

# Hong kong government introduced the mpf concept in 1995

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In 2011, Hong Kong people aged up to 65 and above total for 13 per cent of the population that is a rapidly growing in ageing population. The ratio is evaluated to increase in 19 per cent by 2021 and will up to 30 per cent by 2041. According to this investigation, the Hong Kong Government first introduced the MPF concept in 1995 to assure that every citizens working in Hong Kong prepare the financial provision while they are retirement.

In August 1995, Hong Kong Government announced a major stage in enacting the Mandatory Provident Fund Schemes Ordinance (" MPFSO) (Chapter 485, Laws of Hong Kong) to provide a formal project of basic retirement protection. The MPFSO submits the framework for the building a system of privately managed, employment-related MPF schemes for members of the workforce to form financial benefits for retirement.

The MPFA was settled on September 17, 1998 to regulate, monitor and direct the operation of the MFP system. There is only about one-third of the workforce of 3.4 million people had some join of retirement protection before the achievement of the Mandatory Provident Fund System in December 2000. But now, closely to 90 per cent of the working population are already joined in retirement protection.

There is a large and elderly population without enough savings will enhance a huge burden on the society if the number of ageing people rises up. MPF is build mainly to support the basic retirement protection to the working population by saving. The main feature of this system include coverage all employees and self-employed people who are over 18 and under 65 years old, not including specifically exempt under the MPFSO, are included by the MPF system.

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An employee and his/her employer are both needed to contribute five per cent of the employee's monthly relevant income as mandatory contributions for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. An employee if earning below the minimum level of relevant income (HK\$6, 500 per month or HK\$78, 000 per year) is not forced to give but may they can elect to do so by way of making voluntary contribution.

Despite of the employee's choice, the employer must contribute five per cent of the employee's relevant income. The purpose of maximum standard of relevant income for contribution is generally at \$25, 000 per month or \$300, 000 per year. Both employers and employees can also due voluntary contribution in excess of the statutory mandatory amount. Self-employed persons also need to contribute five per cent of their relevant income as mandatory contributions, depend on the minimum and maximum standard of their relevant income for contribution purposes.

As the beginning of the MPF System in December 2000, the MPF legislation has been reviewed in the light of operational experience in order to strengthen the efficiency and effectiveness of the system continuously. With the enactment of the MPF Schemes (Amendment) Ordinance 2012 on June 21, 2012, a statutory regulatory control to enhance the regulation of the sales and marketing programmers of MPF intermediaries will be in place on November 1, 2012 and the Employee Choice Arrangement will be announced on the same day.

Further initiative are being undertaken to strengthen the MPF System, including the development of proposals to enhance flexibility in withdrawing <https://assignbuster.com/hong-kong-government-introduced-the-mpf-concept-in-1995/>

MPF benefits. MPF fees and charges have come down slowly as a result of MPFA's contribution to streamline administrative procedures, enhance fee transparency and expand the market competition. According the Employee Choice Arrangement in place, we all hope that the management handling charges would be reduced in future.