

No More Surface Scratching ProCommons's Response to the Review of the MPF Contribution

Introduction

1. It is widely known that the MPF scheme will be under review later this year. The ProCommons is worried that the scope of review might be far from comprehensive, in which this hearing only deals with minimum and maximum income levels for MPF contribution.
2. As mentioned by Secretary for Financial Services and the Treasury Professor KC Chan, contents and channels of information to be disclosed to scheme members and the existing arrangement that restricts scheme members from withdrawing their accrued benefits before 65 years of age might be included in the upcoming revision. Despite this, The ProCommons is of the view that more fundamental issues like effective regulation on employers should be addressed in the first place. Also, the review should not rule out the possibility of an introduction of a universal pension scheme.

Default on contribution by employers

3. According to MPFA statistics, there has been a persistent ratio as high as 80 per cent of complaints received in relation to employers' default on MPF payment. More strikingly, a record-high of 245 employers were involved in convictions during 2010/11 (until February), nearly fivefold of respective figures in 2006/07 and 2007/08. Also, there has been no apparent change in penalty per charge that is always in the range of HK\$3,000. It can be seen that penalties have not been forceful enough with any imprisonment involved so far, despite their uplifting in accordance with the newly amended ordinance.
4. The discrepancy between stepping up penalties on employers and their persistent default on MPF contribution belies the necessary rewriting of the Mandatory Provident Fund Schemes Ordinance so that judges would be able to find adequate legal justification to dispense heavier penalties. The Government should consider uplifting the per-charge penalty.
5. In the meantime, further amendment on the Ordinance to reflect the seriousness of

different offences related to employers' default on contribution would be necessary, in which failure to remit deducted wages as MPF contribution to the trustees should be treated under the current arrangement of dealing with fraudulent charges.

Offset against the long service payment or severance payment

6. MPFA statistics up to June 2010 shows that MPF accrued benefit used to offset severance or long service payments has been over HK\$13.7 billion since 2001, constituting as high as 8.9 per cent of total accrued benefits derived from mandatory contributions by employers.
7. The ProCommons is of the view that the situation of low pension coverage that justifies offsetting against employees' long service payment or severance payment no longer exists. Given that Hong Kong has evolved itself into a developed economic entity, the arrangement must be revoked in order to keep abreast of times. Otherwise it would be nothing but a naked exploitation to employees.

Synergistic effect between universal pension scheme and MPF

8. The MPF system enables income earners to enjoy a higher standard of living, while a universal pension scheme only provides a safety net for all, in particular non-MPF participants and low income workers who might have made minimal contribution to their personal accounts, therefore suggesting a possible division-of-labor in-between. In the light of this, the upcoming review should not rule out any possibility of introducing a universal pension scheme.