For discussion
on 2 June 2025

Legislative Council Panel on Financial Affairs

Mandatory Provident Fund "Full Portability"

PURPOSE

This paper briefs Members on the public consultation results on Mandatory Provident Fund ("MPF") "Full Portability", the specific proposals and the related legislative proposals.

BACKGROUND

2. Under the current design of the MPF System, it is employers' statutory responsibility to offer at least one MPF scheme for enrolling their employees and to make mandatory contributions, whereas employees can choose to invest among the constituent fund(s) offered by the MPF scheme participated by the employer. While employees are free to switch accrued benefits derived from employer mandatory contributions in respect of the current employment ("ERMC") among constituent funds under the same employer-chosen MPF scheme, the portability of ERMC and accrued benefits derived from employee mandatory contributions ("EEMC") across MPF schemes is regulated by the Mandatory Provident Fund Schemes Ordinance (Cap. 485) ("MPFSO")[1].

3. To increase employees' control over their MPF investments, promote market competition and create room for further fee reductions, the Employee Choice Arrangement ("ECA"), commonly referred to as MPF "Semi Portability", was launched in November 2012. Under ECA, employees may choose to transfer EEMC in its entire amount from a contribution account of the MPF scheme participated by the employer to a personal account of an MPF scheme of the employees' own choice once in every calendar year, or more than once in every calendar year if the governing rules of the MPF scheme from which

[1] Section 46(1A)(e) of MPFSO confers the power on the Chief Executive in Council to make regulations to provide for the transfer of accrued benefits from one MPF scheme to another. Statutory rules and requirements governing the portability of accrued benefits across MPF schemes are set out in section 14 of MPFSO and Part 12 of the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485A).

the accrued benefits are transferred so provide[2].

4. ECA has been well received by the public. Since its launch, the cumulative number of transfer cases made under ECA has exceeded 1 million, involving over HK$50 billion in MPF benefits. However, the transfer of ERMC across MPF schemes is still excluded from ECA, since employers need to ascertain the whereabouts and amount of such monies, which must be ring-fenced for offsetting their employees' severance payment / long service payment ("MPF offsetting arrangement") under the Employment Ordinance (Cap. 57) ("EO").

5. With the abolition of the MPF offsetting arrangement on 1 May 2025, ERMC of employees whose employment commences on or after 1 May 2025[3] ("New EEs") can no longer be used for offsetting employees' severance payment / long service payment, rendering it unnecessary to ring-fence ERMC for the MPF offsetting arrangement. For employees whose employment commenced before 1 May 2025 ("Existing EEs"), since employers can continue to use ERMC to offset severance payment / long service payment of Existing EEs for the employment period before the "transition date" (i.e. pre-transition portion)[4], there is still a need to ring-fence and keep track of the transfer of ERMC across different MPF schemes.

PUBLIC CONSULTATION

6. To implement MPF "Full Portability", the Mandatory Provident Fund Schemes Authority ("MPFA") conducted a one-month public consultation on MPF "Full Portability" from 28 March to 28 April 2025. It is proposed that employees be allowed to transfer ERMC from the MPF scheme participated by the employer to an MPF scheme of the employees' own choice. The consultation covers mainly the followings–

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2 In practice, the existing governing rules of all MPF schemes only allow ECA transfer once in every calendar year.

3 Including employees changing to a new employment or starting the first employment in life on or after 1 May 2025.

4 After the abolition of MPF offsetting arrangement on 1 May 2025, the severance payment / long service payment of Existing EEs will be divided into pre-transition portion (i.e. for the employment period before 1 May 2025) and post-transition portion (i.e. for the employment period starting from 1 May 2025). Employers can continue to use ERMC (irrespective of whether such contributions are made before, on or after 1 May 2025) to offset the pre-transition portion (but not the post-transition portion) of the employees' severance payment / long service payment.

(a) **Principles to be considered under "Full Portability" proposal**: it is recommended that the relevant proposals should satisfy three overarching principles, including (i) the proposals should provide scheme members with more choices over ERMC; (ii) the proposals should safeguard a smooth transition under the abolition of offsetting arrangement, such that operations for making claims to use ERMC to offset the pre-transition portion of severance payment / long service payment of Existing EEs would not be adversely affected; and (iii) the proposals should uphold system efficiency and avoid cumbersome procedures which would unduly add to the administrative burden and operating costs of the relevant stakeholders (including employers and trustees);

(b) **Specific proposals for implementing "Full Portability"**: these include the account arrangements for receiving the transferred ERMC (it is proposed that New EEs and Existing EEs should receive the relevant amounts through personal accounts and designated accounts respectively), the number of transfers allowed each year and the amount that can be transferred (it is proposed that the same mechanism as the existing ECA should be adopted)[5] ; and

(c) **Implementation arrangements:** whether it is agreeable to implement the proposals in phases, i.e. to first implement the proposal with simpler legislative procedures and benefitting New EEs, followed by the implementation of the proposal benefitting Existing EEs.

7. During the public consultation period, MPFA conducted briefing sessions for representatives from major labour unions, employers' associations and business chambers, etc., to gauge their views. Both the labour sector and employer representatives generally agreed with the three principles to be considered and supported the specific proposals of MPF "Full Portability", which have taken into account the expectations of both New EEs and Existing EEs, and the need to perform different operations under the MPF System, uphold system efficiency and avoid cumbersome procedures.

