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Legislative Council

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Panel on Financial Affairs

Minutes of special meeting
held on Thursday, 1 February 2007 at 2:30 pm
in the Chamber of the Legislative Council Building

Members present	:	Hon CHAN Kam-lam, SBS, JP (Chairman) Hon James TIEN Pei-chun, GBS, JP Hon James TO Kun-sun Hon SIN Chung-kai, JP Hon Emily LAU Wai-hing, JP Hon Abraham SHEK Lai-him, JP Hon Jeffrey LAM Kin-fung, SBS, JP Hon Andrew LEUNG Kwan-yuen, SBS, JP Hon Ronny TONG Ka-wah, SC Hon CHIM Pui-chung Hon TAM Heung-man
Members attending	:	Hon LEE Cheuk-yan Hon CHAN Yuen-han, JP Hon WONG Kwok-hing, MH Hon LEUNG Kwok-hung Dr Hon Fernando CHEUNG Chiu-hung
Members absent	:	Hon Bernard CHAN, GBS, JP (Deputy Chairman) Hon Albert HO Chun-yan Ir Dr Hon Raymond HO Chung-tai, SBS, S.B.St.J., JP Dr Hon David LI Kwok-po, GBS, JP Hon WONG Ting-kwong, BBS

Public officers attending	**:**	<u>Agenda Item I</u> Ms Cora HO Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)
Attendance by Invitation	**:**	<u>Agenda Item I</u> <u>Mandatory Provident Fund Schemes Authority</u> Mr Darren MCSHANE Executive Director (Regulation and Policy) Ms Gabriella YEE Senior Manager (Policy and Development) <u>Employers' Federation of Hong Kong</u> Mr Louis PONG Chief Executive Officer Ms Jodi KOON Senior Director – Operations <u>Federation of Hong Kong Industries</u> Mr Clement CHEN Deputy Chairman Mr Roger TAM Manager <u>The Hong Kong Chamber of Small and Medium Business Limited</u> Mr Dennis NG President Mr Felix CHAN Immediate Past President <u>The Hong Kong Chinese Importers' and Exporters' Association</u> Mr CHENG Kai-ming Vice President

Mr CHAN Fung-ping
Vice President

Hong Kong Confederation of Trade Unions

Mr IU Chung-yiu
Vice-chairman

Ms CHEUNG-Lai-ha
Vice-chairman

Hong Kong Small and Medium Enterprises Association

Mr Danny LAU
Chairman

The Hong Kong Federation of Trade Union (Rights and Benefits Committee)

Mr FUNG Kin-cho
Deputy Director

Mr SO Pak-tsan
Committee Member

Clerk in attendance: Miss Polly YEUNG
Chief Council Secretary (1)5

Staff in attendance : Ms Annette LAM
Senior Council Secretary (1)3

Ms Rosalind MA
Senior Council Secretary (1)8

Mr Justin TAM
Council Secretary (1)3

Ms Sharon CHAN
Legislative Assistant (1)8

Action

I. Review of the minimum and maximum relevant income levels for Mandatory Provident Fund contributions

Presentation by deputations

Members noted that submissions had been provided by the following organizations/individual not attending the meeting:

The Chinese General Chamber of Commerce
(LC Paper No. CB(1)848/06-07(01) -- Submission)

The Chinese Manufacturers' Association of Hong Kong
(LC Paper No. CB(1)822/06-07(07) -- Submission)

The Federation of Hong Kong and Kowloon Labour Unions
(LC Paper No. CB(1)822/06-07(08) -- Submission)

The Hong Kong Chinese Enterprises Association
(LC Paper No. CB(1)822/06-07(09) -- Submission)

Hong Kong General Chamber of Commerce
(LC Paper No. CB(1)848/06-07(02) -- Submission)

Hong Kong Investment Funds Association
(LC Paper No. CB(1)822/06-07(10) -- Submission)

Hong Kong Trustees' Association Ltd
(LC Paper No. CB(1)822/06-07(11) -- Submission)

Mr HO Man-kit, Raymond, Member, Sai Kung District Council
(LC Paper No. CB(1)822/06-07(12) -- Submission)

The Hong Kong Retirement Schemes Association
(LC Paper No. CB(1)862/06-07(02) -- Submission)

2. The Chairman invited representatives of the deputations to present views on the review of the minimum and maximum relevant income levels for Mandatory Provident Fund (MPF) contributions.

