

LegCo Panel on Manpower

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

Purpose

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

Enrolment

2. As at the end of July 2001, the enrolment rates for employers, employees and self-employed persons (“SEPs”) were 87.5%, 94.1% and 90.4% respectively. With regard to the Industry Schemes, about 11 500 employers, 175 000 employees and 23 600 SEPs have participated.

Complaint Handling

Complaints received by MPFA

3. Of the total of 4 103 complaints received from 1 December 2000 to the end of July 2001, 597 were received in July 2001. The breakdown of all the complaints received is as follows:

<u>Nature</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	11
➤ Involuntary change from employee to SEP	3
➤ Non-enrolment in MPF Schemes	20
➤ Default contribution	38
➤ Others (e.g. dismissal; no pay records)	11
(B) Complaints against trustees, intermediaries, ORSO etc	35

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

4. Complaints against trustees for delay in processing contributions received constituted 29% (out of the total of 35% under item (B) in paragraph 3). In absolute terms, the number of such complaints continues to decrease. The MPFA continues to conduct on-site inspections of trustees’ premises, and urged them to clear backlogs, speed up processing of remittance statements, and improve communication with

scheme members. In response, trustees have put in extra resources on scheme administration and complaints handling. As a result, the lead time in resolving issues has been shortened. The overall accuracy of data input from employers (which had been a major contributory factor to the delay in processing contributions) also continues to improve as employers become more familiar with the routines of MPF operation.

Complaints Received by the Labour Department (“LD”)

5. From 1 December 2000 to 31 July 2001, the LD received 52 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Wrongful deduction of wages or other employment benefits	50
➤ Dismissal allegedly due to MPF	21
➤ Variation of wages or other employment benefits	15
➤ Employee forced to change into self-employed person	8
➤ Wrongful deduction of MPF contribution from termination payment	6
Total :	<u>100%</u>

6. Of these, 29 cases were resolved after conciliation or advice given, 14 were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication (9 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 had lodged claims were awaiting conciliation, 2 cases were awaiting the employees' decision on whether to lodge claim for conciliation and 1 anonymous case was under investigation.

Enforcement

Summonses

7. Up to the end of July 2001, applications for 80 summonses involving 37 employers were made. Most of the suspected offences were about non-enrolment of employees and default contribution. So far, pleas from 12 employers (involving 22 summonses) have been taken. The fines ranged from \$5,000 (single summons) to \$15,000 (multiple summonses) each.

Surcharge on default contributions

8. In parallel with the prosecution of non-compliant employers, the MPFA also enforces the law stringently to protect scheme members by handling complaint cases expeditiously and effectively. The MPFA has conducted detailed investigation on complaints lodged by employees about suspected default contributions and a contribution surcharge at 15% per annum in the first instance was imposed on each of

the substantiated cases according to law. Up to the end of July, surcharges on 40 such cases have been imposed. The surcharges received will be credited into the employees' MPF accounts.

9. By law, trustees are required to report to the MPFA default contribution cases they are aware of. Based on these reports, the MPFA may impose a contribution surcharge on the defaulting employers. The MPFA appreciates that both employers and trustees may have teething problems in the initial stage of the MPF System. As such, the MPFA allows an Adaptation Period since the launch of the System up to the end of June 2001 during which no contribution surcharge has been imposed on the defaulting employers reported by trustees. With the expiry of the Adaptation Period, the MPFA Management Board, having taken advice from the MPF Schemes Advisory Committee, has decided to implement the contribution surcharge mechanism on all default contribution reports submitted by trustees to the MPFA. The MPFA will impose a contribution surcharge of 15% per annum on outstanding default contribution reports received. The surcharge will be increased to 20% per annum if the 15% surcharge is not paid on time. All surcharges will also be credited into the employees' MPF accounts.

10. In parallel with the decision to implement the contribution surcharge mechanism set out above, the MPFA has written to the 206 000 employers who have enrolled in an MPF scheme, reminding them of the need to make mandatory contributions on time. Employers are also encouraged to pay up any contributions in arrears. Media advertisements have also been run to remind employers of the importance of making contributions on time.

Review of the MPF System

11. The MPFA Management Board has set up the MPF Schemes Operation Review Committee in order to examine proposals about MPF operations, received from the industry, trade associations and labour unions, as well as professional and academic bodies. Representatives from employer and employee groups, the MPF industry and relevant Government departments have been invited to join the Committee which will review the administrative and operational aspects of the legislation, so as to enhance the effectiveness and efficiency of the MPF System.

Education and Publicity

12. In July, the MPFA's education and publicity programmes continued to emphasize on investment education. Starting from 25 July 2001, the MPFA will be holding a series of four seminars on MPF investment education. The seminars are designed to give the public, especially members of MPF schemes more in-depth knowledge on MPF investment as well as selection and switch of MPF constituent funds.

13. In addition, in order to enhance the public's understanding of the MPF System and fund investment arrangements, road shows and roving exhibitions will be held at the shopping arcades of large housing estates at various districts during the coming six months. Talks to members of the public at the district and local levels will continue to be held. Meanwhile, workshops will continue to be organized for human resources management professionals.

Members to Note

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

Mandatory Provident Fund Schemes Authority

6 August 2001