

## LegCo Panel on Manpower

### Implementation of the Mandatory Provident Fund System Progress report as at the end of May 2006

#### 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 May 2006 is as follows:

|                                 | Number of Participants* |                     |         | Enrolment Rate      |                     |        |
|---------------------------------|-------------------------|---------------------|---------|---------------------|---------------------|--------|
|                                 | As at<br>31.05.2006     | As at<br>30.04.2006 | Change  | As at<br>31.05.2006 | As at<br>30.04.2006 | Change |
| Employers                       | 228 700                 | 228 500             | + 200   | 98.7%               | 98.6%               | + 0.1% |
| Employees                       | 1 997 200               | 1 995 300           | + 1 900 | 96.9%               | 96.8%               | + 0.1% |
| Self-employed<br>persons (SEPs) | 287 200                 | 287 200             | -       | 77.0%               | 77.0%               | -      |

\* to the nearest 100

3. Both the enrolment rates of employers and employees increased slightly by 0.1% while the enrolment rate of SEPs remained stable. As at the end of May 2006, 15 000 employers, 269 900 employees and 21 800 SEPs were registered under the Industry Schemes<sup>1</sup>.

#### Complaint Handling

##### Complaints received by the MPFA

4. Of the total 828 complaints received by the Mandatory Provident Fund Schemes Authority (MPFA) in May 2006, 97% concerned scheme members and 539 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 May 2006</u>                                                         | <u>% *</u> |
|----------------------------------------------------------------------------------------------------------|------------|
| (A) Complaints concerning scheme members:                                                                |            |
| ➤ Wrongful reduction of wages / benefits                                                                 | 3          |
| ➤ Involuntary change from employee to SEP                                                                | 0          |
| ➤ Non-enrolment in MPF Schemes                                                                           | 28         |
| ➤ Default contribution                                                                                   | 89         |
| ➤ Others (e.g. dismissal; no pay records)                                                                | 11         |
| (B) Complaints concerning trustees, intermediaries, Occupational Retirement Schemes Ordinance (ORSO) etc | 5          |
| * <i>Multiple selection allowed.</i>                                                                     |            |

Complaints received by the Labour Department (“LD”)

5. In May 2006, the LD received 23 MPF-related complaints, all of which were related to alleged wrongful deduction of wages.

6. Of the total 116 complaints received from 1 January 2006 to the end of May 2006:

- 39 cases were resolved after conciliation or advice given;
- 38 cases were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication;
- 3 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;
- 34 cases where the employees had lodged claims with the LD were awaiting conciliation result; and

- 2 cases were awaiting the employees' decision on whether to lodge claim with the LD for conciliation.

## Enforcement

7. The MPFA continued to enforce the MPF Schemes Ordinance by proactive inspections of employment premises, investigation of complaints, 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 May 2006 are summarized below:

| Enforcement action in May 2006                                                                                     | Number of Cases |
|--------------------------------------------------------------------------------------------------------------------|-----------------|
| A. <u>Prosecution</u><br>Number of summonses applied during the month                                              | 28              |
| - <i>Non-enrolment of employees</i>                                                                                | 0               |
| - <i>Non-enrolment (Employee / SEP dispute)</i>                                                                    | 0               |
| - <i>Default contribution</i>                                                                                      | 28              |
| - <i>False statement</i>                                                                                           | 0               |
| B. <u>Contribution Surcharge</u><br>(@5% of the contributions in arrears)<br>Number of Notices issued to employers | 29 400          |
| C. <u>Submission to the Small Claims Tribunal</u><br>- Number of cases submitted                                   | 95              |
| - Number of employees involved                                                                                     | 191             |
| D. <u>Submission to the District Court</u><br>- Number of cases submitted                                          | 13              |
| - Number of employees involved                                                                                     | 138             |
| E. <u>Submission to the High Court</u><br>- Number of cases submitted                                              | 1               |
| - Number of employees involved                                                                                     | 376             |
| F. <u>Submission to liquidators / receivers</u><br>- Number of cases submitted                                     | 9               |
| G. <u>Proactive Inspections</u><br>- Number of employment establishments visited                                   | 82              |

## **Education and Publicity**

9. During the month under review, a press release had been issued to announce the release of the Consultation Paper on Proposals to Improve the Content of Annual Benefit Statements, and contribution articles had been published to encourage members of the public to express views on the document. The consultation, which will end on 18 August 2006, aims at soliciting views from members of the public on proposals to provide scheme members with better and clearer information to help them better understand the details of their accounts and better manage their MPF affairs.

10. In addition, 35 articles and press releases had been published in newspapers and magazines during the month, focusing mainly on MPF investment and member protection.

11. For youth education, a financial planning competition for tertiary and secondary students is in progress and presentations by the competing teams were conducted on 19 May and 27 May 2006 respectively. The competition is expected to conclude in June 2006.

12. As for community outreach activities, six talks had been organized for professional groups, labour unions, political parties and ethnic minority groups.

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