report, **“Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth”**, a three-pillar approach was recommended to protect the aged.

The “Three Pillars for Old Age Protection” as envisioned by the World Bank are:

(a) Pillar One: a publicly managed, tax financed social safety net;

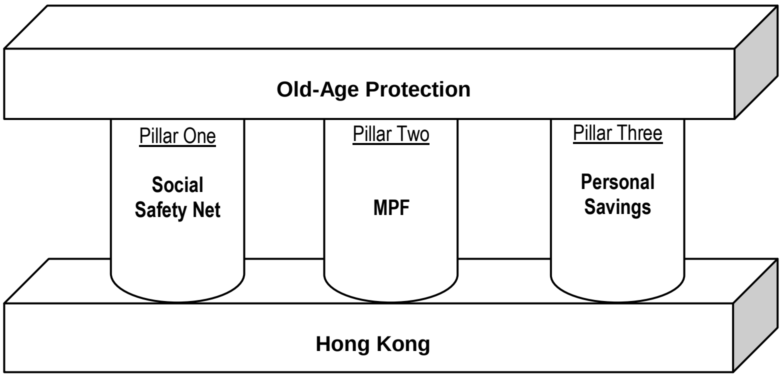
(b) Pillar Two: a mandatory, privately managed, fully funded contribution scheme; and

(c) Pillar Three: voluntary personal savings and insurance.

The MPF System was designed to form the second pillar of this approach: a mandatory, privately managed, fully funded contribution scheme. The MPF System was launched in December 2000.

Hong Kong has for some time operated a Comprehensive Social Security Assistance Scheme, offering basic social security to the needy. Also, personal savings have traditionally been a feature of Hong Kong society. The introduction of MPF to Hong Kong completes the provision of the recommended “**Three Pillars**”.

Fig. 1.2.1a Three Pillars for Old Age Protection



In 2005, the World Bank added two more pillars to its retirement protection framework. These two pillars are:

(a) Pillar Zero: non-contributory social pension/assistance for poverty alleviation (in order to provide a minimal level of protection for the elderly); and

(b) Pillar Four: informal support (e.g. family support), other formal social programmes (e.g. health care), and other individual financial and non-financial assets (e.g. home ownership).