

LCQ6: Retirement protection system

Following is a question by the Hon Jimmy Ng and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (October 27):

Question:

At present, an employer may use the accrued benefits of the contributions he made for an employee to a Mandatory Provident Fund (MPF) scheme to offset the statutory severance payment or long service payment payable by him to that employee (the "offsetting" arrangement). The Chief Executive has stated in the Policy Address just delivered that legislation will be enacted in the next legislative session to abolish such arrangement. The Government will also explore ways to encourage members of the public to convert, after retirement, their one-off MPF assets into annuities to be received regularly. Regarding the retirement protection system, will the Government inform this Council:

(1) as the business sector has all along been concerned about the rise in operating costs after the abolition of the "offsetting" arrangement, of the measures put in place by the Government to allay its concern;

(2) whether it will step up the publicity work on annuities to enhance public understanding about the concept and merits of annuities, so as to make good preparation for the implementation of conversion of MPF assets into annuities; and

(3) as a study report has pointed out that it takes 40 years for a retirement protection system to become mature, and the MPF system has been implemented for only 20 years, whether the Government has any new direction for reforming the retirement protection system into one which provides comprehensive and timely retirement protection for the population of Hong Kong; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau, my consolidated response to the Member's question is set out below:

(1) The Government will introduce the bills into the Legislative Council in the next legislative year with a view to abolishing the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund (MPF) System to "offset" severance payment (SP) and long service payment (LSP), and will implement the abolition of the "offsetting" arrangement upon full implementation of the eMPF Platform of the Mandatory Provident Fund Schemes Authority (MPFA) in 2025.

To help employers adapt to the policy change, the Government will mandate employers to set up Designated Savings Accounts (DSAs) under their own name to save up for meeting their potential SP/LSP liabilities after the abolition. At the same time, the Government will provide a 25-year subsidy to share out employers' expenses on SP and LSP after the abolition. As announced in the Chief Executive's 2021 Policy Address Supplement, having considered the business sector's views and concerns, we propose to refine the Government subsidy scheme while maintaining roughly the same amount of Government's financial commitment and the same subsidy period, so as to focus more on supporting micro, small and medium-sized enterprises and provide more targeted assistance to help employers adapt to the policy change. Under the refined subsidy scheme, the calculation of subsidy will be simpler and easier to understand. As the calculation of subsidy will be delinked from the balance of employers' DSAs, employers can ascertain in advance the amount of subsidy to be received. During the initial years after the abolition, we will set a low "capped amount" so that employers will receive greater support, and have more time to save up in their DSAs for getting prepared to shoulder their SP/LSP liabilities in the long run.

(2) With a view to raising public awareness of annuity products, the HKMC Annuity Limited (HKMCA) has been actively stepping up its education and publicity efforts in relation to life annuity, such as promoting the concept of life annuity and longevity risk management to the target segments through different channels, including promotional videos, roving exhibitions and public seminars. Moreover, in order to encourage MPF scheme members to convert their accumulated wealth into a lifelong, guaranteed and steady retirement income, the HKMCA launched a premium discount campaign in July 2021 for MPF scheme members, further encouraging the public to convert their assets under the MPF into an annuity, so as to provide a steady income for the elderly.

(3) The MPF System, being one of the pillars of the multi-pronged retirement protection framework of Hong Kong, complements with other pillars thereof. The total MPF assets have been accumulated to over \$1,200 billion. The Government and the MPFA have implemented multi-faceted initiatives to enhance the MPF System, with the most important initiative being the eMPF Platform Project. The eMPF Platform will enhance operational efficiency and reduce administration costs of the MPF System. It will also provide support and create favourable conditions for the implementation of "full-portability" and other new initiatives and functions. As the eMPF Platform becomes fully functional in 2025, the measure of the Government paying five per cent MPF contributions for persons whose income is below the MPF minimum relevant income level will be implemented.

