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23 September 2014

Hon Chan Kin-por

Chairman

Bills Committee on Mandatory Provident Fund Schemes (Amendment) Bill 2014

Legislative Council

Legislative Council Complex

1 Legislative Council Road

Central, Hong Kong

Dear Hon Chan,

Mandatory Provident Fund Schemes (Amendment) Bill 2014

As one of the advocates for a community-wide retirement protection scheme for our valuable workforce, Employers' Federation of Hong Kong has worked closely with the Administration over the past decades in formulating and improving the regulatory frameworks of the MPF System. We support proposed amendments which provide scheme members with greater flexibility to suit their own needs.

Phased withdrawal

With higher life expectancy of our population, it is highly likely that a scheme member, after withdrawing his or her accrued benefits at the age of 65, will need to manage the lump sum amount prudently for his or her post retirement life for another 15 to 20 years. Phased withdrawal will allow the scheme member to withdraw a sufficient sum of money for immediate retirement and keep a portion for active investment to suit his or her personal needs.

With maximum benefit for scheme member in mind, we share the view that the frequency of withdrawal should be reasonable to strike a balance between minimising the impact on the administration cost to the MPF System and increasing the flexibility of withdrawal to scheme members. We thus have no particular opinion of restricting the number of withdrawal to no more than 12 times a year.

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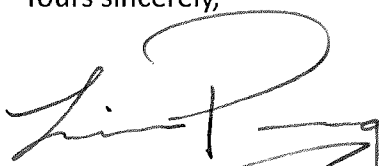
Additional ground for early withdrawal of benefits

The Federation has no objection of adding terminal illness, an illness that is likely to reduce the life expectancy of a scheme member to 12 months or less, as additional ground for early withdrawal of accrued benefits.

We are not in a position to question the integrity or skill of medical practitioners. However, we accept that where an individual is expected to die within a certain time and actually such diagnosis (fortunately) proves incorrect and the individual survives for longer than anticipated then this could result in increased hardship for both the individual (and his or her family) in the long run. For this reason, we would recommend that at least two registered medical practitioners are required to certify the prognosis of a potential claimant for early payment.

The Federation shares the view that the objective of MPF System in providing one of the important pillars for old age protection is prerequisite in considering any changes or relaxation in the mechanism. The key proposed amendments in the Bill, as we consider, are able to encourage a more flexible utilisation of the Benefits without omitting the original intent of the establishment of the Fund.

Yours sincerely,



Louis Pong
CEO