Employers' Federation of Hong Kong
(LC Paper No. CB(1)822/06-07(02) -- Submission)

3. Mr Louis PONG, Chief Executive Officer of Employers' Federation of Hong Kong (EFHK) said that EFHK had no objection to the proposed increase of the maximum level of relevant income. According to the survey conducted by EFHK among their member companies, over 70% of the respondents considered

the proposed adjustment of the maximum relevant income acceptable. However, there was concern about the range of increase (i.e. 50%, from $20,000 to $30,000) and its financial implications on member companies. EFHK considered it more desirable to make adjustments of the relevant income in a more regular and thus more gradual manner.

Federation of Hong Kong Industries
(LC Paper No. CB(1)822/06-07(03) -- Submission)

4. Mr Clement CHEN, Deputy Chairman of Federation of Hong Kong Industries (FHKI) said that FHKI was against the proposal to increase the maximum level of relevant income from $20,000 to $30,000 per month. FHKI considered that the proposed increase was at variance with the salary and price trends (with a drop in the percentage of workforce earning a monthly income at $20,000 or above from 21.6% in the fourth quarter of 2000 to 20.8% in the third quarter of 2006 and prevailing consumer prices being lower than those in 2000 after successive years of deflation). Moreover, the proposed increase, if implemented, would incur an additional annual cost of HK$1.6 billion on Hong Kong employers, curtailing their competitiveness in the global market. Employers might resort to dismissing their workers or cutting their wages in an attempt to reduce costs. As a result, low skilled workers might suffer greater hardship given their limited bargaining power in the labour market.

The Hong Kong Chamber of Small and Medium Business Limited
(LC Paper No. CB(1)822/06-07(04) (Revised) -- Submission)

5. Mr Dennis NG, President of The Hong Kong Chamber of Small and Medium Business Ltd (HKCSMB) said that HKCSMB supported the proposal to maintain the minimum relevant income level at $5,000; but opposed the proposed increase of the maximum relevant income from $20,000 to $30,000. The proposed increase would increase the operating costs of small and medium enterprise (SMEs) and hamper their competitiveness. It might not be necessary to require additional MPF contributions for high income earners in respect of their monthly income in excess of $20,000 as they might already be making other investments in preparation for retirement. On the other hand, HKCSMB considered that lower income earners had a genuine need for retirement protection through mandatory contribution schemes. It therefore put forward other options of retirement schemes in which the Government would also make contributions for the retirement benefits of scheme members in addition to those made by employers and employees.

The Hong Kong Chinese Importers' & Exporters' Association
(LC Paper No. CB(1)822/06-07(05) -- Submission)

6. Mr CHENG Kai-ming, Vice President of The Hong Kong Chinese Importers' and Exporters' Association (HKCIEA) said that HKCIEA agreed to the proposal of increasing the maximum relevant income to $30,000 per month. If effected, the amount of accrued benefits available for retirement would increase,

thereby providing better retirement protection to employees. HKCIEA considered it reasonable for employers to increase their mandatory contributions along with the economic recovery. As to the minimum relevant income, HKCIEA considered that this should be increased to $6,000 per month given that employees earning a monthly income of $5,000 could barely make ends meet and might have difficulty in making MPF contributions. In addition, HKCIEA suggested that as an incentive for preparation for retirement, tax concessions should be provided for voluntary contributions made by the employees.

