LCQ5: Issues relating to Mandatory Provident Fund

Following is a question by the Hon Paul Tse and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (May 6):

Question:

It has been reported that amid the global economy being hit by the Coronavirus Disease 2019 pandemic, it is estimated that Mandatory Provident Fund (MPF) schemes incurred losses of as high as 16.59 per cent in the first quarter of this year, which is the poorest quarterly investment performance ever recorded, with each MPF scheme contributor (contributor) suffering a substantial loss of $50,000 on average. However, MPF trustees (commonly known as fund managers), irrespective of the investment funds under the MPF schemes they manage making gains or losses, are able to safely pocket hefty management fees amounting to over $10 billion. Some members of the public have pointed out that despite MPF schemes having experienced record-breaking losses, fund managers' profits have not been seriously affected by the epidemic, and that if fund managers are still eligible for applying for the subsidies under the second-round relief measures, it is a waste of public money and is unreasonable. These members of the public have criticised the Mandatory Provident Fund Schemes Authority (MPFA) for not having tried its best to limit the fees charged by fund managers, and for failing to make ends meet for more than eight consecutive years. They also query whether MPFA has faithfully performed its duties of protecting contributors' rights and interests and monitoring MPF schemes' operations. In this connection, will the Government inform this Council:

(1) whether it knows if MPFA has kept records on the amounts of management fees collected by fund managers each year; if MPFA has, of the total amount of management fees collected by fund managers in each of the past three financial years; if not, the reasons for that;

(2) whether fund managers are eligible for receiving the wage subsidies of the Employment Support Scheme and other subsidies under the second-round relief measures; if so, of (i) the expected maximum amounts of subsidies that may be disbursed to the top five fund managers which have the largest market shares, as well as (ii) the Government's justifications for allowing fund managers to benefit from the relief measures even though their profits are guaranteed, and whether it will review this issue and immediately exclude them from the scope of beneficiaries so as to plug the loophole;

(3) whether, in order to help address the imminent needs of those employers and employees who, due to the epidemic, have suffered substantial income loss and of those who have been unemployed, the Government will consider the following proposals of "gains for those who labour" put forward by members of

the public: (i) making MPF contributions on behalf of employers and employees for six months, and (ii) immediately allowing employees to withdraw half of their MPF contributions' accrued benefits; and

(4) whether it knows MPFA's financial situation since MPFA recorded failure to make ends meet for the eighth consecutive year in 2018; if MPFA has still recorded deficits, of the details, and whether it has assessed if MPFA's recording successive years of deficits will give rise to a negative perception among members of the public that MPFA is unable to monitor the effective operation of the MPF system as MPFA is unable to look after its own financial situation?

Reply:

President,

Given the recent impact of the epidemic on the global economy and investment market, the investment performance of MPF has inevitably been affected to a certain extent. However, MPF is a long-term investment spanning across an investment period up to 30 to 40 years. We therefore consider that we should not put too much emphasis on short-term fluctuations. For MPF fee, as a matter of fact, the overall average Fund Expense Ratio of all MPF funds has decreased by 31 per cent from 2.10 per cent in 2007 to 1.45 per cent in end March 2020. The Government and the MPFA will continue to refine the MPF System, with a view to lowering the fee and expense level of MPF funds.

Our reply to the Hon Tse's question is as follows:

(1) Since April 2019, breakdowns of percentage of fees charged by each service provider, including the investment manager, of each fund have been uploaded onto the MPF Fund Platform on the MPFA's website for reference. Investment manager fee provided by the MPF Fund Platform reflects the total fee range of individual MPF fund and each of its underlying funds. As at March 31 2020, the relevant figures ranged from 0.025 per cent to 1.3 per cent. That being said, the relevant figures do not reflect the weightings of various underlying funds of a MPF fund. Hence, it cannot represent the actual fee level, nor can it derive the actual total amount of fees charged.

The above fee information disclosure approach is in line with international disclosure standards amongst defined contribution pension plans. Indeed, disclosing fee of each fund in percentage rate can better facilitate members in comparing the fee levels of different funds during the fund selection process.

