

For Discussion
9 April 2021

Legislative Council Panel on Financial Affairs

**Proposed Retention of a Supernumerary Directorate Post
of Administrative Officer Staff Grade C**

PURPOSE

This paper seeks Members' views on the proposal to retain the supernumerary Administrative Officer Staff Grade C ("AOSGC") (D2) post of Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) Mandatory Provident Fund Reform ("PAS(FS)MPF Reform") in the Financial Services Branch ("FSB") of the Financial Services and the Treasury Bureau ("FSTB") for three years from 22 June 2021 to 21 June 2024, or with immediate effect upon approval by the Finance Committee ("FC"), whichever is later, in order to continue to provide necessary policy input and support to various reform measures of the Mandatory Provident Fund ("MPF") System.

JUSTIFICATIONS

Creation of the supernumerary post

2. At present, there are two AOSGCs supervised by the Deputy Secretary for Financial Services and the Treasury (Financial Services)2 ("DS(FS)2") in FSB. One of them, PAS(FS)MPF Reform, is a supernumerary directorate post created upon the approval of the FC on 22 June 2018 for three years to provide support to DS(FS)2 on policy and legislative matters relating to various reform measures of the MPF System (e.g. development of the eMPF Platform Project ("the eMPF Project") and the review of the Default Investment Strategy ("DIS")), policy and legislative work relating to Occupational Retirement Schemes, as well as housekeeping of the Mandatory Provident Fund Schemes Authority ("MPFA").

Continued need for the supernumerary post

3. The supernumerary post of PAS(FS)MPF Reform will lapse on 22 June 2021. We consider it necessary to extend the post for another three years to provide continued support to the implementation of various policy and reform measures relating to the MPF System, as detailed in the ensuing paragraphs 4 – 7 below.

(A) The eMPF Project

4. The Government is working closely with the MPFA on the eMPF Project to provide a common electronic platform to facilitate the standardization, streamlining and automation of MPF scheme administration processes. In the past three years, we have accomplished the following milestones, bringing the eMPF Project to the development stage –

- (a) formulated the common standards and technical specifications for the scheme administration functions to be performed by the eMPF Platform in collaboration with the industry in 2019;
- (b) engaged in discussions with the industry on the fee-setting mechanism of the eMPF Platform, transitional arrangement, etc.;
- (c) secured the approval of the Legislative Council (“LegCo”) for the first-stage legislative amendments to the Mandatory Provident Fund Schemes Ordinance (“MPFSO”) in July 2020 to empower the MPFA to set up a wholly owned subsidiary company to take charge of the eMPF Project;
- (d) completed the tender exercise and awarded the contract to develop, operate and maintain the eMPF Platform in January 2021; and
- (e) established MPFA’s wholly-owned subsidiary, namely the eMPF Platform Company (“the Company”), in March 2021.

5. Our target is to complete the hardware and software development of the eMPF Platform by the end of 2022 and start the transition in batches starting from 2023, with a view to enabling the eMPF Platform to come into full operation in 2025. To meet the development timetable, we are pressing ahead with the eMPF Project on various fronts, covering project development work, contract management, discussions with the industry on the implementation details and transitional arrangements, legislative work, and operation of the Company.

6. The coming three years from June 2021 would be particularly critical to the success of the eMPF Project. Subject to FC's approval of the retention of the supernumerary post, PAS(FS)MPF Reform would be tasked with the following major responsibilities –

- (a) Legislation: Following the passage of the Mandatory Provident Fund Schemes (Amendment) Bill 2019 by LegCo in July 2020, the Government will introduce second-stage amendments¹ to the law to enable the operation of the eMPF Platform as the common gateway for scheme administration processes in the MPF System. In particular, the second-stage legislative proposals will include the proposed statutory requirements for the “straight pass-on” of cost savings to scheme members and corresponding reduction to the topline fees of MPF funds, including DIS funds, following the implementation of the eMPF Platform. Our current target is to introduce the second-stage legislative amendments in the second quarter of 2021. The legislative exercise would require a dedicated directorate officer to oversee, and subject to enactment of the Amendment Bill, take follow-up actions including drafting of the subsidiary legislation for commencement of various provisions to tie in with the phased implementation of the eMPF Platform, monitoring formulation of guidelines and operating rules by the MPFA and the Company, as well as continuous engagement with the stakeholders on the implementation of the new law.

¹ For details of the second-stage legislative proposals, please refer to the discussion paper considered and supported by the LegCo Panel on Financial Affairs (“FA Panel”) at its meeting on 4 January 2021 (LC Paper No. CB(1)417/20-21(03)).