8. Among the views collected, over 90% of the respondents agreed that New EEs and Existing EEs should receive the transferred ERMC through

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5 Under the existing ECA, employees are allowed to choose to transfer EEMC in its entire amount to an MPF scheme of their own choice once in every calendar year, or more than once in every calendar year if the governing rules of the MPF scheme so provide. The relevant requirement has proven to be effective and a familiar arrangement to scheme members.

personal accounts and designated accounts respectively. As regards the transfer frequency arrangement, over 80% of the respondents indicated that the frequency of transfer should be consistent with the current mechanism under ECA (i.e. once in every calendar year in general), while some suggested allowing employees to transfer more than once in every calendar year. On the commencement date, more respondents favoured implementation in phases so as to benefit New EEs as soon as possible.

SPECIFIC PROPOSALS AND LEGISLATIVE PROPOSALS

9. Implementing "Full Portability" for New EEs and Existing EEs entail legislative amendments to different extent. The former is relatively straightforward, requiring only amendments to the Mandatory Provident Fund Schemes (General) Regulation whereas the latter requires amendments to MPFSO and EO, as well as the Mandatory Provident Fund Schemes (General) Regulation. Taking into account the public consultation results, we **propose completing the legislative exercise in two phases**, i.e. first to complete amendments to the Mandatory Provident Fund Schemes (General) Regulation within 2025 to give legal backing to the proposal benefitting New EEs ("Phase One Proposal"), followed by commencing the remaining legislative amendment work within 2026 to take forward the proposal benefitting Existing EEs ("Phase Two Proposal"), with details summarised below –

<table>
<tr><th></th><th>Phase One Proposal
(applicable to New EEs)</th><th>Phase Two Proposal
(applicable to Existing EEs)</th></tr>
<tr><td>Account arrangement</td><td>To receive ERMC transferred from the contribution account of the MPF scheme participated by the employer through a personal account of an MPF scheme of the employee's own choice

(same as the current mechanism under ECA)</td><td>To receive ERMC transferred from the contribution account of the MPF scheme participated by the employer through a designated account of an MPF scheme of the employee's own choice

(a brand new type of MPF account)</td></tr>
<tr><td>Amount of transfer</td><td colspan="2">ERMC in its entire amount in a contribution account

(same as the current mechanism under ECA)</td></tr>
</table>

	Phase One Proposal (applicable to New EEs)	Phase Two Proposal (applicable to Existing EEs)
Frequency of transfer	**Once** in every calendar year, or more than once in every calendar year if the governing rules of the MPF scheme from which the accrued benefits are transferred so provide (same as the current mechanism under ECA)	

10. The modus operandi of **Phase One Proposal** is essentially the same as that of ECA, with a view to minimising administrative burden on employers, safeguarding the MPF System's efficiency and facilitating public understanding. As regards **Phase Two Proposal**, since it remains necessary to ring-fence and keep track of transferred ERMC for possible MPF offsetting purposes, we propose creating a new type of MPF account, namely, designated ERMC account, to receive ERMC transferred from current employment.

11. On transfer frequency, we consider it prudent to follow the existing transfer mechanism (i.e. once in every calendar year in general) adopted by the well-tested and smoothly operated ECA. Since MPF is a long-term investment over the working life, it may not be in scheme members' interest to make frequent transfer of benefits among MPF schemes. Nonetheless, we will closely assess the usage of "Full Portability" after its implementation and remain open-minded to making necessary refinements to the mechanism in a holistic manner.

12. Subject to the enactment of the necessary legislative amendments, the Secretary for Financial Services and the Treasury will be empowered to appoint a day as the commencement date of Phase One Proposal and Phase Two Proposal respectively by notices published in the Gazette.

IMPLEMENTATION WORK

13. The two-phased proposals will involve different legislative procedures. For Phase One Proposal, the Government will move a motion to introduce amendments to the Mandatory Provident Fund Schemes (General) Regulation through the positive vetting procedure; for Phase Two Proposal, MPFSO, EO and the Mandatory Provident Fund Schemes (General) Regulation will be amended via an amendment bill. We are now working in full steam with the Department of Justice and MPFA to ready the Amendment Regulation to give legal effect to Phase One Proposal. The target is to move a motion to introduce the Amendment Regulation into the Legislative Council in July 2025, with a view

to completing the legislative work for Phase One Proposal within the current legislative session. We will commence the legislative preparatory work to implement Phase Two Proposal, with the target to consult the Panel on Financial Affairs in 2026.

14. On the timing of commencement, considering that the early implementation of Phase One Proposal can benefit New EEs, we propose first implementing Phase One Proposal to benefit New EEs, taking into account the onboarding progress of the eMPF Platform[6], the time required for completing all necessary administrative and other groundwork (e.g. conducting system upgrade and enhancement to the eMPF Platform and setting up a brand new type of MPF account), and thorough risk control in place. We will, at the same time, endeavour to shorten the lead time between the implementation of the two proposals such that Existing EEs can participate in "Full Portability" as early as possible. We will continue to maintain close communication with the stakeholders to ensure adequacy of public education and publicity during the process to enable employees' and employers' clear understanding of the relevant arrangements. Although it is difficult to advise in detail on the number of New EEs who will benefit from the implementation of Phase One Proposal, we note that the monthly average of new MPF employee contribution accounts by making reference to figures recorded in the past two financial years was about 80 000. Upon the implementation of Phase Two Proposal, "Full Portability" will be able to cover all Existing EEs and New EEs participating in MPF schemes, which is estimated to be around 2.6 million based on figure as at end-2024.

ADVICE SOUGHT

15. Members are invited to offer views on the above legislative proposals and the related arrangements.

Financial Services Branch
Financial Services and the Treasury Bureau
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[6] Launched in June 2024, the eMPF Platform is a one-stop centralised electronic platform which streamlines, standardises and automates various MPF administrative processes for the benefits of scheme members. Upon its full implementation, the eMPF Platform will take over all scheme administration work, including the transfer of accrued benefits among different MPF schemes.