Hong Kong Confederation of Trade Unions
(LC Paper No. CB(1)822/06-07(06) -- Submission)

7. Mr IU Chung-yiu, Vice-chairman of Hong Kong Confederation of Trade Unions (HKCTU) said that HKCTU was in support of the proposed increase of the maximum relevant income. It was of the view that the financial impact of the increased amount of MPF contribution would not be significant on higher income earners with monthly income above $20,000. HKCTU however urged the Administration to increase the minimum relevant income from $5,000 to $6,000 per month as the $6,000 level was in line with the proposed level of statutory minimum wage advocated by HKCTU. As employees with a monthly income of $5,000 could barely make ends meet, it was unreasonable to mandate these workers to make contributions out of their meagre income for their future retirement protection. As the accrued benefits for lower income earners would unlikely be sufficient to cater for their retirement protection, HKCTU was of the view that the Government should also be a party to make contributions in addition to employers and employees.

Hong Kong Small and Medium Enterprise Association
(LC Paper No. CB(1)1057/06-07(01) -- Submission)

8. Mr Danny LAU, Chairman of Hong Kong Small and Medium Enterprise Association (HKSMEA) advised that according to a survey conducted by HKSMEA, 80% of the respondents objected to the proposed increase of the maximum relevant income to $30,000 per month while all agreed that the minimum relevant income level be maintained. Although SMEs did not employ a large number of employees with income exceeding $20,000 a month, Mr LAU pointed out that these enterprises were already operating under a very difficult business environment in the face of keen competition from the Mainland rivals and the appreciation of Reminbi.

The Hong Kong Federation of Trade Union (Rights and Benefits Committee)
(LC Paper No. CB(1)862/06-07(01) -- Submission)

9. Mr FUNG Kin-cho, Deputy Director of The Hong Kong Federation of Trade Union (Rights and Benefits Committee) (HKFTU(RBC)) said that HKFTU(RBC) was in support of the proposed increase in the maximum relevant income. Pointing out that some employers had purposely designated part of the employees' salary as housing allowance to evade MPF contributions,

HKFTU(RBC) urged the Administration to amend the definition of "relevant income" under section 2 of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) so that housing allowance and housing benefit would be included as relevant income for the purpose of MPF contributions. The Administration should also review the existing threshold for the minimum relevant income, which was set with reference to 50% of the monthly median employment earnings in accordance with section 10A of MPFSO. Given the increase in the number of lower income earners since 2001 and the expected inflationary pressure in the years to come, HKFTU(RBC) suggested that the minimum relevant income should be increased from $5,000 to $6,000 to relieve the financial burden of the lower income earners.

Meeting with the Administration, the Mandatory Provident Fund Schemes Authority and the deputations

(LC Paper No. CB(1)822/06-07(01)	—	Written response to issues raised at the Panel meeting on 5 January 2007 provided by the Administration and the Mandatory Provident Fund Schemes Authority
LC Paper No. CB(1)820/06-07	—	Updated Background Brief prepared by the Legislative Council Secretariat on "Review of the minimum and maximum relevant income levels for Mandatory Provident Fund contributions"
LC Paper No. CB(1)602/06-07(03)	—	The Mandatory Provident Fund Schemes Authority's paper on "Adjustment of the minimum and maximum levels of relevant income"
LC Paper No. CB(1)646/06-07(01)	—	Powerpoint presentation material on "Review of the minimum and maximum relevant income levels for Mandatory Provident Fund contributions")

Response by the Mandatory Provident Fund Schemes Authority

10. At the invitation of the Chairman, Mr Darren MCSHANE, the Executive Director (Regulation and Policy), Mandatory Provident Fund Schemes Authority (ED(RP)/MPFA) gave a preliminary response to the views and concerns expressed by the deputations. He stressed that the purpose of the review of the minimum and maximum relevant income levels was to ascertain whether the relevant income levels for MPF contributions should be adjusted to maintain the relativity of the MPF System with the changes in employment earnings. He then recapped the

rationale behind the setting of the minimum and maximum levels of relevant income, as well as the criteria adopted in the review, as follows:

(a) The rationale behind the setting of the minimum level of relevant income was that an employee or a self-employed person (SEP) whose income was below a certain threshold might face significant financial difficulties if required to make MPF contributions. Under the relevant provision of MPFSO, in reviewing the minimum level of relevant income, MPFA must take into account, inter alia, the findings prevailing at the time of the review as compiled from the General Household Survey (GHS) the 50% monthly median employment earnings.

