For information

Legislative Council Panel on Welfare Services
Subcommittee on Retirement Protection

Follow-up Actions Arising from the Meeting on 25 February 2014

At the meeting on 25 February 2014, Members requested that the Government and the Mandatory Provident Fund Schemes Authority ("MPFA") provide information on the actual amount of Mandatory Provident Fund ("MPF") accrued benefits that scheme members have withdrawn on average upon retirement at the age of 65.

Information provided by trustees to MPFA under the Mandatory Provident Fund Schemes Ordinance

2. According to the requirements of the existing Ordinance, trustees regularly provide MPFA with information on the total amount of MPF accrued benefits withdrawn by scheme members on specified grounds under the Ordinance [1]. As the information provided by trustees to MPFA pursuant to the Ordinance does not include the relevant statistics of individual scheme members, and scheme members may have accounts with more than one trustee, we are not able to provide the average amount of MPF accrued benefits that scheme members have withdrawn at the age of 65.

Relevant Reference Data

3. In view of Members' request, we have set out the data generated from a simulation analysis on MPF accrued benefits in the **Annex**. Making reference to the actual levels for certain key parameters since the inception of

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[1] The specified grounds include -
(i) attaining the age of 65;
(ii) scheme members who are between the age of 60 and 64 and have permanently ceased employment or self-employment;
(iii) permanent departure from Hong Kong;
(iv) death;
(v) total incapacity; or
(vi) small balance accounts.

the MPF system in 2000, MPFA has prepared simulation on the amount of MPF accrued benefits for scheme members at different income levels, namely those having consistently received the Median Monthly Employment Earnings of Employed Persons and those consistently with income just below the minimum relevant income level (i.e. requiring no employees' contributions). The simulation assumes that they withdrew their accrued benefits on 31 December 2013. The actual amount of MPF accrued benefits that individual scheme members may withdraw vary according to factors such as the contribution amount, contribution period, return of the funds selected, and the extent of offsetting (if any) against the relevant employers' contributions.

4. The working population generally stays in employment for 30 to 40 years. For those scheme members who are already eligible for withdrawing their MPF accrued benefits, their contribution period has been shorter and thus the amount accrued would be lower. With a longer contribution period, the amount of MPF accrued benefits that the existing scheme members may withdraw in future will be higher. Relevant simulation analysis is in the **Annex**.

5. The Government and MPFA will continue to enhance the MPF system such that it can provide greater retirement protection for our working population.

Financial Services and the Treasury Bureau
Mandatory Provident Fund Schemes Authority
April 2014

Annex

Simulation Analysis on Mandatory Provident Fund ("MPF") Accrued Benefits

- Assuming that a relevant scheme member joined an MPF scheme on 1 December 2000 and withdrew his MPF accrued benefits on 31 December 2013; and that his income level during the period has consistently been the same as the Median Monthly Employment Earnings of Employed Persons published by the Census and Statistics Department [2], the simulated amount of MPF accrued benefits that the scheme member could withdraw at the age of 65 would be:

	Annualised rate of investment return (after fees)	**Simulated MPF accrued benefits ($)**
(I)	1%	176,860
(II)	3%	201,898
(III)	4.4%	222,245
(IV)	5%	231,775

- Assuming that a relevant scheme member joined an MPF scheme on 1 December 2000 and withdrew his MPF accrued benefits on 31 December 2013; and that his income level during the period was consistently just below the minimum relevant income level [3] (i.e. with employers' contribution only), the simulated amount of MPF accrued benefits that the scheme member could withdraw at the age of 65 would be:

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[2] The Median Monthly Employment Earnings of Employed Persons published by the Census and Statistics Department for the period between 1 December 2000 and 31 December 2013 are:
- 1 December 2000 to 31 December 2003: $10,000;
- 1 January 2004 to 31 December 2004: $9,800;
- 1 January 2005 to 31 December 2006: $10,000;
- 1 January 2007 to 31 December 2007: $10,100;
- 1 January 2008 to 31 December 2009: $10,500;
- 1 January 2010 to 31 December 2010: $11,000;
- 1 January 2011 to 31 December 2011: $11,300;
- 1 January 2012 to 31 December 2012: $12,000;
- 1 January 2013 to 31 December 2013: $12,200.

[3] The minimum relevant income levels for the period between 1 December 2000 and 31 December 2013 are:
- 1 December 2000 to 31 January 2003: $4,000;
- 1 February 2003 to 31 October 2011: $5,000;
- 1 November 2011 to 31 October 2013: $6,500;
- 1 November 2013 to 31 December 2013: $7,100.

	Annualised rate of investment return (after fees)	Simulated MPF accrued benefits ($)
(I)	1%	42,507
(II)	3%	48,318
(III)	4.4%	53,026
(IV)	5%	55,227

- Assuming that an employee joined an MPF scheme at the age of 21, based on the current level of median employment earnings (i.e. $12,300)[4], the projected amounts of MPF accrued benefits that the scheme member could withdraw at the age of 65 would be:

	Annualised rate of investment return (after fees)	Projected MPF accrued benefits ($)
(I)	1%	816,055
(II)	3%	1,350,099
(III)	4.4%	1,988,619
(IV)	5%	2,366,655

- The above simulation analysis assumes that the employer and the employee (where applicable) only make the mandatory contributions (i.e.5% of the employee's income). In addition, the analysis has not taken into account the offsetting arrangement. As such, the actual figures will vary according to the amount that has been offset against the relevant employee's account (if any).

[4] Assuming that the income level remains unchanged.