
2D. Mandatory Provident Fund Schemes Ordinance

2D.1 Overview of MPF Schemes Ordinance

To help the workforce save for their retirement, the Mandatory Provident Fund Schemes Ordinance (“MPFSO”) was launched in December 2000. It was designed as an employment-based retirement protection system in Hong Kong. Both the employers and the employees are mandated to make regular contributions into an MPF scheme.

Coverage of the MPF system

a. Regular employees who are:

- ✦ aged between 18-65, and
- ✦ employed under an employment contract for 60 days or more

b. Casual Employees who are:

- ✦ aged between 18-65, and
- ✦ employed in the construction industry or the catering industry on a day-to-day basis or for a fixed period of less than 60 days

c. Self-employed persons who:

- ✦ earn income from the production of or trade of goods or services in a capacity other than that of an employee, including sole proprietors and partners in a partnership, and
- ✦ are aged between 18-65

Employers should take note of the following when handling MPF matters:

1. choosing an MPF scheme
2. enrolling employees
3. making contributions
4. providing pay-records
5. arranging for employees' cessation of employment
6. keeping records
7. updating information

The Mandatory Provident Fund Schemes Authority(MPFA) has published the following for employers' reference:

- ✦ Learn More About MPF Regulations
- ✦ Understanding MPF Schemes and ORSO Schemes
- ✦ MPF 7 Smart Tips for Smart Employers
- ✦ MPF Scheme – Increasing Choice for Your Employees
- ✦ Learn About MPF Employee Choice Arrangement
- ✦ Learn More About MPF Intermediaries
- ✦ MPF Industry Schemes – Catering Industry and Construction Industry

The above publications are available from the Mandatory Provident Fund Schemes Authority website <http://www.mpfa.org.hk> > Information Centre > Publications > MPF Booklets & Publications > MPF System
http://www.mpfa.org.hk/eng/information_centre/publications/booklets_publications/mpf_system/index.jsp

2D.2 Choose an MPF Scheme

It is every employer's responsibility to:

- a. select MPF trustee(s) and scheme(s)
- b. display participation certificate at office premises

Types of MPF scheme

✦ Master Trust Scheme

It is the most common type of scheme, open to relevant employees of participating employers and self-employed people

✦ Industry Scheme

It is specially established for industries with high labour mobility such as catering and construction industries

✦ Employer Sponsored Scheme

It is limited to specific employees of a single employer and its associated companies

2D.3 Enrol your employee

All employers are required to:

- ✦ enroll eligible employees into the Scheme within the permitted period (within first 10 days of employment for casual employees in the catering and construction industries and 60 days for all other employees)
- ✦ pass the membership certificate received from the trustees to employees within 7 working days



2D.4 Make contribution

a. Contribution amount

Employers are required to make contributions:

- ✦ mandatory contribution – 5% by both employer and employee if monthly relevant income* is above HK\$ 7,100 per month (effective from 1 November 2013). Employees with a monthly relevant income of less than HK\$7,100 per month are not required to make the employee's portion of mandatory contributions.
- ✦ maximum contribution – HK\$1,500 per month by both employer and employee respectively, if employee's monthly relevant income* is more than HK\$30,000.

* Relevant income is defined as any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, but exclude severance payments or long service payments under the Employment Ordinance

Contributions are calculated as follows:

| Monthly relevant income | Employer's mandatory contributions | Employee's mandatory contributions |
|-------------------------|------------------------------------|------------------------------------|
| Less than HK\$7,100 | Relevant income x 5% | No contribution required |
| HK\$ 7,100- HK\$30,000 | Relevant income x 5% | Relevant income x 5% |
| More than HK\$30,000 | HK\$1,500 | HK\$1,500 |

^ As at 1 June 2014

For casual employees* and their employers in construction or catering industry under industry schemes, the contributions are calculated as follows:

| Daily relevant income | Amount of mandatory contributions | |
|------------------------------|-----------------------------------|--------------------------|
| | Employer's contributions | Employee's contributions |
| Less than HK\$280 | \$10 | Not required |
| HK\$280 to less than HK\$350 | \$15 | \$15 |
| HK\$350 to less than HK\$450 | \$20 | \$20 |
| HK\$450 to less than HK\$550 | \$25 | \$25 |
| HK\$550 to less than HK\$650 | \$30 | \$30 |
| HK\$650 to less than HK\$750 | \$35 | \$35 |
| HK\$750 to less than HK\$850 | \$40 | \$40 |
| HK\$850 to less than HK\$950 | \$45 | \$45 |
| HK\$950 or more** | \$50 | \$50 |

* "Casual employees" refers to employees who are engaged in the construction industry or the catering industry, and are employed on a daily basis, or for a fixed period of less than 60 days.