The Government and the MPFA will continue to explore feasible measures to increase the choices and investment return of MPF funds, so as to strengthen the function of MPF in generating greater value to scheme members. As more and more scheme members have reached the retirement age, the MPFA has put in place an arrangement named "Investment Solutions Lab" to enable the MPF industry to develop new retirement solutions and MPF products that would cater for the investment needs of scheme members in the withdrawal phase, in

order to step up support for scheme members entering the retirement stage.

In the Chief Executive's 2021 Policy Address, the Chief Executive pointed out that the Government's poverty alleviation strategies will focus on four areas in future. Among others, under the principle of shared responsibility, the Government will strengthen the MPF retirement protection. The priority task is to take forward the abolition of the "offsetting" arrangement by introducing legislative amendments in the next legislative year. Moreover, the Government will further explore ways to better encourage the public to convert their one-off assets under the MPF into an annuity which they can receive on a regular basis after retirement, so as to provide a steady income for the elderly.

The public annuity programme has been operating for about three years. It is now the opportune timing to launch the said study. I will lead a dedicated working group to conduct research over the subject of better encouraging the public to convert their assets under the MPF into an annuity with the joint participation of the Labour and Welfare Bureau, the Financial Services and the Treasury Bureau, the Hong Kong Monetary Authority, the MPFA and the Hong Kong Mortgage Corporation, etc. The working group will gather and analyse data available and study similar experience in other economies. The working group aims to submit a report, which will propose various feasible directions applicable to the situation of Hong Kong as the foundation of more in-depth discussion by stakeholders of all sectors, to the Chief Executive within the current term of the Government.

Opening remarks by S for IT at Symposium on Innovation & Technology (English only)

Following are the opening remarks by the Secretary for Innovation and Technology, Mr Alfred Sit, at the Symposium on Innovation & Technology today (October 27):

Victor (Chairman of the Hong Kong Electronic & Technologies Association, Mr Victor Choi), Benjamin (Deputy Executive Director of the Hong Kong Trade Development Council, Mr Benjamin Chau), distinguished guests, ladies and gentlemen,

Good morning. I am most delighted to join you all at this year's Symposium on Innovation & Technology jointly organised by the Hong Kong Electronics & Technologies Association and the Hong Kong Trade Development Council.

I admire the wisdom of the organisers who have wisely made "Revive and Thrive" as the theme of this year. The social distancing brought by the unprecedented epidemic has made many of our usual practices no longer possible. The rule of game in many aspects, from personal behaviour, social interaction to the way of doing business has been changed. Just like this flagship event of the Autumn Sourcing Week has now been organised in a hybrid mode so that friends around the world who cannot fly to Hong Kong can still join us virtually, the deployment of innovation and technology, I&T, plays an important role in reviving our life back to normal, or more accurately, to the new normal.

The Hong Kong SAR Government has been adopting a multi-pronged approach by implementing various measures with a view to curbing the spread of the virus, assisting the public in the face of the epidemic under the new normal at the same time, and preparing for economic recovery. To reduce the chance of local spread in our densely populated community, we have joined hands with local R&D institutes, universities and start-ups to develop a Bluetooth Low Energy electronic wristband and the "StayHomeSafe" mobile app. Pairing with the geo-fencing technology, we could monitor the confinees' whereabouts and at the same time protecting their privacy. This application is actually the largest scale of the kind in the world and we have shared our experience with over 40 economies.

To provide immediate relief to sectors hard hit by the epidemic, the Government has launched a series of measures to support the local enterprises to tide over the storm. Among all, we have launched a time-limited Distance Business Programme under the Anti-epidemic Fund to support over 22 000 enterprises to adopt I&T solutions to continue their business and services during the epidemic. Together with other existing funding schemes such as the Technology Voucher Programme, we encouraged the local business sector, especially the start-ups, to adopt more extensively creative I&T solutions in this new era of business.

