

For Discussion

Legislative Council Panel on Financial Affairs

Government Injection into Mandatory Provident Fund Accounts of Eligible Persons

Purpose

This paper briefs Members about the progress and the current position in implementing the arrangements for Government's injection of \$6,000 into the Mandatory Provident Fund ("MPF") accounts of eligible persons through the Mandatory Provident Fund Schemes Authority ("MPFA").

Background

2. At its meeting on 20 February 2009, the Finance Committee of the Legislative Council ("FC") approved the funding application for implementing the injection exercise. The following categories of persons are eligible for the injection if their aggregate monthly income does not exceed \$10,000 -

- (a) holders of an MPF contribution account on 29 February 2008;
- (b) members of MPF-exempted Occupational Retirement Schemes ("ORSO Schemes") defined contribution schemes on 29 February 2008;
- (c) members of ORSO defined benefit schemes on 29 February 2008; and
- (d) holders of an MPF preserved account (who do not have any MPF contribution accounts) on 29 February 2008 who last contributed to an MPF contribution account or was an ORSO Scheme member between 1 March 2007 and 28 February 2008.

3. The assessment methodology adopted by the MPFA in assessing eligibility of individual cases is set out in the paper provided by the Administration to the FC. The relevant information is reproduced at **Enclosure** for Member's easy reference.

Latest Development

4. Following approval of funding application, the MPFA immediately commenced the injection procedures. As at 30 March 2009, over 1.3 million (93%) of a total of around 1.404 million eligible persons have received the injection to their MPF accounts and a written notification of the injection. The MPFA expects that the all injection procedures will be completed by end April 2009.

Special Cases and the Handling Mechanism

5. As at 30 March 2009, the MPFA identified about 2 300 cases where ineligible persons have received the injection. MPFA's investigation results indicate that since the original database used by trustees and employers in storing income information and other personal particulars of the employees was primarily established for maintaining contribution records of the MPF Schemes and ORSO Schemes and was not designed to cater for the injection exercise whereby the income information of specified months is required to verify individual persons' eligibility for receiving the injection, errors may have occurred when stored information in the original database was retrieved and consolidated for submission to the MPFA for assessing one's eligibility in the injection exercise. For instance, of those 2,300 cases involved, MPFA has received income data from trustee which are bi-weekly salary instead of monthly salary, hence leading to injection to MPF accounts of a number of persons who are not eligible.

6. The MPFA has arranged staff to conduct on-site audit of the information processing procedures adopted by the trustees. Their focus would be on reviewing whether mistakes have occurred when trustees consolidated the stored information and transformed it into the format required for the purpose of the injection exercise. The MPFA will, at the same time, conduct random checks upon all concerned accounts to ensure that the information is handled properly. The MPFA will take follow-up actions and implement remedial measures immediately if any problem is spotted.

7. In view of the substantial amount of information that is required to be handled in this injection exercise, which involves more than 7 million accounts, and that possible errors might arise due to reasons set out in

paragraph 5, the amended Mandatory Provident Fund Schemes Ordinance has already provided the MPFA with the power to direct the trustees concerned to withdraw the special contribution from the accounts to which injection should not have been made. The MPFA will follow the established procedures by first notifying the person concerned in writing that the injection would be withdrawn. The person concerned may request the MPFA to review his eligibility and appeal against MPFA's review results. If the outcome of the review or appeal confirms that the person is ineligible for injection, the MPFA will withdraw the special contribution from the account concerned pursuant to relevant statutory provisions.

8. The MPFA has established a mechanism to handle public requests for review of eligibility. Appeals, if any, will be handled by an independent appeal panel, which is chaired by the Chairman of the MPF Schemes Advisory Committee and comprises non-executive directors of the MPFA as members. Details of the review and appeal mechanism have been set out in an information paper submitted to the Legislative Council Panel on Financial Affairs in January this year (please refer to LegCo Paper No. CB(1) 627/08-09(1)).

