



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND
SCHEMES AUTHORITY

**Consultation Conclusions on
Introducing an Automatic Mechanism for
Adjustment of Minimum and Maximum
Levels of Relevant Income**

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CHAPTER 1 INTRODUCTION

1. On 23 January 2015, the Mandatory Provident Fund Schemes Authority (“MPFA”) launched a public consultation exercise (“Consultation”) to gauge the views of the public on the proposal in respect of the introduction of an automatic mechanism for adjustment of the minimum level of relevant income (“Min RI Level”) and the maximum level of relevant income (“Max RI Level”) (“Proposal”). The consultation period ended on 5 March 2015.
2. A total of three questions were asked in the Response to Consultation Questions Form (“Response Form”) provided in the Consultation Paper “Introducing an Automatic Mechanism for Adjustment of Minimum and Maximum Levels of Relevant Income” (Annex A). The three questions are:
 - Q1. Do you support replacing the current discretionary adjustment mechanism with the proposed automatic mechanism for adjusting the Min RI Level and the Max RI Level?
 - Q2. If you support only some of the features of the proposed mechanism, please explain your views in respect of those features that you do not support and suggest how and / or what modifications should be made.
 - Q3. Do you have any additional comments on the proposed mechanism for the Min RI Level or the Max RI Level?
3. The Consultation Paper was uploaded onto the websites of MPFA (www.mpfa.org.hk), the Financial Services and the Treasury Bureau of the Government of the HKSAR (www.fstb.gov.hk/fstb) and the Business Consultation e-Platform on GovHK (www.gov.hk). Hardcopies were made available at all MPFA offices. A press release was published on 23 January 2015 inviting views from the public on the Proposal and another one was published on 25 February 2015 reminding the public to submit views before the closing date of the Consultation.
4. To facilitate submission of responses to the Consultation, a number of

response channels, including by post, facsimile and electronic mail, were provided. In addition, an online Response Form was made available at the MPFA website to collect the views from the general public.

5. In order to facilitate clearer understanding of the Proposal by and to better gauge the views of key stakeholder groups, during the consultation period, MPFA also conducted briefing sessions to introduce the Proposal and to hear the views of nine employer associations, three labour unions, a relevant professional body and two MPF industry bodies. A list of the 15 key stakeholder groups is attached at Annex B.

Summary of views and comments

6. At the end of the consultation period on 5 March 2015, MPFA had received 35 047 submissions. We further received 28 late submissions during the period from 6 to 11 March 2015. The total number of submissions received is 35 075.
7. Among the 35 075 submissions, 34 994 (over 99%) were received on 4 and 5 March 2015 and almost all were submitted via the online response system provided on the MPFA website. The timing of this upsurge in the number of online submissions coincides with the timing of messages spreading on social media urging the community to object to the Proposal and to use the template comments as provided in the messages when responding to the Consultation. As some messages suggested a misunderstanding of the Proposal, to ensure that public members could understand the Proposal which was being consulted, MPFA issued a press release clarifying that the Proposal would not mandate an increase of the Max RI Level every two years on 4 March 2015. The press release also clarified that under the Proposal the Min and Max RI Levels might be adjusted upwards or downwards depending on the proposed adjustment benchmarks and other components prescribed, and re-iterated the proposed adjustment benchmark and other components for the Max RI Level.
8. Almost all of the respondents are individual members of the public who made their submissions via the MPFA online response system and 99% of them indicated that they did not support the Proposal. Among these respondents, 26% commented on the Proposal (and some also commented

on other aspects of the MPF System). Another 31% also commented on the Proposal based fully or partially on the template comments provided in the messages on social media as mentioned in paragraph 7 above. The remaining 43% of the respondents did not comment on the Proposal but expressed dissatisfaction about other elements of the MPF System which were unrelated to the Proposal.

