



Ref.: G2011 – 012

20 April 2011

Hon Chan Kam-lam  
Chairman  
Panel on Financial Affairs  
Legislative Council  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Mr Chan,

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

We refer to your letter of 23 March 2011 inviting the Employers' Federation of Hong Kong to express views on the above.

The proposed increase of the minimum and maximum relevant income levels is the second adjustment since the inauguration of mandatory provident scheme in 2000. The Federation has no objection in principle to the proposed increase so as to extend the coverage of the MPF system. Periodical reviews of the relevant incomes levels as stipulated in the Section 10A of the Mandatory Provident Fund Schemes Ordinance will ensure the effectiveness of the system in securing retirement benefits of employees concerned.

The Federation also appreciates the Administration's proposal of a phased approach in the above adjustment to alleviate the additional financial burden incurred. This is particularly important as statutory minimum wage will come into force in less than two weeks. Regardless of the nature of business, all employers are required to spare significant resources to comply with this new piece of legislation. It is also highly likely that the result of next review, which is due in 2014, will draw a conclusion of higher relevant income levels as the implementation of minimum wage will inevitably push up the average wage level of the labour market.

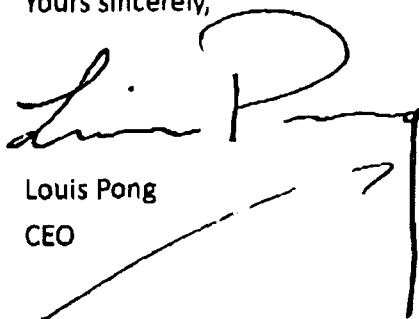
/...2



-2-

Against this background, the Federation will prefer the Model 2 should it be the consensus of the community – that means an increases of the maximum level of relevant income by 4 phases i.e. 12.5%, 11.1%, 10.0% and 9.09% upward adjustment in the subsequent four years.

Yours sincerely,



Louis Pong  
CEO