(b) The rationale behind the setting of the maximum level of relevant income was that the MPF System was meant to cater for basic retirement needs. Employees and SEPs whose income exceeded a certain level would not be mandated to make contributions in respect of income in excess of the relevant income. Regarding the maximum level of relevant income, one of the factors which MPFA must take into account was the 90th percentile of the monthly employment earnings distribution as compiled from GHS.

11. ED(RP)/MPFA assured members that to devise an option that would best represent the interest of the community at large, MPFA would work closely with the Administration in exploring the way forward for the adjustment to the minimum and maximum levels of relevant income, if any, having regard to the views expressed by the deputations and in other written submissions.

Impact of the proposed increase in the maximum level of relevant income

12. Mr WONG Kwok-hing supported the proposed increase of the maximum relevant income from $20,000 to $30,000 per month and was pleased to note that the majority of the deputations were also in support of the proposal. He called on the Administration to take heed of the views received in considering the recommendations of MPFA. Mr LEE Cheuk-yan also supported the proposal and opined that given their smaller scale of business, SMEs would unlikely have a large number of employees falling within the high income bands. As a result, the financial burden of the proposed increase on SMEs should not be significant.

13. Referring to the figures on employment earnings in the submission of FHKI (LC Paper No. CB(1)822/06-07(03)), Ms Emily LAU noted that the percentage of workforce with a monthly income of $20,000 or above had dropped from 21.6% in 2000 to 20.8% in 2006. In the light of the robust economic growth in the past two years, Ms LAU doubted why employment earnings had not increased with the economic recovery and whether business enterprises were reluctant in making additional MPF contributions. She was concerned that

employees might get the impression that their employers did not care about their welfare, thereby creating an adverse impact on labour relations.

14. Mr Clement CHEN explained that the figures quoted in the submission of FHKI were obtained from the report published by the Census and Statistics Department (CSD). FHKI had objected to the proposed 50% increase of the maximum relevant income level from $20,000 to $30,000 as the increase was at variance with the salary and price trends as reflected by the statistics in employment earnings and the Composite Consumer Price Index compiled by CSD. Mr Clement CHEN and Mr Dennis NG pointed out that SMEs were operating in a very difficult and competitive business environment, in particular SMEs in the manufacturing sector with production bases in the Mainland, as many of them had employed a considerable number of high-income managerial/professional staff in their Hong Kong offices. The financial implication of the proposed increase in the maximum relevant income on these SMEs should not be overlooked. Mr NG was of the view that the proposed adjustment to the maximum relevant income level might only enhance protection to some 100 000 employees within the income bands of $20,000 to $30,000 and therefore, it might not be worthwhile to legislate for such a relatively small target group.

15. Mr Louis PONG pointed out that while EFHK had no objection to the proposed increase of the maximum relevant income, it did not mean that EFHK welcomed the increase. As employers, members of EFHK generally considered it acceptable to make adjustments to the relevant income levels for MPF contributions to maintain the relativity of the System to changes in employment income over time. However, they were also concerned about the financial burden resulting from the abrupt increase of the maximum relevant income from $20,000 to $30,000 per month.

16. Noting the concern of EFHK on the extent of the proposed increase, Mr LEE Cheuk-yan said that he was prepared to accept a gradual increase in phases to alleviate the immediate financial burden on employers. Mr LEE however expressed concern about the current arrangement under which the amount of MPF contributions made by the Government as the employer of non-civil service contract (NCSC) staff would be offset by deducting the equivalent amount from the end-of-contract gratuity payable to the officers concerned. He considered this arrangement unfair to the NCSC staff and requested the Administration to provide information on the underlying rationale. Moreover, Mr LEE requested the Administration to confirm whether the additional MPF contribution to be made in respect of NCSC staff by the Government would likewise be deducted from the end-of-contract gratuity of the officers concerned, if the proposed increase in the maximum relevant income level was implemented.