9. With respect to the 15 key stakeholder groups who were consulted on the Proposal as mentioned in paragraph 5 above, MPFA subsequently received written submissions from nine of them. MPFA also briefed the Labour Advisory Board on 1 April 2015. Views expressed by these bodies and their members are polarized. The Proposal was fully or generally supported by one employer association, and all of the labour unions, the relevant professional body, and the MPF industry bodies and players. However, more than half of the employer associations did not support the Proposal, expressing concerns particularly about the perceived continual automatic increase of the Max RI Level every two years.
10. During the consultation period, the Financial Services and the Treasury Bureau of the Government of the HKSAR and MPFA briefed the Legislative Council Panel on Financial Affairs on the Proposal on 2 March 2015. Similarly, views expressed by the Panel members were diverse, with some supporting the Proposal whilst others were concerned about the loss of flexibility in adjusting the Min and Max RI Levels under the proposed mechanism and the additional amount of mandatory contributions payable under the proposed mechanism.
11. A more detailed analysis of the total submissions of 35 075 can be found in Chapter 2 of this Consultation Conclusions Report. We categorize these 35 075 submissions into two groups of respondents for separate analysis, namely, the 35 062 submissions made by members of the public and the 13 submissions made by key stakeholder groups. Among the 13 submissions received from key stakeholder groups, a total of nine submissions were made by employer associations, labour unions, a relevant professional body and an MPF industry body to which MPFA had introduced the Proposal while the other four submissions were made by a labour union, a trade union and two MPF industry players which received no briefing on the Proposal from MPFA.

12. We would like to thank all respondents who participated in the Consultation and provided us with their feedback.

CHAPTER 2 SUMMARY OF RESPONSES

13. At the end of the consultation period, there were 35 047 submissions received by MPFA. A further 28 submissions were received by MPFA during the period from 6 to 11 March 2015, thus making up the total number of submissions to 35 075. Among the 35 075 submissions, 34 994 (over 99%) were received on 4 and 5 March 2015 and almost all were submitted via the online Response Form provided on the MPFA website by members of the public. Considering all the 35 075 submissions as a whole, 99% of the respondents indicated that they did not support the Proposal.
14. Apart from receiving submissions from members of the public in respect of the Proposal, MPFA received submissions made by key stakeholder groups including, for example, employer associations, labour unions and MPF industry bodies. We separately analyse the 35 062 submissions made by members of the public in Part 2.1 below and the 13 submissions made by key stakeholder groups in Part 2.2 below.

2.1 Summary of Responses Made by Members of the Public

15. There were in total 35 062 submissions received from members of the public in respect of the Proposal, representing over 99% of the total number of submissions of 35 075. Over 99% of the members of the public made their submissions via the online Response Form available on the MPFA website. An overwhelming majority (99%) of the respondents did not support the Proposal.
16. A majority (65%) of the respondents who did not support the Proposal provided comments in their submissions, apart from checking the boxes for the questions in the Response Form indicating that they were not supportive of the Proposal. The key comments made by these respondents are highlighted below (further details are set out in Annex C):
 - (i) 26% commented on the Proposal (and some also commented on other aspects of the MPF System) and 19% of this group expressed preference for the current adjustment mechanism;

- (ii) another 31% commented on the Proposal (and some also commented on other aspects of the MPF System) based fully or partially on the template comments provided in the messages on social media, and 90% of this group expressed preference for the current adjustment mechanism; and
 - (iii) the remaining 43% made comments on the MPF System which were unrelated to the Proposal (e.g. high management fees and low returns).
17. Among the 26% of the respondents who provided comments on the Proposal which they did not support, some considered that the proposed automatic adjustment mechanism lacked flexibility and the adjustment of the Min and Max RI Levels should take into account other relevant factors such as the prevailing social and economic situation. Some respondents considered that any proposed change in the two levels should be subject to the scrutiny of the Legislative Council or consent by employees. There were also comments that there would only be upward adjustments in the two levels under the proposed mechanism. For those among this group who expressed preference for the current adjustment mechanism, some respondents commented that the current mechanism was flexible as it allowed relevant factors (e.g. income distribution of the working population, inflation rate, and prevailing local and global economic conditions) to be taken into account when reviewing and adjusting the Min and Max RI Levels. Some other respondents considered that the current mechanism allowed room for discussion by the community on the adjustment of the Min and Max RI Levels as after all MPF contributions made by them are their assets and hence they should have a right to participate in the review and adjustment process. There were also respondents who considered the current mechanism sufficiently good as the proposed mechanism would increase the amount of contributions endlessly.
18. There were another 31% of the respondents who also commented on the Proposal. It is observed that their comments were based fully or partially on the template comments provided in the messages on social media. Some template comments on the internet contained a point stating that the current adjustment mechanism was not perfect but it was better than the proposed automatic mechanism. The reason was, under the current mechanism, any adjustments of the Min and Max RI Levels were subject to

