Investment of Mandatory Provident Fund Contributions

The Administration's Response

(I) To allow employees to invest the accrued benefits of their MPF Contributions as fixed deposits rather than making fund-type investments

The Mandatory Provident Fund Schemes (General) Regulation ("the Regulation") provides that each Mandatory Provident Fund ("MPF") scheme must offer a relatively conservative investment choice generally known as "capital preservation fund". The Regulation sets out clear and strict stipulations on the types of investments which such fund can invest. According to the Regulation, such fund can only invest into Hong Kong Dollar assets, including short-term bank deposits and high grade short terms bonds. As such, Hong Kong Dollar fixed deposit has already been included as one of the investment choices.

2. According to information provided by the Mandatory Provident Fund Schemes Authority, since the inception of the MPF system on 1 December 2000 and up to 31 December 2008, the annualized return rate of "capital preservation fund" is 1.5% which is net of fees and charges. This is higher than the annualized composite Consumer Price Index increase of 0.3% during the same period, which indicates that "capital preservation fund" can provide retirement protection for the participating scheme members.

(II) To relax the restrictions for withdrawal of accrued benefits at the age of 65

3. The MPF system aims to assist the working population in Hong Kong to make retirement savings and to enhance their retirement protection in future. To achieve this objective, the law has clearly provided that except under specified circumstances (including early retirement at the age of 60, death, permanent departure from Hong Kong, total incapacity, and small balance account of less than $5,000), scheme members cannot withdraw accrued benefits before reaching the age of 65.

4. As Hong Kong is facing the problem of an aging population, the role of the MPF system in enhancing retirement protection has become more important. Any measures to relax the restrictions on the withdrawal of accrued benefits by scheme members before reaching the age of 65 would possibly reduce their retirement protection and increase the society's welfare spending in the long run and hence must be examined carefully, and it is noted that the various sectors in the community has not reached a common view on this subject at this stage.

Financial Services and the Treasury Bureau
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