(*Post-meeting note:* The Administration's response to Mr LEE Cheuk-yan's concern was circulated to members vide LC Paper No CB(1)1032/06-07(01) on 28 February 2007)

17. Dr Fernando CHEUNG expressed similar concern. As an employee of the Hong Kong Polytechnic University, Dr CHEUNG said that it was a common practice in the tertiary education sector that the MPF contributions made in respect of the employees were offset by deducting the equivalent amount from the end-of-contract gratuity payable to the staff concerned. He doubted whether this practice was also commonly adopted in the private sector or unique to the public and subvented sectors. In reply, ED(RP)/MPFA advised that as a general principle, a variety of income components counted towards MPF contributions and gratuity was one of them.

18. Noting that the income of employees in the income bands above $20,000 per month had remained rather static since 2000, Mr Jeffrey LAM was of the view that the increase in the maximum relevant income would add to the financial burden of these employees. Mr Abraham SHEK expressed similar concern and sought information on the financial implications on employers and employees with breakdown by income bands, say, at $22,000, $24,000, $26,000 etc. Mr Jeffrey LAM also pointed out that the financial burden on employers and employees would further increase if other contribution schemes being examined by the Administration (for example, a mandatory medical insurance scheme) were introduced. In this connection, he asked whether the Administration and the deputations representing the business sector had taken into account other upcoming schemes and relevant factors which might affect operating costs when considering the proposed increase in the maximum relevant income.

19. In response, the Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) (PAS(FS)) advised that MPFA had provided in its paper to the Panel meeting in January 2007 an analysis on the impact of the proposal on the amount of mandatory contributions payable by employers and employees. However, the information requested by Mr Abraham SHEK with a breakdown by different income bands was not available. She stressed that the adjustment mechanism applicable to the minimum and maximum relevant income levels for MPF contributions had been adopted since 1995. In considering the legislative amendments to MPFSO in 2002, LegCo had approved the adoption of the existing adjustment mechanism (including the thresholds for determining the maximum and minimum relevant income levels as set out in paragraph 10(a) and (b) above).

20. On the impact of the proposed increase in maximum relevant income on employers and employees by different income bands, ED(RP)/MPFA explained that the impact varied according to the income level of the employees concerned. Notwithstanding a proposed 50% increase in the relevant income level from $20,000 to $30,000 per month, the percentage increase of MPF contributions by employers and employees would be of a much smaller extent. By way of illustration, an employer and an employee would have to make an additional contribution of $250 each for monthly income of $25,000 (constituting 1% of the monthly income) and the percentage increase would peak at employees with monthly income of $30,000 who would make an additional contribution of $500 (constituting 1.67% of the monthly income).

21. Mr LEUNG Kwok-hung pointed out that the major question to be addressed in determining the need or otherwise for an increase in the maximum relevant income was whether employees within the income bands of $20,000 to $30,000 per month were also making adequate voluntary contributions or investments to meet their retirement needs. Noting the objection of some deputations of the business sector against the proposed increase, he urged business enterprises to provide further information on whether and how the impact of the proposal would render their business operation unprofitable; and whether these high-income employees were provided with other retirement schemes with benefits above those of the MPF System.

22. In response, Mr Felix CHAN, the immediate past President of HKCSMB, recalled that prior to implementation of the MPF System, there had been controversy over whether it was the best option to provide for retirement protection in Hong Kong. Mr CHAN considered that the simple taxation system of Hong Kong was the cornerstone of its success. In his view, business enterprises had fulfilled their social responsibility through the payment of Profits Tax and it should be the responsibility of the Government to put in place publicly-funded schemes for the retirement protection of the workforce. While a safety net should be provided by the Government to help the elderly population in poverty, Mr CHAN highlighted that every individual should also make personal savings and plans for their retirement. Given that employees were paid wages, Mr CHAN questioned whether it would be fair to further mandate employers to make contributions for the retirement protection of their employees.

