

## LegCo Panel on Manpower

### Implementation of the Mandatory Provident Fund System Progress report as at the end of October 2007

#### 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 October 2007 is as follows:

|                              | Number of Participants* |                     |        | Enrolment Rate      |                     |        |
|------------------------------|-------------------------|---------------------|--------|---------------------|---------------------|--------|
|                              | As at<br>31.10.2007     | As at<br>30.09.2007 | Change | As at<br>31.10.2007 | As at<br>30.09.2007 | Change |
| Employers                    | 239 200                 | 238 500             | +700   | 99.7%               | 99.4%               | +0.3%  |
| Employees                    | 2 111 100               | 2 101 700           | +9 400 | 98.7%               | 98.3%               | +0.4%  |
| Self-employed persons (SEPs) | 277 100                 | 278 200             | -1 100 | 75.7%               | 76.0%               | -0.3%  |

\* to the nearest 100

3. The enrolment rates of employers and employees increased by 0.3% and 0.4% respectively. The enrolment rate of SEPs decreased by 0.3%. As at the end of October 2007, 15 500 employers, 296 300 employees and 20 800 SEPs were registered under the Industry Schemes<sup>1</sup>.

#### Complaint Handling

##### Complaints received by the MPFA

4. Of the total 606 complaints received by the Mandatory Provident Fund Schemes Authority (MPFA) in October 2007, 94% concerned scheme members and 403 employers were involved. The breakdown is as follows:

<sup>1</sup> Double registration with the two Industry Schemes trustees has been eliminated.

| <u>Nature of complaints received in October 2007</u>  | <u>% *</u> |
|---|------------|
| (A) Complaints concerning scheme members:   |            |
| ➤ Wrongful reduction of wages / benefits  | 4          |
| ➤ Involuntary change from employee to SEP   | 0          |
| ➤ Non-enrolment in MPF Schemes  | 28         |
| ➤ Default contribution  | 85         |
| ➤ Others (e.g. dismissal; no pay records)   | 12         |
| (B) Complaints concerning trustees, intermediaries,<br>Occupational Retirement Schemes Ordinance (ORSO) etc | 9          |

\* *Multiple selections allowed.*

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

5. In October 2007, the LD received 16 MPF-related complaints, all of which were related to alleged wrongful deduction of wages.

6. Of the 160 complaints received from 1 January 2007 to the end of October 2007:

- 53 cases were resolved after conciliation or advice given;
- 75 cases were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication;
- 2 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;
- 26 cases where the employees had lodged claims with the LD were awaiting conciliation result; and
- 4 cases were awaiting the employee’s decision on whether to lodge claim with the LD for conciliation.

## Enforcement

7. The MPFA continued to enforce the MPF Schemes Ordinance by investigation of complaints, inspections of employment premises, making claims at law courts on behalf of employees to recover the outstanding default contributions, and prosecuting offending employers.

8. The enforcement actions taken by the MPFA in October 2007 are summarized below:

| <b>Enforcement action in October 2007</b>   | <b>Number of Cases</b>                                   |
|---|--|
| <b>A. <u>Prosecution</u></b><br>Number of summonses applied during the month<br>- <i>Non-enrolment of employees</i><br>- <i>Non-enrolment (Employee / SEP dispute)</i><br>- <i>Default contribution</i><br>- <i>False statement</i><br>- <i>Failing to comply with a lawful requirement made by the Authority in the course of exercising or performing its functions</i> | 32<br><i>1</i><br><i>0</i><br>30<br><i>0</i><br><i>1</i> |
| <b>B. <u>Contribution Surcharge</u></b><br>(@5% of the contributions in arrears)<br>Number of Notices issued to employers   | 21 900   |
| <b>C. <u>Submission to the Small Claims Tribunal</u></b><br>- Number of cases submitted<br>- Number of employees involved   | 82<br>381  |
| <b>D. <u>Submission to the District Court</u></b><br>- Number of cases submitted<br>- Number of employees involved  | 20<br>1062   |
| <b>E. <u>Submission to the High Court</u></b><br>- Number of cases submitted<br>- Number of employees involved  | 0<br>0   |
| <b>F. <u>Submission to liquidators / receivers</u></b><br>- Number of cases submitted   | 48   |
| <b>G. <u>Proactive Inspections</u></b><br>- Number of employment establishments visited   | 223  |

## **Education and Publicity**

9. As an ongoing effort to disseminate the MPF investment education messages to the general public under Phase Two of the MPF Investment Education Campaign, the five 15-second APIs each featuring one type of MPF funds continued to broadcast at 27 local free and paid TV channels to enhance public understanding of the characteristics of MPF funds.

10. For youth education, a series of talks for students of tertiary institutions had been launched in October 2007. Four talks had been conducted during the month to provide knowledge on the MPF System and MPF investment before they join the workforce and to draw their attention to the merits of early planning for retirement.

11. Community outreach activities continued. For the Industry Scheme publicity, a seminar-cum-luncheon was organized for the employers in the construction industry in partnership with an employers' association. Moreover, five MPF seminars were arranged for participants of retraining programmes, labour unions and community groups.

12. On the media front, 19 press releases were issued to the media on MPFA's enforcement actions and responses to fee adjustments of individual MPF trustees. In addition, 15 articles were published in newspapers, focusing mainly on employers' responsibilities under the MPF System and the operation of the MPF "Contribution Enquiry Line".

13. Moreover, seven local newspapers carried reports on an MPFA inspector receiving an Ombudsman's Award for Officers of Public Organizations. They highlighted the inspector's ingenuity and relentless efforts in urging employers to make good the default contributions.

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