

## LegCo Panel on Manpower

### Implementation of the Mandatory Provident Fund System Progress report as at the end of December 2002

#### Purpose

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

#### Enrolment

2. The enrolment position as at the end of December 2002 is as follows:

	<u>Number of participants as at 31 December 2002</u>	<u>Enrolment rate As at 31 December 2002</u>	<u>As at 30 November 2002</u>
Employers	217 000	93.6%	93.6%
Employees	1 725 000	95.6%	95.6%
Self-employed persons (“SEPs”)	302 000	81.0%	81.4%

3. The enrolment rates of employers and relevant employees remained stable. With respect to the enrolled SEPs, while the number has increased by about 6 000, the enrolment rate has dropped by 0.4%, because the “universe” of the SEPs had increased by about 8 000 to 372 000<sup>1</sup>. At the end of December 2002, 12 900 employers, 222 300 employees and 23 000 SEPs have joined the Industry Schemes.

#### Complaint Handling

##### Complaints received by the MPFA

4. Of the total 610 complaints received by the Mandatory Provident Fund Schemes Authority (MPFA) in December 2002, 98% concerned scheme members and involved 378 employers. The breakdown is as follows:

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<sup>1</sup> Estimates based on the General Household Survey statistics conducted by the Census & Statistics Department.

<u>Nature of complaints received in December 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	24
➤ Default contribution	96
➤ Others (e.g. dismissal; no pay records)	3
(B) Complaints against trustees, intermediaries, ORSO etc	3
* <i>Multiple selection allowed.</i>	

### Complaints received by the Labour Department (LD)

5. In December 2002, the LD received 18 MPF-related complaints, all of which were related to alleged wrongful deduction of wages.

6. Of the total of 279 complaints received from 1 January 2002 to the end of December 2002:

- 88 cases were resolved after conciliation or advice given;
- 131 cases were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication;
- 37 cases where the employers were insolvent were referred to the Legal Aid Department, the Official Receiver's Office and the Protection of Wages on Insolvency Fund;
- 11 cases where the employees had lodged claims with the LD were awaiting conciliation;
- 2 cases were awaiting the employees' decision on whether to lodge claims with the LD for conciliation; and
- 10 cases were awaiting the employees' decision on whether to lodge claims at the Labour Tribunal/Minor Employment Claims Adjudication Board after conciliation.

## Enforcement

7. The enforcement actions taken in December 2002 are summarized below:

<b>Enforcement action in December 2002</b>	<b>Number of Cases</b>
<ul style="list-style-type: none"> <li>- <u>Prosecution</u></li> </ul> Number of summonses applied <ul style="list-style-type: none"> <li>- <i>Non-enrolment of employees</i></li> <li>- <i>Non-enrolment (Employee / SEP dispute)</i></li> <li>- <i>Default contribution</i></li> <li>- <i>False statement</i></li> </ul>	12 2 0 10 0
<ul style="list-style-type: none"> <li>- <u>Contribution Surcharge</u></li> </ul> Number of Notices issued to employers <ul style="list-style-type: none"> <li>- First Notice @ 15% p.a.</li> <li>- Second Notice @ 20% p.a.</li> </ul>	19 200 15 300
<ul style="list-style-type: none"> <li>- <u>Applications to the Small Claims Tribunal</u></li> </ul> <ul style="list-style-type: none"> <li>- Number of applications made</li> <li>- Number of employees involved</li> </ul>	67 174
<u>A. Applications to liquidators / receivers</u> <ul style="list-style-type: none"> <li>- Number of applications made</li> </ul>	7
<u>B. Proactive Inspections</u> <ul style="list-style-type: none"> <li>- Number of employment establishments visited</li> </ul>	170

8. As regards prosecution (item A of the above table), the number of cases in December 2002 had decreased because many cases were dealt with at the Small Claims Tribunal level, at the wishes of employees.

