

立法會
Legislative Council

LC Paper No. CB(3) 487/2022

Ref : CB(3)/M/MM

Tel : 3919 3300

Date : 10 June 2022

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 15 June 2022

**Amendments to Dr Hon Junius HO's motion on
"Revitalizing the Mandatory Provident Fund"**

Further to the email (LC Paper No. CB(3) 454/2022) issued on 2 June 2022, the President has given permission for four Members (Hon TANG Ka-piu, Hon CHAN Kin-por, Dr Hon David LAM and Dr Hon Kennedy WONG) to move amendments to Dr Hon Junius HO's motion, and has directed that the amendments be printed in the terms in which they were handed in on the Agenda of the Council.

2. The President will order a joint debate on the above motion and the amendments. I set out below the relevant proceedings in which the President will:

- (a) call upon the motion mover to speak and move the motion;
- (b) propose the question on the motion;
- (c) call upon the Members who wish to move amendments to the motion to speak in the following order, but no amendment is to be moved at this stage:
 - (i) Hon TANG Ka-piu;
 - (ii) Hon CHAN Kin-por;
 - (iii) Dr Hon Kennedy WONG; and
 - (iv) Dr Hon David LAM;
- (d) call upon the public officer(s) to speak;

- (e) invite other Members to speak;
- (f) call upon the motion mover to speak on the amendments;
- (g) call upon the public officer(s) to speak again;
- (h) deal with the amendments in the order set out in paragraph (c) above, i.e. first invite the mover of the first amendment to move the amendment and forthwith propose and put to vote the question on the amendment, and thereafter proceed to deal with the remaining amendment(s); and
- (i) after all amendments have been dealt with, call upon the motion mover to reply, and then put to vote the question on the motion, or the motion as amended, as the case may be.

3. The terms of the original motion and the marked-up version of the amendments (LC Paper No. CB(3) 487/2022(01)) are attached for Members' easy reference. The amendments are also accessible via the hyperlink below: <https://www.legco.gov.hk/yr2022/english/counmtg/motion/cm20220615m-hky.htm>.

4. Members are reminded that in accordance with Appendix IIIA to the House Rules, the **maximum duration of this joint debate (including voting) is four hours**. The motion mover will have a total of 10 minutes to make introductory speech and reply (paragraph 2(a) and (i) above refers), and another five minutes to speak on the amendment(s) (paragraph 2(f) above refers). The mover(s) of the amendment(s) and other Members may each speak once up to a maximum of five minutes. The public officer(s) will not be subject to any speaking time limit.

5. For enquiries, please contact **Ms Jacqueline LAW at tel. no. 3919 3306**.

(Miranda HON)
for Clerk to the Legislative Council

Encl.

(Translation)

**Motion debate on
“Revitalizing the Mandatory Provident Fund”**

1. Dr Hon Junius HO’s original motion

That the fundamental concept of the Mandatory Provident Fund (‘MPF’) schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF’s overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner’s savings in two years going down the drain; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF’s real purchasing power being almost exhausted after several decades, which is a worrying situation; in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system.

2. Motion as amended by Hon TANG Ka-piu

That the *original* fundamental concept of *implementing* the Mandatory Provident Fund (‘MPF’) schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement, *but over the years, owing to reasons such as the offsetting mechanism and poor investment returns, MPF has failed to achieve the desired effect of retirement protection after being implemented for 20-odd years*; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which

is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain, ***dealing a further blow to the investment returns***; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being almost exhausted after several decades, which is a worrying situation; ~~in this connection~~ ***in order to establish a better retirement system***, this Council urges the Government to, ***through improving the current MPF system***, revitalize MPF ~~by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system~~ ***to enhance retirement protection for the public; specific measures include:***

- (1) ***expeditiously implementing the abolition of MPF offsetting mechanism, and priority to abolish the offsetting arrangement should be accorded to non-civil service contract staff, and employees of outsourced companies and intermediaries;***
- (2) ***expeditiously implementing MPF full portability to allow employees to transfer all the accrued benefits derived from their employers' mandatory contributions to MPF schemes of their own choice;***
- (3) ***enhancing MPF's Default Investment Strategy ('DIS'), including lowering the total fee cap under DIS, reviewing annually DIS' effectiveness, and the Government or non-profit-making organizations taking the lead in establishing DIS, so as to promote market competition, thereby lowering the overall fee levels of funds and improving service quality;***
- (4) ***establishing a mechanism to handle funds which have been sustaining losses for a long time, so as to stop losses for scheme members;***
- (5) ***lowering the fees charged by sponsors of MPF schemes to reduce the overall costs;***
- (6) ***formulating policies to allow employees aged 65 or above to join an MPF scheme;***

- (7) *setting up a public investment fund with a guaranteed rate of return linked to inflation rates (e.g. inflation rate plus 1%) for all scheme members to choose from, so as to enhance scheme members' confidence in MPF's ability to preserve value; and*
- (8) *paying employees' MPF contributions for low-income scheme members to enhance their retirement protection.*

Note: Hon TANG Ka-piu's amendment is marked in ***bold and italic type*** or with deletion line.

