

## **MANDATORY PROVIDENT FUND SYSTEM OPERATION OF THE INDUSTRY SCHEMES**

### **PURPOSE**

This note provides detailed information on the operation of the Industry Schemes under the MPF system.

### **BACKGROUND**

2. Under the Mandatory Provident Fund Schemes Ordinance (MPFSO), the Mandatory Provident Fund Schemes Authority (MPFA) is empowered to approve applications from trustees to operate Industry Schemes. Such schemes cater for industries with high intra-industry mobility. By allowing employers of the same industry to participate in the same scheme, employees in that particular industry need not switch to another scheme when they change from one employer to the next. This will help to reduce the costs involved in the transfer of employees' accrued benefits from one scheme to another. Industry Schemes are being established for the construction industry and catering industry.

3. Participation in the Industry Schemes is voluntary. Employers and self-employed persons are free to opt for the Industry Schemes or master trust schemes.

4. On 13 April 2000, the MPFA registered two Industry Schemes selected by the Industry Schemes Selection Board which scrutinized the

applications made under section 21A of the MPFSO. The two Industry Schemes are operated by the Bank Consortium Trust Company Limited and Bank of East Asia (Trustees) Limited respectively which are also approved MPF trustees.

## **SCHEME OPERATION**

### ***Enrolment***

5. Membership in the Industry Schemes is open to all relevant employees (no matter whether they are regular employees or “casual employees” defined in the legislation) and self-employed persons who are engaged in the catering and construction industries.

6. The trustees of the Industry Schemes will actively encourage casual employees to enroll in their Industry Schemes even before taking up employment. Such casual employees will be given a membership card which will facilitate the payment of contributions by their relevant employers immediately on commencement of employment, provided that such employers have already joined the relevant Industry Scheme at that point in time.

### ***Contributions***

7. By virtue section 7A(3)(b) and 4(b) of the MPFSO, employers of casual employees who are members of an Industry Scheme are required to pay their contributions according to a simplified contribution scale. Such an arrangement would relieve them from the need to calculate the amount of

contributions required.

8. In respect of casual employees, by virtue of section 122 of the MPF Schemes (General) Regulation, employers are also provided with options –

- a) to pay contributions on the day of payment of relevant income to casual employees; or
- b) to make payment within 10 days after the end of the period for which the employers pay relevant income to the employees.

9. If employers select to make payment of contributions in respect of their casual employees on the day of payment of relevant income, they can substantially reduce their efforts in administration and record keeping. For instance, employers will neither be required to provide a remittance statement to the trustees nor to prepare a monthly pay-record for the casual employees. This is provided for under sections 123 and 139 of the MPF Schemes (General) Regulation.

10. In accordance with the scheme of arrangements, trustees of the two Industry Schemes have made provisions for contribution payments to be made in cash, by cheques or bank account transfers. The trustees of the Industry Schemes will also provide various avenues and services to facilitate the payment and collection of contributions on a daily basis especially after the normal banking hours. These include accepting deposits of contributions via bank branches and Automatic Teller Machines (ATMs) and fund transfer via phone banking. The trustees will also operate hotline

services to provide assistance to employers for calculating contribution amounts.

### ***Monthly Report and Other Facilities***

11. The trustees of the Industry Schemes will provide monthly contribution statements to casual employees to enable them to verify the correctness of the contributions credited into their accounts. Casual employees can also verify their account balances at bank branches, via ATMs or phone banking or by calling the relevant hotlines.

12. The trustees of the Industry Schemes also intend to offer employers in the two industries payroll computer software to facilitate the calculation of contributions.

### ***Benefit Transfer***

13. On commencement of their new employment, casual employees who have not joined the Industry Scheme in which their new employers have participated would be enrolled by their employer into the relevant Industry Scheme within the first 10 days of employment.

14. When employees change employment, provided that their new and former employers have participated in the same Industry Scheme, they are not required to change schemes. Upon taking up new employment, they can simply present their Industry Scheme membership cards to the new employer who can inform their trustees the details of his new employees immediately.

15. However, if the new employer of the casual employees participates in an Industry Scheme different from that of their previous employer, the new employer would be obliged to enroll the casual employees in the Industry Scheme in which he participates. The casual employees would then have the choice of keeping two accounts or transferring all their benefits into their current account. Keeping two accounts would mean that even if the casual employees change to a new employer in future, they only need to present the relevant membership card to their new employer and payment of contribution could readily be made.

Financial Services Bureau

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