

LegCo Panel on Manpower

**Implementation of the Mandatory Provident Fund System
Progress report as at the end of January 2002**

Purpose

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

Enrolment

2. Compared to the previous report of December 2001, there was a moderate increase in enrolment of about 1 000 employers and 2 000 employees in January 2002. The enrolment position as at the end of January 2002 is summarised as follows:

	<u>Number of Participants</u>	<u>Enrolment Rate</u>
Employers	210 000	88.2%
Employees	1 749 000	94.7%
Self-employed persons (“SEPs”)	301 000	91.0%

Participation in the Industry Schemes remained stable. A total of 12 100 employers, 190 000 employees and 24 200 SEPs have joined Industry Schemes.

Complaint Handling

Complaints received by the MPFA

3. A total of 925 complaints were received by the Mandatory Provident Fund Schemes Authority (MPFA) in January 2002, 91% concerned scheme members, and involved 491 employers. The breakdown is as follows:

<u>Nature of complaints received in January 2002</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	5
➤ Involuntary change from employee to SEP	0
➤ Non-enrolment in MPF Schemes	19
➤ Default contribution	77
➤ Others (e.g. dismissal; no pay records)	5
(B) Complaints against trustees, intermediaries, ORSO etc	9

* Multiple selection allowed.

Complaints received by the Labour Department (“LD”)

4. In January 2002, the LD received 11 MPF-related complaints, all were related to alleged wrongful deduction of wages. Of these, 1 case was resolved after advice given; 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; 3 cases were awaiting the employees’ decision on whether to lodge claims for conciliation; and 1 case was under investigation.

Enforcement

5. The enforcement actions taken in January are summarised below:

Enforcement action	January 2002
<u>A. Prosecution</u>	
Number of summonses applied	36
- <i>Non-enrolment (Employee)</i>	3
- <i>Default Contribution</i>	33
<u>B. Contribution Surcharge</u>	
Number of Notices Issued	
- First Notice @ 15% p.a.	20 900
- Second Notice @ 20% p.a.	8 800

Enforcement action	January 2002
<u>C. Applications to the Small Claims Tribunal</u> - Number of applications made - Number of employees Involved	1 5
<u>D. Applications to liquidators / receivers</u> - Number of applications made - Number of employees involved	1 43
<u>E. Proactive Inspections</u> - Number of employment establishments visited	172

6. As regards contribution surcharge (item B of the above table), the notices were issued to employers with contributions in arrears. The 20 900 First Notices comprise 2 batches of default cases, each covering the contribution periods ending October and November 2001 (the MPFA was notified of these by trustees in December 2001 and January 2002 respectively). These Notices were issued after extensive work by the MPFA in urging employers to rectify their contribution defaults, in investigating appeals lodged by employers claiming that the trustees' reports were false alarms, and by trustees in verifying the claims made by employers in their appeals. The Second Notices were for the contribution periods ending August and September 2001, after employers were given reasonable time to rectify their default but they did not do so.

Education and Publicity

7. The MPFA continued its outreach programmes, with more than 50 MPF Info Stations organised at community halls and Home Affairs Department's Public Enquiry Service Centres. In addition, "meet-the-public" sessions continued to be organised with community organisations. Staff of the MPFA also attended meetings of Area Committees to update the public on the MPF System and to disseminate MPF investment-related knowledge to the community.

8. Apart from contributing articles to the regular MPF columns of newspapers, the MPFA also utilized the Internet to enhance public understanding of MPF investments.

Members to Note

9. Members are invited to note the contents of this paper.

Mandatory Provident Fund Schemes Authority
15 February 2002