

**LegCo Panel on Manpower**

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

**Purpose**

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

**Enrolment**

2. Enrolment into the MPF System continued to grow. The situation at the end of October 2001 was as follows:

|                                   | <u>Number of<br/>Participants</u> | <u>Enrolment<br/>Rate</u> | <u>Change over<br/>previous month</u> |
|-----------------------------------|-----------------------------------|---------------------------|---------------------------------------|
| Employers                         | 209 000                           | 88.0%                     | +0.2%                                 |
| Employees                         | 1 743 000                         | 94.6%                     | +0.2%                                 |
| Self-employed persons<br>(“SEPs”) | 301 000                           | 91.0%                     | +0.2%                                 |

3. Participation in the Industry Schemes also increased steadily, at about 0.2% per month. As at the end of October 2001, 12 000 employers, 185 000 employees and 24 200 SEPs have joined the Industry Schemes.

**Complaint Handling**

Complaints received by MPFA

4. A total of 799 complaints were received in October 2001. The breakdown by nature is as follows:

| <u>Nature of complaints</u>                               | <u>% *</u> |
|---|------------|
| (A) Complaints concerning scheme members:                 |            |
| ➤ Wrongful reduction of wages / benefits                  | 8          |
| ➤ Involuntary change from employee to SEP                 | 1          |
| ➤ Non-enrolment in MPF Schemes                            | 18         |
| ➤ Default contribution                                    | 72         |
| ➤ Others (e.g. dismissal; no pay records)                 | 9          |
| (B) Complaints against trustees, intermediaries, ORSO etc | 18         |

\* Multiple selection allowed.

5. In October 2001, complaints relating to default contributions accounted for more than half of the cases recorded. With regard to complaints against trustees, the number has decreased as the operation of most of the trustees continued to improve.

Complaints received by the Labour Department (“LD”)

6. In October 2001, the LD received 7 MPF-related complaints. The breakdown is as follows:

| <u>Nature</u>  | <u>%</u>   |
|--|------------|
| ➤ Wrongful deduction of wages or other employment benefits | 86         |
| ➤ Employee forced to change into SEP                       | 14         |
| Total :  |            |
|  | <u>100</u> |

7. Of a total of 79 complaints received from 1 December 2000 to 31 October 2001, 43 cases were resolved after conciliation or advice given, 21 were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication (13 of the cases have since been concluded), 3 cases where the employers were insolvent were referred to the Legal Aid Department and the Protection of Wages on Insolvency Fund, 1 case where the employee had lodged claim was awaiting conciliation, 5 cases were awaiting the employees’ decision on whether to lodge claim for conciliation, 5 cases were awaiting the employees’ decision on whether to lodge claim at the Labour Tribunal/ Minor Employment Claims Adjudication Board after conciliation, and 1 case was under investigation.

**Enforcement**

Prosecution

8. In October 2001, applications for 28 summonses involving 7 employers were made to the Police. Most of the suspected offences were on failure to transfer to trustees the contribution funds deducted, and non-enrolment of employees. Arising from the summonses applied in past months, pleas from 2 employers (involving 25 summonses) were taken in October. At

the same time, the trials for five cases (five employers, eight summonses) were completed. The fines involved in these cases ranged from \$800 to \$12,000 for each summons.

### Default contributions

9. In October, 9 376 first payment notices (surcharge of 15% per annum) and 7 337 second payment notices (surcharge of 20% per annum) were served on the defaulting employers concerned. The surcharge receivable will be credited into the employees' MPF accounts.

10. The recovery of the outstanding default contributions in arrears may be pursued by the MPFA through the Small Claims Tribunal. In October, the MPFA has filed 1 claim on behalf of 11 employees, targetting 1 employer.

### **Continuing Professional Development (CPD)**

11. In order to broaden the knowledge and skill of MPF intermediaries to cope with the changing financial market and retirement schemes industries, arrangements are being made to require individual MPF intermediaries to undertake a minimum of 10 hours of CPD training in each calendar year starting from 1 January 2002. Details of the CPD programme have been publicized.

### **Education and Publicity**

12. In October, outreach programmes continued to be the major thrust of MPFA's education and publicity campaign. More than 50 "Info-station" and "Meet-the-Public" sessions were held at various venues throughout the territory to answer enquiries. The "Info-station" service at the districts is now conducted as a regular programme to facilitate scheme members. In addition, seven school talks on MPF have been held since the beginning of the school term in September 2001.

13. Another main emphasis of the MPFA's public education efforts was investor education. During the period between July and October 2001, the MPFA organised four investment seminars in different districts to enhance public understanding of investment concepts. Joint efforts were also made with relevant bodies to promote MPF-related investment knowledge to the community at large.

**Members to Note**

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

**Mandatory Provident Fund Schemes Authority**

3 November 2001