

LCQ14: Withdrawal of benefits by Mandatory Provident Fund scheme members

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Financial Services and the Treasury, Mr James Lau, in the Legislative Council today (May 9):

Question:

At present, Mandatory Provident Fund (MPF) scheme members may opt to withdraw their MPF accrued benefits (benefits) in their MPF accounts by instalments or in a lump sum upon their retirement or early retirement. Among those MPF scheme members who withdrew their benefits in 2016 and 2017 on grounds of retirement or early retirement, a vast majority (99 per cent) opted to withdraw their benefits in a lump sum (192 874 cases involving a total sum of \$15,884 million), and only 1 per cent opted to withdraw their benefits by instalments (2 169 cases involving a total sum of \$285 million). In this connection, will the Government inform this Council:

(1) whether it knows, among the MPF scheme members who reached the age of 65 in each of the past two years, the number and percentage of those who have not withdrawn any benefits so far;

(2) whether it knows, among the MPF scheme members who withdrew their benefits in a lump sum in the past three years, the number of those whose benefits received were less than the sum of the contributions made over the years by themselves and their employers; and

(3) given that upon retirement at the age of 65, MPF scheme members generally still have years of post-retirement living, whether the Government will consider introducing measures to encourage soon-to-retire people to retain in their MPF accounts a portion of benefits which is not needed for immediate purpose, so that the retained portion of benefits can grow in value through investment, with a view to providing more ample funds to meet their needs in twilight years, thereby achieving the original purpose of establishing MPF System?

Reply:

President,

The replies to the questions raised by the Hon Chan are as follows:

(1) As at the end of December 2015 and December 2016 (Note), the numbers of accounts held by Mandatory Provident Fund (MPF) scheme members who are aged 65 or above were approximately 128 000 and 151 000 respectively. The balances of accrued benefits in these accounts were about \$7.47 billion and \$8.87 billion respectively.

The above figures include accounts of those scheme members who have reached the age of 65 but have never withdrawn their MPF accrued benefits and those who have made partial withdrawals. The Mandatory Provident Fund Schemes Authority (MPFA) does not have information on the number and percentage of eligible scheme members to withdraw their MPF accrued benefits who have reached age 65 but have never done so.

(2) The MPFA does not have information on the amount of contributions, investment return and balance of accrued benefits in respect of a MPF scheme member.

The MPF System is mandatory in nature. Employers and employees are required to make monthly contributions. Generally speaking, with the compounding effect of MPF returns, the longer the investment period, the more assets will be accumulated, and the accrued benefits of scheme members should increase gradually over time. Of course, the actual situation of each individual member is subject to the investment decisions made by the member throughout the accumulation period.

In fact, the total assets of the MPF System grew extensively by more than 22 times from about \$36 billion as at the end December 2001 (i.e. one year after the implementation of the System) to \$843.5 billion as at the end of December 2017 (i.e. 17 years after the implementation of the System), of which about \$267.4 billion is net investment return after deducting charges and expenses, representing about one-third of the total assets. The annualised return for the period from December 2000 to December 2017 was 4.8 per cent, which was higher than the 1.8 per cent inflation rate over the same period.

(3) To provide more flexibility in withdrawal options to facilitate scheme members to better plan and manage their MPF accrued benefits to meet their needs after retirement, we have implemented phased withdrawal of MPF benefits in 2016. When scheme members retire or early retire, apart from withdrawing their MPF benefits in a lump sum, they can also choose to withdraw them by instalments. The accrued benefits retained in MPF schemes will continue to be invested.

The MPFA reminds scheme members from time to time that they may consider retaining their MPF accrued benefits in their personal accounts for rollover and continuous investment if there is no urgent need to withdraw them upon retirement for use. They may withdraw their benefits thereafter as needs arise.

Scheme members should consider whether or not to withdraw their MPF benefits by instalments, the number of withdrawals as well as the amount of MPF accrued benefits to be withdrawn each time in light of their personal needs and circumstances.

Note: Information as at the end of December 2017 is not yet available.