3. Motion as amended by Hon CHAN Kin-por

That the fundamental concept of the Mandatory Provident Fund ('MPF') schemes ***launched in 2000*** is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain; ~~from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being almost exhausted after several decades, which is a worrying situation~~ ***notwithstanding that the financial market is highly volatile this year, MPF still has a reasonable long-term rate of return, with an annualized rate of net return from the inception of the MPF System in December 2000 to April this year, after netting off charges and fees, reaching 3.1%, 'beating' the inflation rate of 1.8% over the same period;*** in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system; ***this Council also urges the Government to expeditiously launch the eMPF Platform to enhance the***

operational efficiency and cost-effectiveness of the MPF System, thereby reducing administration fees.

Note: Hon CHAN Kin-por's amendment is marked in *bold and italic type* or with deletion line.

4. Motion as amended by Dr Hon Kennedy WONG

That *since the Government implemented the Mandatory Provident Fund ('MPF') schemes in 2000, the community has continuously put forward different viewpoints and proposals relating to the choice of investment products, trustee fees and their usage;* the fundamental concept of the ~~Mandatory Provident Fund ('MPF')~~ schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; *according to the data of the Mandatory Provident Fund Schemes Authority, the annualized net internal rate of return from the inception of the MPF System to 31 March 2022 is 3.6%, which is higher than the annualized Composite Consumer Price Index percentage change of 1.8% over the same period;* it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by *trustee fees and* inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being ~~almost exhausted after several decades~~ *reduced*, which is a worrying situation; in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in *investing and* using MPF to ~~take out medical insurance at an earlier time, so that when they fall ill, besides seeking medical treatment under the public healthcare system, they may also choose to go to private healthcare institutions to seek medical consultation, so as to obtain greater health protection, which can also relieve the pressure on the public healthcare system and~~ *strive to lower trustee fees to increase the actual returns of MPF; specific measures include:*

- (1) *further lowering MPF trustee fees and conducting a study on requiring trustees to collect fixed administration fees;*

- (2) *encouraging the market to introduce additional MPF investment products, such as products resembling bank deposits that charge no management fees and fund products linked to inflation rates, and examining the introduction of investment products linked to Exchange Fund returns, with a view to increasing the choice of scheme members; and*
- (3) *on the premise of not affecting the transitional arrangement for abolishing the MPF offsetting mechanism, allowing scheme members to partially withdraw their MPF accrued benefits for first-time home purchase.*

Note: Dr Hon Kennedy WONG's amendment is marked in *bold and italic type* or with deletion line.

5. Motion as amended by Dr Hon David LAM

That the fundamental concept of the Mandatory Provident Fund ('MPF') schemes is to enable working persons to make personal savings through contributions from both employees and employers and receive returns derived from investment of the funds, so as to assist members of the public in coping with life after retirement; it has been reported that since the beginning of 2022, the MPF system has recorded a huge cumulative loss of an alarming \$140.6 billion, which is the largest loss since the establishment of MPF in December 2000; according to a market report in April 2022, calculated on the basis of MPF's overall performance, it is estimated that the average loss of each scheme member in April will exceed \$14,000, and the cumulative loss for the whole year will even exceed \$30,600, which is equivalent to a wage earner's savings in two years going down the drain; from December 2000 to the end of March 2022, although the total MPF assets have exceeded about \$1.121 trillion, the MPF assets have in fact been eroded by inflation, and the return rates have invariably been far from satisfactory over the years, rendering MPF's real purchasing power being almost exhausted after several decades, which is a worrying situation; in this connection, this Council urges the Government to revitalize MPF by allowing scheme members more flexibility and autonomy in using MPF to take out medical insurance at an earlier time, *or to withdraw an amount based on a specified payment ratio or ceiling to pay medical expenses at designated healthcare institutions and service providers*, so that when ~~they~~ *members of the public* fall ill, besides seeking medical treatment under the public healthcare *safety net* system *which provides the highest subsidy*, they may also choose to *take up beds to be reintroduced in public hospitals which are subsidized at a lower rate but of better quality by paying the difference with MPF* or go to private healthcare

institutions to seek medical consultation, so as to obtain greater health protection ***and have more comprehensive choices***, which can also relieve the pressure on the public healthcare system ***and alleviate the burden of public funding***.

Note: Hon David LAM's amendment is marked in ***bold and italic type*** or with deletion line.

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Date : 14 June 2022

From : Clerk to the Legislative Council

To : All Members of the Legislative Council

Council meeting of 15 June 2022

**Amendments to Dr Hon Junius HO's motion on
"Revitalizing the Mandatory Provident Fund"**

Further to the email (LC Paper No. CB(3)502/2022) issued on 13 June 2022, Members are invited to note that **Dr Hon Kennedy WONG** has **withdrawn** the notice of his amendment to the motion on "Revitalizing the Mandatory Provident Fund".

(Miranda HON)
for Clerk to the Legislative Council