

**LegCo Panel on Manpower**

**Implementation of the Mandatory Provident Fund System  
Progress report as at the end of September 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, although the rate has slowed down. As at the end of September 2001, the enrolment rates were as follows:

	<u>Number of Participants</u>	<u>Enrolment Rate</u>	<u>Change over previous month</u>
Employers	209 000	87.8%	+0.2%
Employees	1 739 000	94.4%	+0.2%
Self-employed persons (“SEPs”)	300 000	90.9%	+0.2%

3. Participation in the Industry Schemes also increased. As at the end of September 2001, 11 800 employers, 180 000 employees and 24 000 SEPs joined the Industry Schemes.

**Complaint Handling**

Complaints received by MPFA

4. 705 complaints were received in September 2001. The nature of complaints received is as follows:

<u>Nature of complaints</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	10
➤ Involuntary change from employee to SEP	1
➤ Non-enrolment in MPF Schemes	22
➤ Default contribution	61
➤ Others (e.g. dismissal; no pay records)	11
(B) Complaints against trustees, intermediaries, ORSO etc	20

\* Multiple selection allowed.

5. Complaints relating to default contributions continued to account for more than half of the cases recorded in September 2001. This is as expected, as design of the MPF System contemplated that defaults were unavoidable and a contribution surcharge mechanism was therefore built into the system as a deterrent. With regard to complaints against trustees, the number of cases received continued to decrease as the operation of most of the trustees continued to improve.

Complaints received by the Labour Department (“LD”)

6. In September 2001, the LD received 8 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Wrongful deduction of wages or other employment benefits (5 cases)	63
➤ Variation of wages or other employment benefits (2 cases)	25
➤ Wrongful offsetting of severance payment against employer’s contribution (1 case)	12
	<u>100</u>

7. Of a total of 72 complaints received from 1 December 2000 to end of September 2001, 41 cases were resolved after conciliation or advice given, 19 were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication (11 of the cases have since been concluded), 2 cases where the employers were insolvent were 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, 2 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 September 2001, applications for 26 summonses involving 6 employers were made to the Police. Most of the suspected offences were about non-enrolment of employees, default contribution, making a false or misleading statement, or failure to transfer the contribution funds to trustees. Arising from the previous summonses applied, pleas from 10 employers (involving 34 summonses) were taken in September 2001. The fines ranged from \$3,000 to \$6,500 for each summons.

### Surcharge on default contribution

9. As reported in the previous progress report, after allowing an adaptation period which ended in June 2001, the MPFA Management Board on the advice of the MPF Schemes Advisory Committee decided to implement the contribution surcharge mechanism on default contributions reported by trustees, in addition to default contribution complaints lodged by scheme members. Employers had been advised of this decision in writing in July 2001.

10. In September, 7 902 first payment notices (surcharge of 15% per annum) and 2 136 second payment notices (surcharge of 20% per annum) were served on defaulting employers concerned. The surcharge receivable will be credited into the employees' MPF accounts.

## **Education and Publicity**

11. In September, the MPFA's education and publicity efforts continued to focus on investment education through its outreach programmes of holding regular "Information Station" and "Meet-the-Public" sessions to answer enquiries. The "MPF Info-Station" service at the districts will be patternised to facilitate scheme members. School talks on MPF have resumed after the summer holidays.

12. Workshops for employers and human resources management professionals had proved a very good venue to discuss issues relating to MPF scheme administration, including the contribution surcharge mechanism.

**Members to Note**

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

**Mandatory Provident Fund Schemes Authority**  
11 October 2001