(2) The Employment Support Scheme (ESS) is implemented by the Policy Innovation and Co-ordination Office (PICO). PICO's response is as follows:

The primary objective of the ESS is to maintain employment during the epidemic by providing time-limited financial support to employers to retain their employees who will otherwise be made redundant. Some overseas governments (such as Singapore, the United Kingdom and Australia) also implemented similar schemes to provide financial assistance to employers to maintain employment, with a view to preparing businesses and the economy for quick recovery once the epidemic is over.

Employers joining the ESS are required to provide an undertaking not to implement redundancies during the subsidy period, i.e. the number of paid employees during the subsidy period should not be smaller than the number of employees (regardless of whether they are paid or not) in March 2020 and to spend all wage subsidies from the Government on paying wages to their employees. Should an employer reduce the headcount of employees during the subsidy period, the Government will adjust the wage subsidies for that employer including clawing back and imposing other penalty.

Other than the ineligible employers (e.g. Government of the Hong Kong Special Administrative Region, statutory bodies), all employers who have been making MPF contributions or have set up Occupational Retirement Schemes will be eligible for applying for the ESS. It is estimated that the ESS can benefit about 270 000 employers and their about 1.77 million employees. In order to provide timely assistance to employers and employees, it is imperative that the administrative arrangements for the ESS are as simple as possible and the subsidy can be paid as soon as practicable. Detailed vetting of individual applicant, including the financial situation of individual employer such as business turnover and/or profits, would involve highly complex procedure, as a result of which the Government will not be able to disburse the first tranche of subsidy to applicants before the end of June.

Appropriate monitoring and auditing mechanisms will be put in place under the ESS so as to screen and follow up any cases involving abuse or irregularities. We are finalising the details of the relevant mechanism and penalties with stakeholders, and will announce details prior to receiving application. Furthermore, the Government will adopt a highly transparent approach, including publishing the list of employers receiving ESS subsidy, the total number of employees benefited and the amount of subsidy granted to enable the society and the employees concerned to monitor the situation. In the event an employer is found to have breached the conditions of the scheme, the employees concerned or members of the public may report to the relevant authorities.

(3) As regards proposals relating to MPF contributions and accrued benefits, it should be noted that legislative amendments are required and the legislative exercise will take time. Hence, they are not able to provide the most direct and timely assistance to address the current situation. Furthermore, these proposals will not be conducive to achieving the objective of the MPF Scheme of helping the working population save for their retirement.

(4) The Government sought approval from the Legislative Council (LegCo) for a one-off Capital Grant of $5 billion to the MPFA in 1998. The MPFA has all along been relying mainly on the investment return from its Capital Grant to fund its operating expenditure. However, due to the low-interest environment and the volatile investment market in recent years, the relevant investment

return has decreased, resulting in an annual deficit ranging from $0.25 billion to $0.51 billion over the past five years. The MPFA has implemented various cost-saving measures such as office relocation from central business districts to Kwai Chung in the New Territories and imposition of a cap on the MPFA's personal emolument by the Financial Secretary. As a result, its annual expenditure over the past five years was controlled at a level between $0.49 billion to $0.53 billion. Nonetheless, merely relying on the investment return from the Capital Grant is inadequate to meet the MPFA's recurrent expenditure. As at March 31 2020, the balance of the Capital Grant stood at $2.58 billion (Note).

In order to enable the MPFA to fulfill its statutory obligations, it is essential for the MPFA to attain financial sustainability through charging trustees the Annual Registration Fee (ARF) to generate a stable stream of income. In this connection, the Government received support from the Panel on Financial Affairs of LegCo in December 2018 and introduced into LegCo the Mandatory Provident Fund Schemes (Amendment) Bill 2019 in October last year, proposing to enable the MPFA to start charging MPF approved trustees the ARF at a level of 0.03 per cent of the net asset value of an MPF scheme. The original proposal was supposed to be effective from January 1 2020. However, the House Committee of LegCo has yet to elect its Chairman and Deputy Chairman and has not yet decided whether Bills Committee should be formed for the scrutiny of the relevant amendment bill. As a result, subsequent legislative procedures cannot be proceeded, and the plan for the MPFA to charge the ARF cannot be implemented as scheduled. The Government will continue to closely monitor the situation in LegCo and maintain close communication with the MPFA to ensure that the MPFA has sufficient resources to fulfill its statutory obligations.

