

**Legislative Council Meeting of 16 November 2016**  
**Motion on**  
**“Abolishing the Mandatory Provident Fund offsetting mechanism”**

**Progress Report**

**Purpose**

At the Legislative Council Meeting held on 16 November 2016, the motion on “Abolishing the Mandatory Provident Fund offsetting mechanism” moved by Hon WONG Kwok-kin was passed. The motion urged the Government to expeditiously abolish the Mandatory Provident Fund (MPF) offsetting mechanism and comprehensively review the MPF scheme. This paper briefs members on the progress of the subject.

**Abolishing the MPF offsetting arrangement**

2. The “offsetting” arrangement is a highly complex subject with its unique historical background. In tackling the “offsetting” issue, we need to consider both the interests of employees and the affordability of employers and carefully strike a balance between the two. The current-term Government is determined to propose an appropriate solution to resolve this thorny issue. The Chief Executive will give a comprehensive account of how the MPF “offsetting” issue is to be tackled in the Policy Address on 18 January 2017.

**Reviewing the MPF scheme**

3. The Government reviews the MPF System from time to time, and has all along been striving to reduce the level of fees and expenses of MPF funds. The Default Investment Strategy (DIS) will be implemented on 1 April 2017 to address public concerns about “high fees” and “difficulty in making investment choices” in some MPF schemes. Since the passage of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2016 in May 2016 to introduce the DIS, 40 constituent funds have reduced fees and eight MPF schemes were under consolidation. Also, the average fund expense ratio of MPF funds has dropped

from 2.06% in 2007 to 1.57% in December 2016, representing a reduction of about 24%.

**Labour and Welfare Bureau**  
**Financial Services and the Treasury Bureau**  
**Labour Department**

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