9. As at 30 March 2009, the MPFA received about 340 requests for review of eligibility. Of these, about 110 cases involve individuals receiving written notification of injection despite that they do not think that they are eligible for the injection. The other cases involve those who consider themselves to be eligible but have not yet received written notification of injection. The MPFA is following up the investigation of these cases. If the person concerned is subsequently confirmed to be eligible, the MPFA will inject the special contribution into his MPF account. As for the cases where injection has already been made, if the person concerned is confirmed to be ineligible, the MPFA will withdraw the special contribution in accordance with the procedures and mechanism set out in paragraphs 7 and 8.

Enquiry Hotline

10. Members of the public who have enquiries about the arrangements of the injection exercise should contact the MPFA (injection hotline: 2926 6000). The MPFA will look into individual cases and take appropriate actions.

**Mandatory Provident Fund Schemes Authority
Financial Services and the Treasury Bureau
April 2009**

**Methodology adopted by Mandatory Provident Fund Schemes Authority
for assessing eligibility under the injection exercise**

The Mandatory Provident Fund Schemes Authority (“MPFA”) will assess whether a person mentioned in paragraph 2 of the main paper is eligible for the injection based on the following criteria –

- (a) if the lowest monthly income in the three consecutive months from (and including) the month of the anchored income (which means the last available monthly income record and the monthly income record in the two immediately preceding months) does not exceed \$10,000, then that person will be eligible for the injection;
- (b) “anchored income” refers to the last available monthly income among all the months with income records in the period between 1 March 2007 and 29 February 2008;
- (c) if a person is not employed for the full period in those three consecutive months, the MPFA will assess whether that person would be eligible for the injection based on the income information in those months with income records^{Note};
- (d) for a person who holds multiple MPF/ORSO accounts, his monthly income for each of the respective months will be aggregated; if the lowest aggregate monthly income in the three months does not exceed \$10,000, then that person will be eligible for the injection; and
- (e) for casual employees under the MPF industry schemes viz. workers in the construction and catering industries, in view of the sporadic nature of their employment, the MPFA will determine their monthly income using their average monthly income between 1 March 2007 and 29 February 2008. If the average monthly total income does not exceed \$10,000, then the casual employee concerned will be eligible for the injection.

^{Note} This can be illustrated by the following example: an employee was engaged in a former employment in and before December 2007, earning a monthly income of \$9,000. He started a new employment in February 2008 with a monthly income of \$11,000, but he was not employed in January 2008. He has income record for only two of the three months, and the income for December 2007 is the lowest and does not exceed \$10,000. He is eligible for the injection.

2. The MPFA will adopt the following criteria in handling special cases below –

- (a) Change in employment or deceased after 29 February 2008

Any person who meets the eligibility criteria for the injection would remain eligible for the injection even if there are changes to his income or employment after 29 February 2008, or if he has ceased employment or passed away after 29 February 2008.

- (b) Employees commencing employment on or before 29 February 2008 but have not been enrolled in an MPF scheme by the employer by that date

If an employee has commenced employment on or before 29 February 2008 and meets the other eligibility criteria for receiving the injection but his employer has not enrolled him in an MPF scheme by that date, the employee concerned can inform the MPFA of the case so that the MPFA can take follow-up actions as soon as possible. After the employee has been enrolled and an MPF account for him is opened, the employee will receive the injection. The MPFA urges the employees concerned to inform the MPFA on these cases as soon as possible.

- (c) Employment commenced in February 2008 but procedures for opening an MPF contribution account were completed after 29 February 2008

The existing legislation requires an employer to enroll an employee who maintained employment with him in an MPF scheme within 60 days after commencement of the latter's employment. As such, if the employee commenced his employment in February 2008, the employee may not have an MPF contribution account on 29 February 2008. In these cases, if the employee meets the income eligibility requirement, he will receive the injection after completion of enrollment procedures.