- (b) Project Implementation: Building of the eMPF Platform is expected to complete by the end of 2022 at the earliest. The eMPF Project would then enter into the operational stage, with a transition of two to three years for orderly migration by the existing 14 trustees and their 27 MPF schemes. Trustees' onboarding to the eMPF Platform will be a mega exercise of data standardization and migration, covering over 10 million of MPF accounts held by over 4.4 million scheme members and some 300 000 participating employers. Given the massive scale and amount of data involved, FSB would need a dedicated directorate officer to monitor the project progress and provide policy support to the MPFA, the Company and the contractor on the project management to ensure a smooth transition.
- (c) Achieving cost-savings: One of the key objectives of the eMPF Project is to reduce administration costs and create room for fee reduction. The latest projection is that the total cumulative quantifiable cost savings to scheme members would possibly be in a range of \$30 billion to \$40 billion in ten years. PAS(FS)MPF Reform would monitor the progress of fee reduction, provide policy support to the MPFA and maintain liaison with the industry at the bureau level to ensure that the eMPF Project would serve the public interest and the intended policy objectives of enhancing operational efficiency, optimizing the economies of scale and providing quality and cost-efficient administration services to users of the MPF system.
- (d) The Company: The Company as mentioned in paragraph 4(e) above was incorporated in early March 2021 by MPFA pursuant to section 6DA of the MPFSO and approval by the Financial Secretary ("FS"). The Government plays an important role in the governance of the Company in areas such as appointment of the directors, Chairperson and Chief Executive Officer, approval of the annual budget, work plan and fee-charging in relation to the eMPF Project, and participation in the Board of Directors ("BoD"), etc. PAS(FS)MPF Reform is the alternate director to the Permanent Secretary for Financial Services and the Treasury (Financial Services) on the BoD of the Company to help ensure

that the corporate objectives and planning of the Company align with the policy objectives of the eMPF Platform and operate in the public interest. PAS(FS)MPF Reform is also responsible for providing policy support to the governance matters and monitoring operation of the Company, as well as the disbursement of capital grant to the Company² in relation to the eMPF Project.

(B) Government's initiative to pay 5% MPF contributions for low-income persons

7. As announced by the Chief Executive in January 2020 as one of the 10 livelihood initiatives to support grassroots and underprivileged people, the Government will pay 5% MPF contributions on behalf of low-income employees and self-employed persons whose monthly income is less than the Minimum Relevant Income Level and who are exempted from making MPF contributions. The proposal will be carried out upon the full implementation of the eMPF Platform in around 2025 when all trustees, their schemes and related data of scheme members are migrated to the centralized platform. To implement this initiative, PAS(FS)MPF Reform would be tasked to work out the eligibility and implementation details of the initiative in collaboration with the MPFA and the Company.

8. The proposed job description of the PAS(FS)MPF Reform post is at **Annex A**.

NON-DIRECTORATE SUPPORT

9. PAS(FS)MPF Reform will continue to be supported by four non-directorate civil servants including one Senior Administrative Officer, one Administrative Officer, one Personal Secretary I (“PSI”) and one Assistant

² With the support of the LegCo FA Panel in December 2018 and December 2019, we obtained funding approval for the non-recurrent provisions of \$3,367.15 million and \$536.48 million for the eMPF Project in May 2019 and May 2020 respectively. The FA Panel also supported an additional non-recurrent funding of \$1,035.646 million for the eMPF Project at its meeting in January 2021, which is pending approval by the LegCo in the context of the Appropriation Bill 2021. The Government will sign a tripartite agreement with the MPFA and the Company on the use of the capital grant in relation to the eMPF Project.

Clerical Officer. Among them, the PSI post is a supernumerary post that will be re-created for three years upon its lapse on 22 June 2021.

ALTERNATIVES CONSIDERED

10. The possibility of redeployment existing staffing resources from another division under the supervision of DS(FS)2 or other teams within FSB to take over the work of PAS(FS)MPF Reform has been explored but is considered not feasible. The other Principal Assistant Secretaries in FSB oversee different policy areas, including securities and futures, banking, insurance, insolvency and accountancy, policies and legislation relating to companies and trusts, and Mainland-related measures on financial services. All of them are fully occupied with their existing policy portfolios and have no spare capacity to take over part or all of the work of PAS(FS)MPF Reform without affecting their own work under their respective portfolios. Dedicated directorate staff is also required to oversee the eMPF Platform and other major MPF-related initiatives as mentioned above.

11. The organizational chart of the FSB is at **Annex B**.

FINANCIAL IMPLICATIONS

12. The proposed retention of the AOSGC post will incur an additional notional annual salary cost at mid-point of \$2,283,600. The additional full annual average staff cost, including salaries and staff on-cost, is \$3,106,000.

13. The additional notional annual salary cost at mid-point arising from the re-creation of the non-directorate PSI post mentioned in paragraph 9 above is \$463,140 and the full annual average staff cost, including salaries and staff on-cost is \$713,000

14. We have included sufficient provision in the draft Estimates of 2021-22 to meet the above costs and will reflect the resources required in the Estimates of the subsequent years concerned.

ADVICE SOUGHT

15. Members are invited to comment on the staffing proposal in paragraph 1 above. Subject to Members' views, we will seek endorsement from the Establishment Committee and approval of the FC on the staffing proposal.

