

立法會
Legislative Council

LC Paper No. CB(3) 758/12-13

Ref. : CB(3)/M/OR

Tel : 3919 3300

Date : 3 July 2013

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 17 July 2013

**Two proposed resolutions under the
Mandatory Provident Fund Schemes Ordinance**

The Secretary for Financial Services and the Treasury will move, at the Council meeting of 17 July 2013, two proposed resolutions under section 48 of the Mandatory Provident Fund Schemes Ordinance (Cap. 485) in relation to the following two notices:

- (a) Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2013 (**Appendix 1**);
and
- (b) Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2013 (**Appendix 2**).

The President has directed that they be printed in the terms in which they were handed in on the Agenda of the Council.

2. The speeches, in both Chinese and English, which the Secretary will deliver when moving the two proposed resolutions are in **Appendices 3 and 4** respectively.

(Odelia LEUNG)
for Clerk to the Legislative Council

Encl.

Mandatory Provident Fund Schemes Ordinance

Resolution

(Under section 48 of the Mandatory Provident Fund Schemes Ordinance
(Cap. 485))

Resolved that the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2013, made by the Chief Executive in Council on 28 May 2013, be approved.

Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2) Notice 2013

(Made by the Chief Executive in Council under section 48 of the
Mandatory Provident Fund Schemes Ordinance (Cap. 485) subject to the
approval of the Legislative Council)

1. Commencement

This Notice comes into operation on 1 November 2013.

2. Mandatory Provident Fund Schemes Ordinance amended

The Mandatory Provident Fund Schemes Ordinance (Cap. 485) is
amended as set out in section 3.

3. Schedule 2 amended (minimum level of relevant income per contribution period)

(1) Schedule 2, section 1(a)—

Repeal

“\$6,500”

Substitute

“\$7,100”.

(2) Schedule 2, section 1(b)—

Repeal

“\$250”

Substitute

“\$280”.

(3) Schedule 2, section 1(c)—

Repeal

“\$6,500”

Substitute

“\$7,100”.

(4) Schedule 2, section 2—

Repeal

“\$250”

Substitute

“\$280”.

(5) Schedule 2, section 3—

Repeal

“\$6,500”

Substitute

“\$7,100”.

(6) Schedule 2, section 3—

Repeal


“\$78,000”

Substitute

“\$85,200”.

4. Application of Schedule 2 as amended

Schedule 2 to the Mandatory Provident Fund Schemes Ordinance
(Cap. 485) as amended by section 3 applies in relation to a
contribution period that begins on or after the commencement date
of that section.


Clerk to the Executive Council

COUNCIL CHAMBER

28th May, 2013

Explanatory Note

The purpose of this Notice is to amend Schedule 2 to the Mandatory Provident Fund Schemes Ordinance (Cap. 485) so as to adjust the minimum level of relevant income for contribution purposes under that Ordinance.

Mandatory Provident Fund Schemes Ordinance

Resolution

(Under section 48 of the Mandatory Provident Fund Schemes Ordinance
(Cap. 485))

Resolved that the Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2013, made by the Chief Executive in Council on 28 May 2013, be approved.

Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3) Notice 2013

(Made by the Chief Executive in Council under section 48 of the
Mandatory Provident Fund Schemes Ordinance (Cap. 485) subject to the
approval of the Legislative Council)

1. Commencement

This Notice comes into operation on 1 June 2014.

2. Mandatory Provident Fund Schemes Ordinance amended

The Mandatory Provident Fund Schemes Ordinance (Cap. 485) is
amended as set out in section 3.

3. Schedule 3 amended (maximum level of relevant income per contribution period)

(1) Schedule 3, section 1(a)—

Repeal

“\$25,000”

Substitute

“\$30,000”.

(2) Schedule 3, section 1(b)—

Repeal

“\$830”

Substitute

“\$1,000”.

(3) Schedule 3, section 1(c)—

Repeal

“\$25,000”

Substitute

“\$30,000”.

(4) Schedule 3, section 2—

Repeal

“\$830”

Substitute

“\$1,000”.

(5) Schedule 3, section 3—

Repeal

“\$25,000”

Substitute

“\$30,000”.

(6) Schedule 3, section 3—

Repeal

“\$300,000”

Substitute

“\$360,000”.

4. Application of Schedule 3 as amended

Schedule 3 to the Mandatory Provident Fund Schemes Ordinance
(Cap. 485) as amended by section 3 applies in relation to a
contribution period that begins on or after the commencement date
of that section.



Clerk to the Executive Council

COUNCIL CHAMBER

28th May, 2013

Explanatory Note

The purpose of this Notice is to amend Schedule 3 to the Mandatory Provident Fund Schemes Ordinance (Cap. 485) so as to adjust the maximum level of relevant income for contribution purposes under that Ordinance.

DRAFT

Legislative Council Meeting of 17 July 2013

**Speech by the Secretary for Financial Services and the Treasury
in Moving a Motion under the
Mandatory Provident Fund Schemes Ordinance to Approve
Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 2)
Notice 2013**

President,

I move the motion on the Agenda be passed.

The motion seeks to amend the minimum relevant income level (“Min RI”) specified in Schedule 2 to the Mandatory Provident Fund Schemes Ordinance (“MPFSO”).