scrutiny and approval by the Legislative Council. Under such circumstance, members of the Legislative Council could take into account the prevailing social situation when deliberating on the proposed adjustments in detail. Such checks and balances could, to a certain extent, keep the Government from becoming too powerful. In this group of respondents, 90% had included this comment indicating preference for the current mechanism in their submissions.

2.2 Summary of Responses Made by Key Stakeholder Groups

19. During the consultation period, MPFA conducted briefing sessions to introduce the Proposal and to hear the views of 15 key stakeholder groups, including nine employer associations, three labour unions, one relevant professional body and two MPF industry bodies. MPFA subsequently received written submissions from nine of them. MPFA also received four other submissions made by a labour union, a trade union and two MPF industry players which received no briefing on the Proposal from MPFA. The 13 key stakeholder groups with submissions made are set out below.

Table 1: List of 13 key stakeholder groups with submissions made

No.	Name
1.	AIA Pension and Trustee Co. Ltd.
2.	The Chinese General Chamber of Commerce*
3.	The Chinese Manufacturers' Association of Hong Kong*
4.	Dimensional Fund Advisors Pte. Ltd.
5.	Employers' Federation of Hong Kong*
6.	The Federation of Hong Kong and Kowloon Labour Unions*
7.	Federation of Hong Kong Industries*
8.	Hong Kong and Kowloon Trades Union Council
9.	Hong Kong Confederation of Trade Unions*
10.	Hong Kong E-Logistics Practitioners Association
11.	The Hong Kong Federation of Trade Unions*
12.	Hong Kong Institute of Human Resource Management*

No.	Name
13.	Hong Kong Trustees' Association*

* MPFA conducted briefing sessions to introduce the Proposal to these key stakeholder groups during the consultation period.

20. Views expressed in the submissions are split, with some supporting the Proposal and some not supporting it.
21. All the labour unions, the relevant professional body and the MPF industry bodies and players fully or generally supported the Proposal. They generally considered that the Proposal could protect the benefits of employees better and it would be more effective in terms of time and costs involved in the consultation and legislative processes. Moreover, they could get better prepared for the implementation of the new levels under the proposed automatic mechanism. Some suggested fine-tuning some of the components of the proposed mechanism as well, e.g. increasing the frequency of review and adjustment of the Min and Max RI Levels from once every two years under the Proposal to once a year; adding the Statutory Minimum Wage as an additional benchmark to the Proposal for adjusting the Min RI Level so that the adjusted Min RI Level would not fall below an income level produced with reference to the Statutory Minimum Wage; not amending the Min RI Level if the adjustment was small (e.g. \$500) in order to minimize administrative work and costs of small- and medium-sized enterprises; and adopting a smaller rounding unit of \$1,000 (vs \$2,500 under the Proposal) for the Max RI Level so that each upward adjustment of the Max RI Level would not be too drastic.
22. More than half of the employer associations did not support the proposed mechanism for the Max RI Level. They were mainly concerned about perceived automatic increases of the Max RI Level by \$5,000 every two years. An employer association generally supported the Proposal considering that, as long as consensus could be reached on the adjustment benchmarks, the proposed automatic mechanism could achieve administrative efficiency, avoid political debate and delay of the review of the Min and Max RI Levels, and ensure timely and progressive improvement in the MPF System. In general, employer associations appeared to have less concern about the introduction of an automatic

adjustment mechanism in relation to the Min RI Level as set out in the Proposal.

