

## LegCo Panel on Manpower

### Implementation of the Mandatory Provident Fund System Progress report as at the end of June 2001

#### Purpose

This paper updates Members on the progress of implementing the Mandatory Provident Fund (“MPF”) system.

#### Enrolment

2. As at the end of June 2001, the enrolment rates for employers, employees and self-employed persons (SEPs) were 86%, 93% and 90% respectively. With regard to the Industry Schemes, about 11 200 employers, 165 000 employees and 23 000 SEPs have participated.

#### Complaint Handling

##### *Complaints received by MPFA*

3. Of the total 3 506 complaints received from 1 December 2000 and up to the end of June 2001, 649 were received in June 2001. The breakdown of all the complaints is as follows:

<u>Nature</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	12
➤ Involuntary change from employee to SEP	3
➤ Non-enrolment in MPF Schemes	19
➤ Default contribution	36
➤ Others (e.g. dismissal; no pay records)	11
(B) Complaints against trustees, intermediaries, ORSO etc	36

\* The sum of the % exceeds 100% because multiple selection of complaint category is allowed.

4. In order to address the complaints involving trustees (accounting for 80% of the complaints in Category (B) above), the MPFA has continued to intervene, urging trustees concerned to accord high priority and additional resources to clear backlogs,

speed up processing of remittance statements, resolve complaints and improve communication with scheme members. Case conferences between the MPFA and certain trustees have also been set up to speed up the processing of complex complaint cases.

### *Complaints Received by the Labour Department (LD)*

5. From 1 December 2000 to 30 June 2001, the LD received 45 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Wrongful deduction of wages or other employment benefits	47
➤ Dismissal allegedly due to MPF	24
➤ Variation of wages or other employment benefits	15
➤ Wrongful deduction of MPF contribution from termination payment	7
➤ Employee forced to change into self-employed person	7
Total :	<u>100%</u>

6. Of these, 24 cases were resolved after conciliation or advice given, 14 were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication (7 of the cases have since been concluded), 1 case where the employer was insolvent was referred to the Legal Aid Department and the Protection of Wages on Insolvency Fund, 5 cases where the employees have lodged claims were awaiting conciliation and 1 case was awaiting the employee's decision on whether to lodge claim for conciliation.

### **Enforcement**

7. Apart from investigations of complaints received, the MPFA has proactively conducted 6 943 inspections up to the end of June 2001.

8. In June, 19 summons applications involving 8 employers were made to the Police for prosecution, making a total of 36 applications (involving 20 employers) up to the end of June. Most of the suspected offences were related to non-enrolment of employees. 1 such case was heard on 8 June and the defendant pleaded not guilty. The case was adjourned to 19 July 2001 for hearing.

### **Default Contributions**

9. In June 2001, the MPFA received about 17 500 reports from trustees on

default contributions by employers. Of these, about 3 500 cases were considered genuine defaulters. This is relatively small (about 1.6%) in comparison to the total number of employers enrolled in the MPF schemes. The MPFA is monitoring the situation closely, and is considering to activate the contribution surcharge mechanism in the second half of 2001.

### **Arrangements for Full-time Students under the Internship Programme**

10. In response to enquiries from employers who have been taking in university students under internship programmes agreed with universities concerned, the MPFA clarified in mid-June 2001 that, under the following conditions, students obtaining on-the-job training in an internship programme are regarded as trainees, hence are not employees under the MPF system. The conditions include (a) the nature of the tasks performed by students is predominantly training and educational, (b) the students will return to their studies after the completion of the programme, (c) completion of the internship programme is part of the students' curriculum requirements, (d) the internship programme is for a limited period of time only and (e) the pay and allowance received by the students are consistent with the training nature of the attachment.

### **Education and Publicity**

11. In June, the MPFA's education and publicity programmes continued to emphasise on investment education. Arrangements are being made to educate the public about the process of transferring accrued benefits from one MPF scheme to another.

12. The MPFA's effort on public education via mass media continued. In addition, the MPFA continued to collaborate with political parties, professional bodies, educational institutes, and the Government in organising out-reach programmes at the districts level .

13. In order to enhance the transparency of the MPF system, the MPFA published in June the second quarterly publication – the "MPF Statistical Digest". A copy is attached to this paper.

### **Members to Note**

14. Members are requested to note the contents of this paper.

**Mandatory Provident Fund Schemes Authority**  
5 July 2001