Note: Unaudited figure

LCQ9: Tuen Mun South Extension railway project

Following is a question by the Hon Holden Chow and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 6):

Question:

The Government indicated in October last year that it had assessed the proposal on the Tuen Mun South Extension railway project submitted by the MTR Corporation Limited (MTRCL) at the end of 2016, and planned to request MTRCL to commence the detailed planning and design for the project in the coming year. In this connection, will the Government inform this Council:

(1) of the latest progress of the railway project and its latest estimated cost, and how that amount compares with the originally projected amount;

(2) of the approach to be adopted by the Government for consulting the public on the proposed alignment of the railway project and on the proposals for adding en route stations; and

(3) of the expected timing for announcing the details of the railway project (including the works commencement date)?

Reply:

President,

My reply to the Hon Holden Chow's question is as follows:

The Transport and Housing Bureau had invited the MTR Corporation Limited (MTRCL) to submit a proposal for the implementation of the Tuen Mun South Extension project under the Railway Development Strategy 2014 (RDS-2014). The MTRCL had already submitted a proposal for the project to the Government. Upon receipt of the MTRCL's proposal, relevant bureaux/departments have evaluated the proposal and requested the MTRCL to provide additional information and supplement details.

Having examined the proposal submitted by the MTRCL and considered the urgency of and the land development potential that may be brought about by the project, the Chief Executive indicated in the 2019 Policy Address that the Government would invite the MTRCL to commence the detailed planning and design for Tuen Mun South Extension in the coming year, so that work on this railway project can commence as early as possible. We are undertaking the Tuen Mun South Extension project based on this schedule.

As stated in RDS-2014, the figures of preliminary cost estimates were only indicative and would need to be revised based on in-depth studies to be carried out at the detailed planning stage for the individual railway schemes. The cost estimates of a railway would be updated in the course of the planning and design of the project. We will release relevant updated information in the detailed planning and design stage of Tuen Mun South Extension. Meanwhile, we will also further ascertain the cost estimates having regard to the detailed design as well as any material change in development parameters.

When the details of a proposed railway scheme, such as the alignment, location of station(s) and implementation timetable, are available, the Government will consult the public, including the Legislative Council and the relevant District Council(s), in line with established procedures.

[LCQ8: Application for public rental housing by non-elderly one-person applicants]

Following is a question by the Hon Andrew Wan and a written reply by the Secretary for Transport and Housing, Mr Frank Chan Fan, in the Legislative Council today (May 6):

Question:

Under the policy of the Hong Kong Housing Authority (HA), general applicants (i.e. family and elderly one-person applicants) are accorded priority over non-elderly one-person applicants in the allocation of public rental housing (PRH) flats. To this end, HA has implemented the Quota and Points System for non-elderly one-person applicants since September 2005. In this connection, will the Government inform this Council:

(1) of the respective annual numbers of new (i) non-elderly one-person applicants and (ii) general applicants, as well as the respective year-end numbers of these two types of applicants, in the past five financial years;

(2) of (i) a breakdown of the number of non-elderly one-person applicants as at March 31, 2020 by the groups of elapsed time while waiting for PRH (ETW) (counting from the registration date) as set out in Table 1, and (ii) the corresponding percentages (set out the above information in Table 1); and

Table 1

ETW	Number	Percentage
Less than 1 year		
1 to less than 3 years		
3 to less than 5 years		
5 to less than 10 years		
10 years or above		
Total		100%

(3) of the PRH allocation quota for non-elderly one-person applicants under the Quota and Points System, and (i) in respect of each of the age groups set out in Table 2 and (ii) in overall term, the numbers of such applicants who were allocated PRH flats and their average waiting time (AWT), in each of the past five financial years (set out the above information in Table 2)?

Table 2

	2015-2016		…		2019-2020	
Allocation quota			…			
Age group	Number of applicants	AWT	…	…	Number of applicants	AWT
Below 30						
30 to 39						
40 to 49						
50 or above						
Overall						

Reply:

President,

The objective of the Government and the Hong Kong Housing Authority (HA) is to provide public rental housing (PRH) to low-income families who cannot afford private rental accommodation, with the target of providing the first flat offer to general applicants (i.e. family and elderly one-person applicants) at around three years on average.