## Preparation for Implementation of Legislative Amendments

9. The commencement date of the remaining provisions of the Mandatory Provident Fund Schemes (Amendment) (No.2) Ordinance 2002 will fall on 1 February 2003. The concerned commencement notice was gazetted on 22 November 2002. The commencement of these legislative changes, which include the raising of the minimum monthly income level for MPF contribution from \$4,000 to \$5,000 and measures to simplify scheme administration, entails a lot of preparatory efforts as well as adjustments and changes to the administrative and operational systems of relevant parties, including trustees and employers. The MPFA has launched a series of specific publicity and other work programmes in order to ensure that all relevant parties are ready for the commencement date. A summary of the activities under

these programmes is provided at Annex A. MPFA's supervision programme for preparing the trustees and other service providers is set out in Annex B. The trustees and other service providers, apart from having to make their own changes and adjustments, also play important parts in ensuring that their clients, i.e. employers and SEPs, are fully prepared for the new provisions and that the employees are adequately briefed. They have to organize training sessions for their administration staff, call centre staff and intermediaries. Communication with employers and scheme members is often conducted through multiple channels, including seminars, publications and regular newsletters, etc

### **Education and Publicity**

10. In December 2002, four more district carnivals were organized to promote the MPF system, and a new thematic TV commercial was released to drive home the message of MPF benefits. More than 14,000 copies of pocket-size MPF easy guide were collected during the first week of December by readers of three newspapers by coupon redemption in 15 outlets throughout Hong Kong. The webpage design contest launched in November 2002 had attracted more than 70 submissions.

11. A total of 11 seminars and briefings on MPF legislative amendments and investment knowledge had taken place, attracting some 700 participants.

### **Members to Note**

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

## **Mandatory Provident Fund Schemes Authority**

January 2003

**MPFA's Publicity Programmes for Commencement  
of the Relevant Provisions of the  
Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002**

For Employers / Self-employed Persons / Employees

- ◆ 55 seminars and briefing sessions held for trustees, labour unions, Area Committees, business associations and HR professionals. Relevant TV and radio announcements had been and will continue to be made.
- ◆ 4 rounds of electronic communications were sent to some 200 business associations, trade unions, community organizations, professional bodies, District Councils, and human resources practitioners.
- ◆ Leaflets on the Amendments Ordinance are available at Government Public Enquiry Services Centres, and at MPF public functions, including carnivals organized with political parties in November and December 2002.

For MPF Trustees

- ◆ Working group meetings with trustees established and meetings held since April 2002, to work out the detailed business requirements. The requirements were finalized in August 2002.
- ◆ Based on the agreed arrangements, 10 MPF guidelines were revised and issued and 1 new guideline added. They are posted on the MPFA website.
- ◆ The electronic interface requirements were finalized; the computer systems of both the trustees and the MPFA had been enhanced to cater for the new requirement. A full round of inspection visits were made by MPFA to all the trustees to examine their systems to ensure their readiness by 1 February 2003.

For MPF intermediaries

- ◆ To ensure that all MPF intermediaries are fully apprised of the legislative amendments, the salient points of the amended ordinance are set out in the study notes for MPF intermediaries' examinations. New questions had also been included in the MPF Intermediaries Examination.
- ◆ Five seminars on the legislative amendments were given to instructors of the recognized institutions offering MPF continuing professional development courses.

**MPFA's Supervision Programme for Commencement  
of the Relevant Provisions of the  
Mandatory Provident Fund Schemes (Amendment) (No. 2) Ordinance 2002**

1. Arrange special on-site inspection to approved trustees to ensure their readiness for compliance with various provisions of the Amendment Ordinance on the effective date (i.e. 1 February 2003)
2. Vet the terms and provisions of the trust deeds of MPF schemes to ensure they are in line with the changes in the legislation.
3. Ensure adequate disclosure has been made in offering documents and/ or communication materials to scheme members in relation to the legislative amendment.

Scope of Inspection

1. Examine the scheme administration system to ensure relevant functions of the system are enhanced to cater for changes as required by the Amendment Ordinance. Functions include contribution processing, default contribution reporting, surcharge calculation and processing of intra-group transfer;
2. Review the revised procedure manuals as a result of the system changes in (1);
3. Examine procedures (and any system enhancement) in respect of compilation of monthly return regarding change of name of participating employers;
4. Examine procedures for the submission of electronic reports in respect of unclaimed benefits;
5. Examine the payroll software, if any, provided by approved trustees to clients to ensure that it is enhanced to cater for the changes as required by the Amendment Ordinance;
6. Review the updated version of customer services facilities including internet and Interactive Voice Response System (IVRS);
7. Review schedule, coverage and participation records relating to the communication plan and training programs to assess their adequacy and effectiveness; and
8. Ensure that a contingency plan is in place to cater for any slippage of system enhancement and system failure of the enhanced module upon commencement of the legislative amendments.