23. The trade union that made a submission did not support the Proposal.

CONSULTATION QUESTIONS

1. Do you support replacing the current discretionary adjustment mechanism with the proposed automatic mechanism for adjusting the minimum level of relevant income (“Min RI Level”) and the maximum level of relevant income (“Max RI Level”)?

- Yes
- No

Please explain your views:

2. If you support only some of the features of the proposed mechanism, please explain your views in respect of those features that you do not support and suggest how and / or what modifications should be made.

Min RI Level

Please indicate which key features you support.

- (a) Automatic adjustment Support Not support
- (b) Adjustment benchmark (55% of the monthly median employment earnings (Foreign Domestic Helpers (“FDHs”) excluded)) Support Not support
- (c) 2-year review and adjustment frequency Support Not support
- (d) No limit on adjustment magnitude Support Not support
- (e) Round up to next \$100 Support Not support

In respect of those features that you do not support, please explain your views and suggest how and / or what modifications should be made:

Max RI Level

Please indicate which key features you support.

- (a) Automatic adjustment Support Not support
- (b) Adjustment benchmark (90th percentile earnings of the monthly employment earnings distribution (FDHs excluded)) Support Not support
- (c) 2-year review and adjustment frequency Support Not support
- (d) \$5,000 limit on increase magnitude Support Not support
- (e) Round to nearest \$2,500 Support Not support

In respect of those features that you do not support, please explain your views and suggest how and / or what modifications should be made:

3. Do you have any additional comments on the proposed mechanism for the Min RI Level or the Max RI Level?

- Yes

Please explain your views:

- No

**LIST OF KEY STAKEHOLDER GROUPS TO WHICH MPFA
PROVIDED A BRIEFING ON THE PROPOSAL**

Employer Associations

1. The Chinese General Chamber of Commerce
2. The Chinese Manufacturers' Association of Hong Kong
3. Employers' Federation of Hong Kong
4. Federation of Hong Kong Industries
5. The Hong Kong Chinese Enterprises Association
6. The Hong Kong Chinese Importers' & Exporters' Association
7. The Hong Kong General Chamber of Commerce
8. The Hong Kong General Chamber of Small and Medium Business
9. Hong Kong Small and Medium Enterprises Association

Labour Unions

10. The Federation of Hong Kong and Kowloon Labour Unions
11. Hong Kong Confederation of Trade Unions
12. The Hong Kong Federation of Trade Unions

Relevant Professional Bodies

13. Hong Kong Institute of Human Resource Management

MPF Industry Bodies

14. Hong Kong Investment Funds Association
15. Hong Kong Trustees' Association

**SUMMARY OF COMMENTS MADE IN SUBMISSIONS NOT
SUPPORTING THE PROPOSAL**

		% of 22 493 respondents who made comments (a)	% of 22 493 respondents who made comments (b)
(1)	Comments made were related to the Proposal	26%	
	- no indication of preference for the current adjustment mechanism		21%
	- indicated preference for the current adjustment mechanism		5%
(2)	Comments based fully or partially on the template comments provided in the messages on social media	31%	
	- no indication of preference for the current adjustment mechanism		3%
	- indicated preference for the current adjustment mechanism		28%
(3)	Comments on the MPF System which were unrelated to the Proposal	43%	
	- MPF System should be frozen or abolished		16%
	- Comments/ complaints on other issues (e.g. withdrawal of benefits, offsetting arrangement)		13%
	- Low returns		8%
	- MPF System reduces members' take-home pay		7%
	- High fees		7%

		% of 22 493 respondents who made comments (a)	% of 22 493 respondents who made comments (b)
	- MPF System only benefits fund managers and service providers		7%
	- Members should be allowed to invest or save the money themselves		7%
	- MPF System is useless		4%
	- Offensive comment, foul language and unfounded accusations		3%
	- Members should be allowed to use MPF benefits to purchase real estate properties instead		1%
	Total percentage	100%	

Notes:

1. Among the 34 730 respondents who indicated in their submissions that they did not support the Proposal, 65% of them also provided comments in their submissions. The table shows a summary of those comments.
2. As a respondent may make multiple comments, the column total in column (b) does not add up to 100%.