The Quota and Points System (QPS) was introduced in September 2005 for rationalising and re-prioritising the allocation of PRH to non-elderly one-person applicants. Unlike general applicants, the priority of flat allocation to the QPS applicants is determined by the total points accumulated by individual applicants under the points system. The points are based on the applicants' age, their waiting time and whether they are already residing in PRH. In October 2014, HA endorsed refining the QPS. Such refinements included increasing the age points per year of age increase at the time of application from three to nine points to reduce the incentive for early registration; and awarding a one-off bonus of 60 points to applicants when they have reached the age of 45 to accord them with higher priority over other younger applicants. The average waiting time target of around three years is not applicable to the non-elderly one-person applicants under the QPS.

My response to the question raised by the Hon Andrew Wan is as follows:

(1) For general applicants and non-elderly one-person applicants under the QPS from 2014-15 to 2018-19 (note 1), the number of new registration in the respective year and the number of applications as at end of the year (i.e. March 31) are set out in the following table:

Year	General applicants		Non-elderly one-person applicants under QPS	
	Number of new registration	Number as at end of year	Number of new registration	Number as at end of year
2014-15	26 500	137 900	22 100	140 600

2015-16	23 700	150 500	16 100	134 300
2016-17	20 500	147 300	10 800	128 600
2017-18	21 000	153 300	10 600	119 000
2018-19	20 000	146 300	9 800	108 300

(2) and (3) From 2014-15 to 2018-19 (note 1), the annual quota for and the number of PRH allocation to non-elderly one-person applicants under the QPS are presented in the following table:

Year	Non-elderly one-person applicants under QPS	
	Annual quota	Number of PRH allocation
2014-15	1 360	1 266
2015-16	2 200	1 623 (note 2)
2016-17	2 200	2 145
2017-18	1 803	1 409 (note 2)
2018-19	2 200	2 190

As mentioned above, unlike general applicants, the priority of flat allocation to the QPS applicants is determined by the total points accumulated by individual applicants under the points system. The points are based on the applicants' age, their waiting time and whether they are already residing in PRH. The HA does not compile the average waiting time or the "elapsed time while waiting for PRH" counting from the registration date for non-elderly one-person applicants under the QPS. Nor does the HA conduct age analysis on non-elderly one-person applicants who have been housed.

Note 1: Relevant data for 2019-20 are still being compiled.
Note 2: The actual number of PRH allocation in 2015-16 and 2017-18 was relatively lower than the annual quota in the respective year mainly because the completion dates of some newly built estates in the year were later than the original estimated dates. Hence, some of the flats which had already been accepted by applicants through advance allocation could not be counted towards the actual allocation of the respective year.

LCQ3: Requests made to information and

communication technology companies for disclosure and removal of information

Following is a question by the Hon Charles Mok and a written reply by the Secretary for Innovation and Technology, Mr Alfred Sit, in the Legislative Council today (May 6):

Question:

Regarding the requests made by the Government to information and communication technology (ICT) companies for disclosure and removal of information, will the Government inform this Council:

(1) of the following details of the requests for information disclosure made by the Government to ICT companies respectively in the first and the second halves of 2019 (set out the information in a table, broken down by government department):

(i) total number of ICT companies involved,
(ii) names and types of ICT companies involved (e.g. Internet service providers, device producers, social media and search engines),
(iii) total number of requests made,
(iv) total number of user accounts involved,
(v) types of information requested for disclosure (e.g. user names, Internet Protocol addresses and contact methods) and the respective numbers of the requests concerned,
(vi) nature of information requested for disclosure (i.e. metadata and/or content of communication) and the respective numbers of the requests concerned,
(vii) reasons for making the requests concerned (e.g. investigation of cases, law enforcement and other reasons) and the respective numbers of the requests concerned,
(viii) number of requests made under a court order,
(ix) number of requests acceded to, and
(x) reasons why some requests were not acceded to (e.g. the request not made under a court order, failure to provide appropriate legal documents, insufficient justifications, not in compliance with the policies of the ICT companies, and other reasons) and the respective numbers of the requests concerned.