** Effective from 1 June 2014, this income band contains the daily maximum relevant income level (i.e. \$1,000) and the maximum amount of contribution (i.e. \$50). If the daily income of a casual employee is more than \$1,000, the amount of contributions payable by both the employer and employee will remain at \$50 each per day.

b. Timing for making contributions:

- ✦ normal contributions are to be made on or before the 10th day after the end of the contribution period
- ✦ a contribution period is the period for which the employer pays relevant income to the employee. Under the MPF System, for monthly-paid regular employees, an employer is required to make mandatory contributions on or before the 10th day of each month (i.e. the “contribution day”) unless it falls on a Saturday, a public holiday, a gale warning day or a black rainstorm warning day. In this event, the next working day will be considered the contribution day. For example, if 10 January is Saturday, the contribution day will be postponed to 12 January (Monday).
- ✦ employers in the construction and catering industries who have enrolled their casual employees in the Industry Schemes may choose to make mandatory contributions either on the next working day (i.e. any day other than a Saturday, a public holiday, a gale warning day or black rainstorm warning day) following the relevant pay-day, or within 10 days after each contribution period.
- ✦ new employees will enjoy “contribution holiday”:
 - the first 30 days of employment and the first incomplete payroll cycle (wage period)
 - employers are not required to deduct any employee contributions from employees’ salaries during the “holiday”. However, employer contributions should be calculated from the employees’ first day of employment.
 - after the employees’ 60th day of employment, employers should then make the first contribution within the first 10 days of the following calendar month
 - for example, a monthly-paid employee commences employment on 6 March:
 - the 30th day of employment will fall on 4 April
 - contribution holiday is from 6 March to 30 April
 - the 60th day of employment will fall on 4 May
 - first contribution should be made on or before 10 June

2D.5 Issue records

Employers should provide pay records to the employees within 7 working days after making contributions and the pay records should contain the details of relevant income and respective contributions made during the month. Any amount of voluntary contributions should also be set out in the pay-record.

2D.6 Notify termination

Employers should inform the trustees in writing or via remittance statement on or before the 10th day of the following month after the employee ceases employment; specifying the employee’s termination date.

2D.7 Keeping and updating information

Employers should

- ✦ ensure relevant information of employees and MPF scheme are kept up to date - records including the employee's name, address, dates of employment, amounts of relevant income, MPF contribution amount and the date on which contribution is made in respect of every employee
- ✦ notify the trustee within 30 days of any change of employer's name, business address, telephone number etc.

2D.8 Offsetting of long service payment and severance payment

Employers are allowed to use the employers' portion of contribution to offset against severance payment/long service payment to the extent that they relate to the employees' years of service for which the severance payment/long service payment is payable.

2D.9 Employee choice arrangement

Commencing on 1 November 2012, the MPF Employee Choice Arrangement (ECA) gives employees greater autonomy, allowing them to, once a year, opt to transfer the employee's portion of the mandatory contributions and investment returns (i.e. the accrued benefits) in their contribution accounts to an MPF trustee and scheme of their own choice.

Employees can however opt not to make any change. They can retain the accrued benefits in the original MPF scheme selected by their employers.

Employees wishing to transfer their accrued benefits should contact the new trustee directly. The transfer does not need to be arranged through their employers.

2D.10 MPF for part-time employees

According to the Mandatory Provident Fund Schemes Ordinance, if an employee is aged between 18 to 65 and employed for 60 days or more, irrespective of the employee's job nature either as a full-time or a part-time employee, they are covered by the MPF System. The employer must enrol the employee in an MPF scheme and make timely contributions in accordance with the law.

For updated information on Mandatory Provident Fund Schemes Ordinance, please visit the Mandatory Provident Fund Authority website <http://www.mpfa.org.hk> > Information Centre > Publications > MPF Booklets & Publications:
http://www.mpfa.org.hk/eng/information_centre/publications/booklets_publications/mpf_system/index.jsp