

Our Ref: HKRSA 0012

14 April 2003

The Hon C H Tung  
Chief Executive, HKSAR  
5/F Central Government Offices  
Main Wing, Lower Albert Road  
Hong Kong

**By Fax and By Post**  
**Fax: 2509 0577**

Dear

### **Mandatory Provident Fund**

We are responding in relation to the current review of MPF contributions and the possibility that such contributions could be reduced or suspended.

Whilst we understand the views that may be expressed by certain individuals or organisations to ease the cost burden of making contributions due to the current economic situation in Hong Kong, we are fundamentally opposed to the proposed knee jerk measures for the following reasons:

- Any reduction or suspension may mean that there is no guarantee to a restoration of full contributions at any time in the future.
- The level of MPF contribution (5% employer + 5% employee with a \$20,000 per month ceiling) is already too low in order to provide for adequate retirement savings. Whilst Singapore has reduced CPF from 40% to lower levels in recent times, due to the much lower level of contribution under the Hong Kong system there is no room for such a reduction especially as MPF has only been in existence for a little over 2 years.
- Any suspension of contributions will be very damaging for long term retirement protection and planning in Hong Kong. If individuals receive inadequate MPF benefits in future, they will still look to Government to support them through CSSA or some other form of assistance and the Government is already too aware of the increasing burden due to the aging population.
- Whilst the HKRSA predominately represents employers with retirement schemes and the members of those schemes (ORSO plus MPF), we are nevertheless concerned with the impact on the industry. Service providers would undoubtedly have to make staff cuts which would of course add to the unemployment numbers in Hong Kong.
- A reduction or suspension of contributions will send out a negative message in Hong Kong and throughout the world, especially for the financial services industry in Hong Kong.
- The minimum MPF contribution threshold has already recently been increased from HK\$4,000 to HK\$5,000. Further changes now would undermine the credibility of the system, as well as the longer-term viability of retirement protection policy in Hong Kong.

We strongly urge you to reject the notion of any suspension or reduction.

Please contact the undersigned should you wish to discuss the matter.

The HKRSA is a not-for-profit, non-political association, which represents retirement schemes and their members in Hong Kong.

Yours sincerely

Stuart Leckie  
Chairman

cc Antony Leung, Financial Secretary, HKSAR  
Frederick Ma, Secretary for Financial Services and the Treasury  
Tony Miller, Permanent Secretary for Financial Services and the Treasury  
Rafael Hui, Managing Director, MPFA  
Diana Chan, Chief Operating Officer, MPFA  
Hendena Yu, Executive Director, MPFA