With the wave of the epidemic subsiding gradually, it is now time for us to promptly move ahead. Hong Kong has endless opportunities in I&T. The National 14th Five-Year Plan promulgated in this March has firmly expressed the country's clear support for Hong Kong's development into an international I&T hub, and for the first time included the Shenzhen-Hong Kong Loop as one of the four major platforms of co-operation in the Greater Bay Area (GBA), which fully demonstrates the importance the Central Government attaches to Hong Kong's I&T development.

We need to give full play to Hong Kong's strengths and develop I&T with brand new mindset and at full steam. At the same time, we should actively participate in the GBA development and further integrate into the country's new development pattern. To this end, the Chief Executive has earlier announced in her Policy Address a series of forward-looking and groundbreaking I&T initiatives, including providing land and infrastructure, further promoting R&D, as well as supporting I&T enterprises and enlarging the talent pool to further drive the I&T development of Hong Kong.

Today, we have a great opportunity to hear from a panel of outstanding speakers about their valuable insights on the latest I&T development from different perspectives. I am sure that all of us will be benefited from their inspiring experience. May I take this chance wishing you all a most rewarding symposium and good health. Thank you very much.

Electrical and Mechanical Services Trading Fund performance announced

The Electrical and Mechanical Services Department (EMSD) announced today (October 27) that the Electrical and Mechanical Services Trading Fund (EMSTF) maintained steady financial performance in 2020-21, with a total revenue of \$8.578 billion and a return rate on revenue at 2.3 per cent.

The Director of Electrical and Mechanical Services and General Manager of the EMSTF, Mr Eric Pang, said the EMSTF delivered impressive performance during the year, providing comprehensive electrical and mechanical engineering services to client departments. Under the new normal during the epidemic, the EMSTF successfully leveraged its strengths in innovation and technology (I&T) to turn the crisis into an opportunity and supported client departments in continuously serving the public.

"The epidemic has triggered enormous demand for I&T solutions in the community. As one of the Government's innovation facilitators, we shall ride on the snowball effect started by the new normal and continue to collaborate and forge ahead with start-ups, universities and research institutions to further expedite Hong Kong's development into a smart city," he said.

The EMSTF Report was tabled in the Legislative Council today and uploaded to the EMSD website (www.emsd.gov.hk/en/rl/EMSTF_AR_2021) for public reference.

2021-22 judicial service pay adjustment

A Government spokesman said today (October 27) that the Chief Executive in Council has decided that the pay for Judges and Judicial Officers (JJOs) for 2021-22 should be frozen with effect from April 1, 2021.

The Standing Committee on Judicial Salaries and Conditions of Service (Judicial Committee), chaired by Professor Wong Yuk-shan, completed the annual review on judicial remuneration. Having adopted a balanced approach and considered all relevant factors, the Judicial Committee recommended that judicial salaries should be frozen in 2021-22.

The Judiciary has no objection to the Judicial Committee's recommendation.

The spokesman said, "In coming up with its recommendation to freeze judicial pay for 2021-22, the Judicial Committee has taken into account a basket of factors, including the prevailing economic environment, the labour market situation, the pay freeze for civil servants in 2021-22, the findings of the 2020 Benchmark Study on the Earnings of Legal Practitioners in Hong Kong, the principle of judicial independence and the position of the Judiciary."

A copy of the Report on Judicial Remuneration Review 2021 submitted by the Judicial Committee to the Chief Executive on September 1, 2021, is available at the website of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (www.jsscs.gov.hk/en/publications/reports_jscs.htm).

Red flag at Castle Peak Beach lowered

Attention TV/radio announcers:

Please broadcast the following as soon as possible:

Here is an item of interest to swimmers.

The Leisure and Cultural Services Department announced today (October 27) that the Environmental Protection Department has classified the water quality at Castle Peak Beach in Tuen Mun District as Grade 2, which means that the water quality has improved and the beach is suitable for swimming. The red flag has been lowered.

The red flag was hoisted on the beach earlier on due to the water quality being classified as Grade 4 and unsuitable for swimming.