

## LCQ13: Mandatory Provident Fund

Following is a question by the Hon Kingsley Wong and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (January 31):

Question:

In delivering the 2023-2024 Budget in February last year, the Financial Secretary (FS) pointed out that society at large had clear aspirations for Mandatory Provident Fund (MPF) funds that offered stable returns at low fees and he had instructed the Hong Kong Monetary Authority and the Mandatory Provident Fund Schemes Authority to conduct a study on this. He also indicated that to start off, he planned to earmark a certain proportion of the future issuances of Government green bonds and infrastructure bonds for priority investment by MPF funds. In this connection, will the Government inform this Council:

- (1) of the progress of the aforesaid study and whether the FS has received the study report; if so, of the recommendations made in the report and the expected time for implementing the recommendations; if not, the expected completion time of the study;
- (2) of the development progress of the eMPF platform; whether it has assessed if the platform can be launched as scheduled to dovetail with the implementation of the abolition of MPF "offsetting arrangement" and the implementation of policies such as the making of MPF contributions by the Government on behalf of low-income persons; and
- (3) as it is learnt that the minimum and maximum income levels for MPF contributions have not been adjusted upward for almost 10 years and have significantly lagged behind the benchmarks stipulated under the statutory review mechanism, when the authorities plan to adjust such income levels?

Reply:

President,

In consultation with the Mandatory Provident Fund Schemes Authority (MPFA), the Hong Kong Monetary Authority (HKMA) and the Labour and Welfare Bureau, my reply to the three parts of the question is as follows.

- (1) The Financial Secretary announced in the 2023-24 Budget that the Government had instructed the HKMA and the MPFA to conduct a study on Mandatory Provident Fund (MPF) funds that offer stable returns at low fees. To start off, the Government planned to earmark a certain proportion of future issuances of Government green bonds and infrastructure bonds for priority investment by MPF funds, thereby providing MPF scheme members an additional investment option.

The HKMA and the MPFA have already put in place a mechanism to earmark a certain proportion of Government green bonds for priority investment by MPF funds. The mechanism will also apply to future issuances of Government infrastructure bonds. This arrangement allows MPF fund managers to consider more investment instruments with stable returns in their portfolio management for the benefit of scheme members.

The study on MPF funds which offer stable returns at low fees is ongoing, and will take into account the evolving market trend, including the fact that certain low-risk MPF funds have lately generated returns higher than the inflation rate over the same period under interest rate normalisation, thereby meeting the aspirations of scheme members for stable returns.

(2) Based on the latest progress, the MPFA expects that the phased migration of MPF account information to the eMPF Platform could commence in the second quarter of 2024, with a view to achieving full implementation of the eMPF Platform in 2025. The Government will implement the initiative of paying MPF contributions for low-income persons after the full implementation of the eMPF Platform. Separately, the Government has announced that the abolition of the offsetting arrangement under the MPF system would take effect on May 1, 2025, which will be implemented without the Platform's full implementation.

(3) The Mandatory Provident Fund Schemes Ordinance (Cap. 485) requires the MPFA to conduct a review of the minimum and maximum relevant income levels (Min and Max RI levels) not less than once in every four years. In the last review (i.e. the 2018 to 2022 cycle), the MPFA, having considered the exceptional circumstances arising from the COVID-19 epidemic, recommended that no adjustments be made to the Min and Max RI levels. The Government noted the severe impact of the epidemic on the economy and community in Hong Kong and concurred with MPFA's recommendation. The MPFA has commenced the work for the review for the next cycle (i.e. the 2022-2026 cycle). The Government will carefully consider the review recommendations once received from the MPFA.