23. Ms Emily LAU disagreed that social responsibility could be discharged merely by paying Profits Tax. She pointed out that enterprises were increasingly conscious of their corporate responsibility and the need to enhance their corporate image through active participation in community activities. Improvement in employees' benefits, including better retirement protection, were measures taken by enlightened employers.

24. Mr Felix CHAN commented that the current MPF System had its pros and cons. He appreciated that different sectors of the community might have varied views on the System and stressed the importance for different stakeholders to balance their interests and arrive at some consensus over the arrangements for the MPF System.

Minimum level of relevant income

25. Miss CHAN Yuen-han and Dr Fernando CHEUNG were of the view that the current minimum relevant income level of $5,000 per month was too low as lower income earners would have difficulties in making ends meet in the face of upcoming inflation and static growth in employment earnings. They noted that raising the minimum relevant income level would reduce the number of employees making MPF contributions and hence, the accrued benefits available to scheme members upon retirement. However, they urged that the immediate financial

hardship of the lower income earners had to be addressed with priority. Miss CHAN and Dr CHEUNG shared the view that the Government should step up efforts in exploring other forms of retirement protection schemes for the entire population, such as an old age pension scheme. Noting that the Central Policy Unit planned to complete its study on "Sustainability of the Three Pillars of Retirement Protection in Hong Kong" by end 2007, Miss CHAN urged the Administration to actively consider the suggestion of increasing the minimum relevant income and report its decision to the Panel as soon as possible.

26. In this connection, PAS(FS) advised that as explained at the last Panel meeting held on 5 January 2007, revision (if any) to the relevant income levels for MPF contributions would be effected by amendments to MPFSO, which would be subject to the scrutiny and approval of LegCo. She said that at the present stage, the Administration would need to consider the views of LegCo Members and stakeholders before making a decision. As such, it did not have a concrete timetable for introducing the legislative amendments in question. PAS(FS) further advised that apart from the proposed adjustment to the relevant income levels for MPF contributions, the Administration was also examining a package of proposals to improve the MPF System and planned to introduce the relevant legislative proposal in the 2006-07 legislative session to give effect to these improvements.

27. Mr LEE Cheuk-yan urged the business sector to support the suggestion of increasing the minimum relevant income from $5,000 to $6,000 per month having regard to the financial difficulties of these lower income earners. He recalled that the same suggestion had been put forward during the scrutiny of the legislative amendments to MPFSO in 2002 but it could not receive the majority support of LegCo.

28. Mr Louis PONG said that EFHK had reservation on increasing the minimum relevant income to $6,000 as this would reduce the number of lower income earners making MPF contributions and defeat the purpose of the MPF System for providing retirement protection to the lower income group.

Objective of the Mandatory Provident Fund System

29. Mr Clement CHEN was of the view that the major purpose of the MPF System should be to provide retirement protection for lower-income employees who would otherwise be unable to cater for their retirement needs on their own accord. Mr Dennis NG shared his view. Mr CHEN opined that the setting of the minimum and maximum relevant income levels for MPF contribution had limited the coverage of the MPF contribution net and targeted the MPF System at the lower income earners.

30. In response, PAS(FS) advised that the MPF System was based on the principle of "preparing for the rainy days" and was designed to form one of the pillars under the three-pillar approach to retirement protection advocated by the World Bank, the other two being a publicly managed, tax-financed social safety net and voluntary personal savings and insurance. She clarified that the objective

of the MPF System was to enhance the retirement protection for the entire workforce, not merely lower-income earners, through a mandatory contribution scheme.

31. Mr LEUNG Kwok-hung did not subscribe to the Administration's explanation and queried the efficacy of the System in providing adequate retirement protection for the entire workforce, in particular lower-income workers.

32. Noting the Administration's clarification that the MPF System was targeted at the entire workforce, Ms Emily LAU considered that deputations from the business sector which opposed raising the maximum relevant income level should re-consider the proposal in the light of the objective of the MPF System.