If such information cannot be provided, of the reasons for that;

(2) of the following details of the requests for information removal made by the Government to ICT companies respectively in the first and the second halves of 2019 (set out the information in a table, broken down by government department):

(i) total number of ICT companies involved,
(ii) names and types of ICT companies involved,

(iii) total number of requests made,
(iv) volume of information requested for removal,
(v) types of information involved (e.g. videos, text, images) and the respective numbers of the requests concerned,
(vi) nature of information involved (e.g. indecent content, illegal advertisements, copyright infringement and false information) and the respective numbers of the requests concerned,
(vii) reasons for making the requests concerned (e.g. investigation of complaints, law enforcement and other reasons),
(viii) number of requests made under a court order,
(ix) number of requests acceded to, and
(x) reasons why some requests were not acceded to and the respective numbers of the requests concerned.

If such information cannot be provided, of the reasons for that; and

(3) as the Government indicated in its reply to my question in February 2019 that it had not regularly made public, in machine readable format, the relevant statistics and reports on requests for information disclosure and requests for information removal made to ICT companies, but in future it would consider regularly disseminating relevant data in the said format having regard to specific circumstances, of the latest progress of such work, and whether it can, in respect of each occasion of disseminating the relevant data and reports in the said format since February 2019, set out in a table the details, including the date, the content disseminated and the Uniform Resource Identifier address?

Reply:

President:

Having consulted the bureaux and departments concerned, our reply is as follows:

(1)and (2) Details of the requests for information disclosure and information removal made by the Government to information and communications technology companies in 2019 are set out in Table 1 and Table 2 respectively.

(3) According to the Annual Open Data Plan for 2020, the Office of the Government Chief Information Officer will disseminate the information provided in the above tables via the Public Sector Information portal (data.gov.hk) in machine-readable format this month and update the relevant data regularly.

LCQ6: Assistance provided for unemployed

Following is a question by the Dr Hon Fernando Cheung and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (May 6):

Question:

To cope with the coronavirus disease 2019 epidemic, a number of government departments have twice implemented special work arrangements in recent months, with certain public services being suspended or curtailed. Some members of the public have relayed that the Social Security Field Units of the Social Welfare Department (SWD) have recently been crowded with a large number of people queuing up to submit applications for the Comprehensive Social Security Assistance (CSSA). In this connection, will the Government inform this Council:

(1) whether it will consider afresh establishing an unemployment assistance, so that persons who have been affected by the epidemic and become unemployed do not need to apply for CSSA; if not, of the reasons for that;

(2) given that the SWD has set a performance pledge in respect of processing CSSA applications, i.e. under normal circumstances, all procedure for CSSA applications can be completed within four weeks provided that applicants can produce all the necessary information, of the average and median numbers of days taken to complete all the procedure for new CSSA applications, in each month since January this year;

(3) given that the number of CSSA applications is expected to rise with a rising unemployment rate, whether the SWD has plans to deploy additional manpower and other resources so that the aforesaid performance pledge can still be met; if so, of the details; if not, the reasons for that;

(4) given that the Government will implement, for a time-limited period of six months, an unemployment support scheme under the CSSA framework, during which the asset limits of CSSA applicants who are able-bodied adults will be relaxed by 100 per cent, whether CSSA recipients under such scheme will be required to meet the original requirement on asset limits after six months in order to continue to receive CSSA; and

(5) whether it will consider extending the measure to relax the asset limits by 100 per cent to cover elderly CSSA, so that unemployed persons of all ages may receive the assistance needed?