The MPFSO provides that unless exempted, employers and employees must each contribute 5% of the employees’ relevant income to a Mandatory Provident Fund (“MPF”) scheme as mandatory contributions. If the relevant income of the employees is less than Min RI, they are not required to make MPF contributions themselves. However, their employers still have to make MPF contributions for them. For employees whose relevant income is above the maximum relevant income level (“Max RI”), both they and their employers are not required to make mandatory contributions in respect of the excess relevant income. The above requirements also apply to self-employed persons (“SEPs”).

The purpose of stipulating Min RI is to lessen the financial burden of MPF contributions on lower-paid employees and SEPs. Section 10A of the MPFSO sets out the factors to be considered in stipulating Min RI, including “50 per cent of the monthly median employment earnings as compiled from the General Household Survey conducted by the Census and Statistics Department”. In light of the implementation of the Statutory Minimum Wage (“SMW”) on 1 May 2011, the Mandatory Provident Fund Schemes Authority (“MPFA”) is reviewing the mechanism for adjusting the relevant income levels. The existing Min RI of \$6,500 was set with reference to, among other things, the first SMW rate of \$28. Therefore, in view of the increase of SMW rate to \$30 effective from 1 May 2013, we propose to follow similar methodology for adjusting Min RI in 2011, which makes reference to the SMW, and increase Min RI to \$7,100, pending the updating of the adjustment mechanism.

Apart from the monthly Min RI, the MPFSO also specifies a daily Min RI for casual employees who are members of an industry scheme and employees who receive payment of salaries more frequently than on a monthly basis, and an annual Min RI for SEPs. The motion introduces corresponding amendments to the daily and annual Min RI, i.e. from \$250 to \$280 and from \$78,000 to \$85,200 respectively.

To tie in with the adjustment to Min RI, the MPFA is making consequential amendments to the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order. The corresponding amounts of MPF contributions applicable to employees who are members of industry schemes under different income bands will be updated with reference to the latest Min RI to facilitate compliance by employers and employees.

Regarding the effective date, as it takes time for both employers and trustees to adjust the payroll systems and MPF scheme administration systems, and for the MPFA to publicise such arrangements, the Government accepts the

MPFA's suggestion and proposes to implement the new Min RI on 1 November 2013.

Our proposal has taken into account comments from different sectors of the community, and will suitably lessen the financial burden of MPF contributions on lower-paid employees. Moreover, the Subcommittee set up by the House Committee of the Legislative Council to scrutinise the amendments to the relevant subsidiary legislation also supports increasing Min RI and Max RI. President, I invite Members to support the motion for amending Min RI. Thank you.

Financial Services Branch
Financial Services and the Treasury Bureau
2 July 2013

DRAFT

Legislative Council Meeting of 17 July 2013

**Speech by the Secretary for Financial Services and the Treasury
in Moving a Motion under the
Mandatory Provident Fund Schemes Ordinance to Approve
Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 3)
Notice 2013**

President,

I move the motion on the Agenda be passed.

The motion seeks to amend the maximum relevant income level (“Max RI”) specified in Schedule 3 to the Mandatory Provident Fund Schemes Ordinance (“MPFSO”).

I have just explained the application of the relevant income levels under the Mandatory Provident Fund (“MPF”) System when I moved the motion to amend the minimum relevant income level (“Min RI”), so I am not going to repeat that here. The policy objective of stipulating Max RI under the MPFSO follows the goal of the MPF System to assist the workforce to save for basic retirement needs. Higher-income employees and self-employed persons (“SEPs”) may decide whether to top up their retirement savings through voluntary contributions or other investment apart from making mandatory contributions.

Section 10A of the MPFSO provides that Max RI must take into account “monthly employment earnings at the 90th percentile of the monthly employment earnings distribution as compiled from the General Household Survey conducted by the Census and Statistics Department”. Based on this factor, Max RI should have been increased to \$30,000 in the 2011 adjustment exercise. However, in the course of consultation, some employers’ associations claimed that business cost had gone up considerably due to the implementation of the Statutory Minimum Wage while some employees said that they did not want a sharp increase in Max RI. The Government, having balanced the comments from various parties, only increased Max RI from \$20,000 to \$25,000 at that time.

Considering that the “90th percentile of monthly employment earnings” has risen to \$35,000 as at the third quarter of 2012, which is higher than the current Max RI of \$25,000 by \$10,000, we propose to increase Max RI to \$30,000 to achieve a greater coverage of income distributions. The new level will take effect from 1 June 2014 in response to the views collected during the consultation, and to allow more time for employees, employers and SEPs to adapt to the changes.

On the daily Max RI, we propose to adopt the current 30-day basis for conversion and increase the daily Max RI from \$830 to \$1,000 accordingly. As for the annual Max RI for SEPs, we propose a corresponding increase from \$300,000 to \$360,000.

The Mandatory Provident Fund Schemes Authority is making consequential amendments to the Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order to amend Max RI applicable to casual employees. In addition, we aim to introduce a bill for amending the Inland Revenue Ordinance into the Legislative Council in the next legislative

session, with a view to increasing the maximum amount of allowable deduction for mandatory contributions by employees and SEPs.

President, as I have mentioned earlier, the Subcommittee set up by the House Committee supports increasing Max RI. I would like to take this opportunity to thank the Chairman, the Hon WONG Ting-kwong, and members of the Subcommittee for their valuable contribution in the course of scrutinising the amendments. The Government and the Mandatory Provident Fund Schemes Authority will take into account their opinions when reviewing the adjustment mechanism for Min RI and Max RI. Lastly, I invite Members to support the motion for amending Max RI.

Financial Services Branch
Financial Services and the Treasury Bureau
2 July 2013