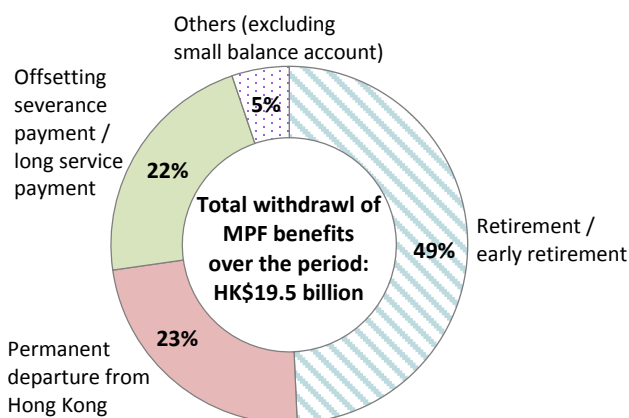
Note: (#) Refers to the annualized return rate (net of fees and charges) since December 2000.

### Highlights

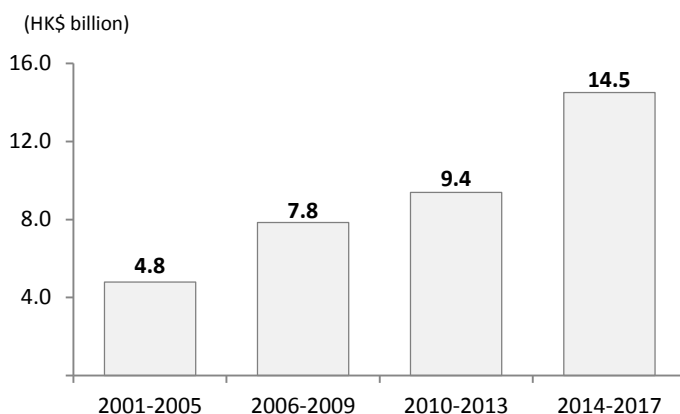
- The Mandatory Provident Fund ("MPF") System implemented since December 2000 is a key pillar of retirement protection in Hong Kong. At end-2017, some 3.1 million persons have been enrolled into the MPF scheme, representing 97% of the employed population subject to the statutory requirement of MPF participation. Over the past 17 years, the aggregate net asset value of MPF has surged by 24 times to HK\$844 billion at end-2017 (Figure 1).
- The MPF assets come from two major sources, namely annual contributions from enrolled members and investment return. For the former, its annual inflow has risen steeply by 118% over the past decade to HK\$69 billion in 2017. Within this total, mandatory contributions took up a lion share of 82%. The relative share of voluntary contributions also enlarged by 5 percentage points within a decade to 18% in 2017, along with a growing public awareness to accumulate additional savings for retirement (Figure 2).
- On investment return, overall average annual rate of return was 4.8% at end-2017, up from 2.8% at end-2016. To a certain extent, the visible improvement in trend return rate was attributable to the robust performance of the equity fund last year, as witnessed in the 36% increase in Hang Seng Index in 2017. Analyzed by type, the trend return rate of equity fund (5.5%), mixed assets fund (4.6%) and bond fund (2.7%) could beat the trend inflation rate of 1.8% over the 17 years, but this was not so for guaranteed fund (1.2%), conservative fund (0.7%) and money market fund (0.6%) (Figure 3).

## Mandatory Provident Fund and offsetting mechanism (cont'd)

**Figure 4 – Withdrawal of MPF benefits in 2017**



**Figure 5 – Offsetting amount during 2001-2017**



**Figure 6 – Number of employees involved in MPF offsetting during 2014-2016\***

	2014	2015	2016
Number of employees involved	43 500	45 300	49 300
- Percentage in enrolment	2%	2%	2%
- Average offsetting amount per employee (HK\$)	69,200	74,100	78,300

Note: (\*) Figures have been available since 2014.

### Highlights

- By and large, the accrued benefits of MPF could be withdrawn only if (a) members reach the retirement age of 65 or seek early retirement; (b) members have terminal illness; (c) members emigrate from Hong Kong; and (d) employers use them to offset severance payments ("SP") or long service payments ("LSP").
- In 2017, a total of HK\$19.5 billion of accrued benefits was withdrawn, representing 2% of total MPF assets. Analyzed by reasons of withdrawal, retirement took up the largest share of 49%, followed by permanent departure from Hong Kong (23%) and offsetting SP/LSP (22%) (Figure 4).
- There have been persistent public concerns over the offsetting arrangement which could reduce the amount of MPF benefits of the retirees. Over the past 17 years, the total sum of MPF assets used to offset SP/LSP was HK\$36.5 billion, equivalent to about 4% of overall MPF assets at end-2017. Moreover, the offsetting amount has been on a broad uptrend, totaling at HK\$14.5 billion during 2014-2017 (Figure 5).
- In 2016, 49 300 employees were affected by the offsetting arrangement, accounting for 2% of the employees enrolled into MPF System (Figure 6). The Government has been discussing with the business sector and labour organizations on how to progressively abolish the offsetting mechanism. In May 2018, the Government presented the preliminary idea on the arrangement and it aims to introduce the bill into the Legislative Council by end-2019.

Data source: Latest figures from the Mandatory Provident Fund Schemes Authority.

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21 May 2018  
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