Reply:

President,

Since the outbreak of the coronavirus disease 2019 (COVID-19) in the community, the Government has implemented a series of disease control measures in view of the development of the pandemic. These measures include special work arrangement for civil servants and various arrangements to minimise social contact, etc. In this connection, the Social Security Field Units (SSFUs) of the Social Welfare Department (SWD) have put in place restrictive measures on public services involving face-to-face contact since early February 2020 to reduce the risk of community infection. Nevertheless, the SWD has been implementing special measures, such as facilitating applicants to make use of the application drop boxes outside the SSFUs, or to provide application information by post, fax or email to ensure timely processing of applications for the Comprehensive Social Security Assistance (CSSA) and Social Security Allowance (SSA) (including the Old Age Allowance (OAA), Old Age Living Allowance (OALA) and Disability Allowance (DA)) and timely disbursement of the relevant payments to eligible applicants and existing recipients. The SSFUs have also continued to arrange meetings with individual applicants as necessary in order to actively process their applications without delay. In view of the Government's announcement on the gradual resumption of public services made on April 28, 2020, all SSFUs of the SWD have resumed opening to the public in full since May 4, 2020.

My reply to the question raised by the Member is as follows:

(1) As stated in the reply of the Chief Secretary for Administration to a written Legislative Council (LegCo) question on April 29, 2020, there are currently no mechanisms/ systems in place to disburse unemployment assistance fund promptly in Hong Kong. These mechanisms/ systems include: (1) a pay-as-you-go income tax system; (2) a contributory social insurance system; or (3) a central provident fund system. It will take time if we were to establish such a mechanism/ system, and imminent needs cannot be relieved expeditiously. As an expedient measure, the Government will launch a time-limited unemployment support scheme (for a period of six months) through the CSSA system. The asset limits for able-bodied applicants will be temporarily increased by 100 per cent and the value of an owner-occupied residential property of able-bodied households will be disregarded according to the established arrangement with a view to providing immediate financial assistance for those unemployed who are most in need. In addition, employees are qualified for severance payment or long service payment if they satisfy the conditions stipulated in the Employment Ordinance. Meanwhile, under the Love Upgrading Special Scheme of the Employees Retraining Board, the existing maximum amount of monthly allowance during the training period is $4,000 per eligible trainee (who are unemployed or underemployed). The amount will be increased to $5,800 with effect from May 25, 2020 subject to the completion of the legislative amendment.

(2) and (3) Generally, if CSSA applicants or their guardians/ appointees can provide all the necessary information, the application procedures can be completed in four weeks. During the period when the SSFUs shortened their opening hours, the SWD processed CSSA applications as usual with the aforementioned special measures. In view of the fact that each application

involves different circumstances, the SWD does not maintain relevant information on the time for approving the applications.

(4) Having considered the unprecedented challenges posed by the COVID-19 in Hong Kong, the Chief Executive announced on April 8, 2020 the second round of anti-epidemic measures including the provision of a time-limited unemployment support scheme through the CSSA system. The Finance Committee of the LegCo approved the related funding on April 18, 2020. The SWD will temporarily relax the CSSA asset limits for able-bodied persons (including able-bodied adult singletons and able-bodied adults and children under family cases) by 100 per cent for six months. The relevant scheme will be effective from June 1 to November 30, 2020 (i.e. the asset limits will revert to the existing level from December 1, 2020). Moreover, under the existing CSSA arrangement, the value of an owner-occupied residential property of households with able-bodied persons will be disregarded for a grace period of 12 months. This arrangement will also apply to applicants under the six-month unemployment support scheme. It is roughly estimated that the above-mentioned scheme will benefit about 40 000 households and involve a total expenditure of about $3,520 million.

(5) The purpose of the aforementioned unemployment support scheme is to provide timely and basic assistance to abled-bodied persons who face unemployment in these difficult times through the existing CSSA system. As mentioned above, it is a temporary and time-limited special arrangement.

As for other persons in need, the Government has provided a range of assistance for elderly persons, persons with disabilities and low-income working families under the SSA Scheme (including the OALA, OAA and DA) and the Working Family Allowance Scheme. With the launch of the Normal OALA in 2013 and the Higher OALA in 2018, the entire OALA now supports some 570 000 elderly persons aged 65 or above, with 520 000 of them receiving the Higher OALA (currently at $3,585 per month) and the remaining 50 000 receiving the Normal OALA (currently at $2,675 per month). The annual expenditure incurred by the OALA alone amounts to $23 billion.

Furthermore, the 2020-21 Budget has proposed a one-off extra payment which is equivalent to one month of payment to eligible persons who are receiving social security payments (including all elderly persons receiving these payments (e.g. the OALA)).