**Financial Services Branch
Financial Services and the Treasury Bureau
March 2021**

Proposed Job Description
Principal Assistant Secretary for Financial Services and the Treasury
(Financial Services) Mandatory Provident Fund Reform

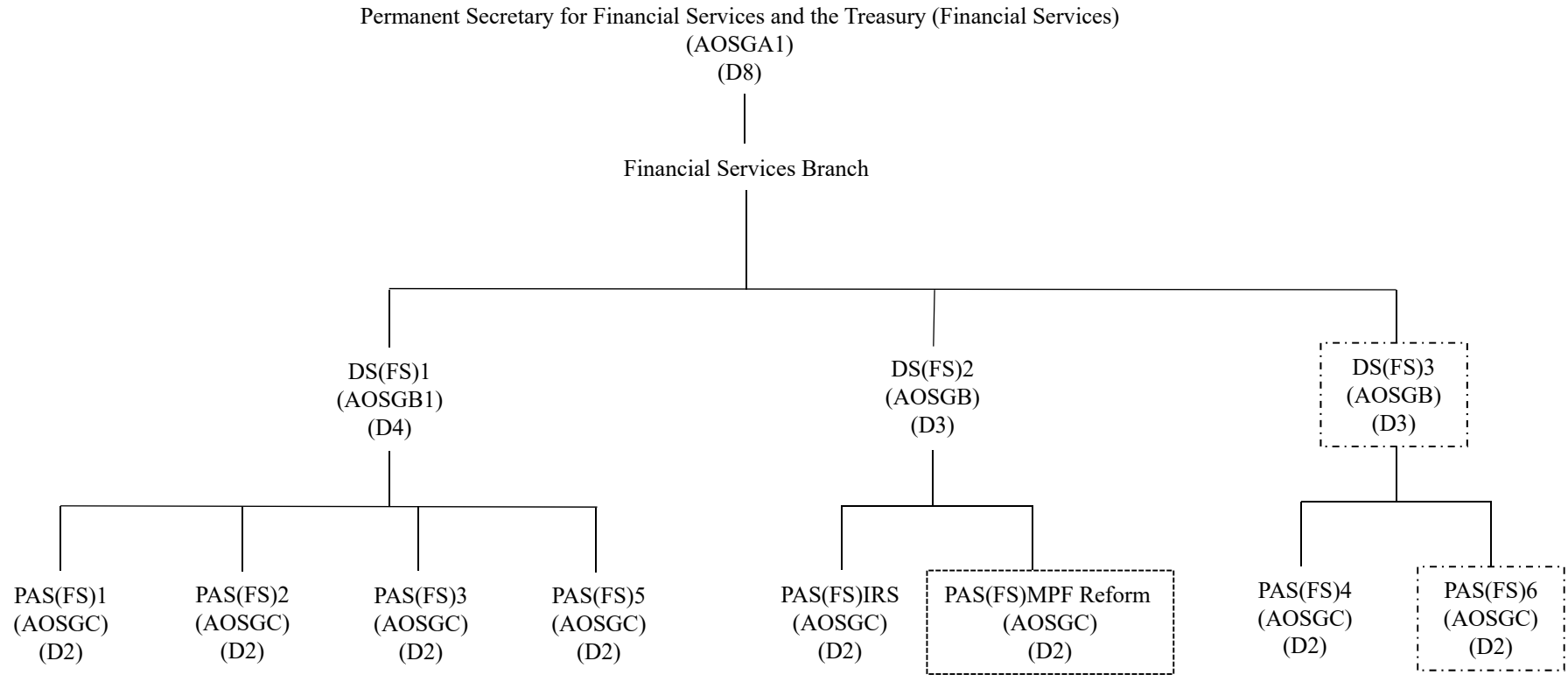
Rank: Administrative Officer Staff Grade C (D2)

Responsible to: Deputy Secretary for Financial Services and the Treasury
(Financial Services) 2

Main Duties and Responsibilities –

1. To take forward policy and legislative work relating to the reform of the Mandatory Provident Fund System, in particular the eMPF Platform, including the relevant legislative amendments, engagement with the industry and commencement of the eMPF Platform.
2. To monitor the project progress of and use of resources by the Mandatory Provident Fund Schemes Authority (“MPFA”) and the eMPF Platform Company in accordance with the Grant Agreement relating to the eMPF Platform Project.
3. To take forward policy and legislative matters relating to the Default Investment Strategy and review on the Minimum and Maximum Relevant Income Levels.
4. To provide support to legislative matters relating to the Abolition of Offsetting Arrangement as well as the incorporation and operation of the Designated Savings Account under the eMPF Platform.
5. To take forward policy work relating to the Occupational Retirement Schemes.
6. To handle housekeeping matters of and liaison with the MPFA.

Organization Chart of the Financial Services Branch of the Financial Services and the Treasury Bureau



Legend



Supernumerary directorate post (under current application)



Supernumerary directorate post (under separate application)

AOSGA1 Administrative Officer Staff Grade A1

AOSGB1 Administrative Officer Staff Grade B1

AOSGB Administrative Officer Staff Grade B

AOSGC Administrative Officer Staff Grade C

DS(FS) Deputy Secretary for Financial Services and the Treasury (Financial Services)

IRS Insurance and Retirement Scheme

MPF Mandatory Provident Fund

PAS(FS) Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)