Other concerns

33. Mr WONG Kwok-hing expressed concern about the current arrangements that employers who had made severance payment/long service payment to their employees in accordance with the Employment Ordinance (Cap.57) could offset the corresponding amounts from the employees' vested benefits which were attributable to the employers' contributions. He also pointed out that some employers had tried to evade their responsibility in making MPF contributions by designating a sizable portion of the employee's income as housing allowance, thereby reducing the amount of income based on which the amount of MPF contributions were calculated. He therefore considered that the existing definition of "relevant income" under MPFSO might need to be reviewed.

34. Mr LEUNG Kwok-hung considered that the MPF System should be supplemented by a publicly managed, tax-financed universal retirement fund scheme in the long run. As a start, Mr LEUNG said that the MPF System should be improved at least by discontinuing the offsetting of severance payment/long service payment.

35. Mr LEE Cheuk-yan and Miss TAM Heung-man concurred that the offsetting arrangements should be discontinued. Mr LEE commented that the projection on the accrued benefits available to employees upon retirement made under the three modellings provided by the Administration/MPFA did not give a realistic picture as the reduction in the accrued benefits resulting from the offsetting arrangement had not been taken into account. Miss TAM was also of the view that the Administration should conduct a comprehensive review of the retirement protection for the workforce with a view to introducing a universal retirement protection scheme for the entire population.

36. Ms CHEUNG Lai-ha, Vice-chairman of HKCTU, shared Members' view that the offsetting arrangements should be discontinued. Ms CHEUNG was of the view that the MPF System should provide retirement benefit for the entire workforce. However, given the difficulties faced by the population at the grassroot level to make adequate MPF contributions for their future retirement, Ms

CHEUNG urged that the Government should set up a publicly-funded retirement scheme to which the Government also contributed.

37. The Chairman appreciated that members might have concerns about a wide range of issues relating to the MPF System. He however drew members' attention to the subject under discussion at this meeting and advised that other policy issues could be pursued at other forums. Mr Abraham SHEK agreed with the Chairman's advice.

38. Mr WONG Kwok-hing and Ms Emily LAU said that as other issues relating to the implementation of the MPF System were also raised by deputations in their submissions, it was reasonable for members to express their concern or exchange views with the deputations on these issues at the meeting. Mr SIN Chung-kai suggested that MPFA might be asked to give a brief response to Mr WONG's concern.

39. In this regards, ED(RP)/MPFA advised that MPFA had provided for the Administration's consideration its recommendations on concerns about the exclusion of certain allowances from the statutory definition of "relevant income" for MPF contributions. As he understood, the Administration was examining the recommendations.

40. PAS(FS) thanked Members and deputations for their views. She stressed that the Administration had an open mind on the recommendations of MPFA and would consider the recommendations having regard to the views of LegCo and the public, as well as other relevant factors.

II. Any other business

Meeting arrangement for the regular Panel meeting in May 2007

41. Members noted that as informed by the Hong Kong Monetary Authority (HKMA), Mr Joseph YAM, Chief Executive of HKMA (CE/HKMA), would not be able to attend the Panel's regular meeting on 7 May 2007 as he would be out of town due to unforeseeable official commitment. In this connection, the Chairman consulted members on whether the Panel would hold the meeting on 7 May 2007 as originally scheduled and receive the briefing by the Acting CE/HKMA; or re-schedule the meeting to facilitate the attendance of Mr Joseph YAM.

42. Members present agreed that the meeting should be re-scheduled to facilitate the attendance of CE/HKMA for the briefing. The Chairman directed the Clerk to liaise with HKMA for the meeting arrangements accordingly and advised that members would be consulted on the meeting date in due course.

(*Post-meeting note*: At the meeting held on 2 March 2007, members noted and agreed to HKMA’s proposal for the briefing to be held at the regular meeting on 4 June 2007. Members were informed of the meeting arrangements vide LC Paper No. CB(1)1070/06-07 on 6 March 2007.)

43. There being no other business, the meeting ended at 4:07 pm.

Council Business Division 1
Legislative Council Secretariat
30 March 2007