CB(1)2449/09-10(01)

For information

Legislative Council Panel on Financial Affairs
Government Injection of Contribution Exercise - Summary Report

Purpose

This paper gives a summary report on the implementation of the Government Injection of Contribution Exercise (“GIC Exercise”).

Summary Report

2. Following the approval of the Finance Committee of the Legislative Council of the funding application for the GIC Exercise on 20 February 2009, the Mandatory Provident Fund Schemes Authority (“MPFA”) implemented the GIC Exercise as Government’s agent from March 2009 to provide a one-off injection of $6,000 to the Mandatory Provident Fund (“MPF”) accounts of members of the MPF Schemes and MPF-exempted Occupational Retirement Schemes whose aggregate monthly income during the qualifying period did not exceed $10,000 and who meet the other pre-set eligibility criteria.

3. A summary report setting out the relevant statistics of the GIC Exercise is attached at **Annex**. Members are invited to note the contents of the report.

Financial Services and the Treasury Bureau
Mandatory Provident Fund Scheme Authority
2 July 2010

Government Injection of Contribution Exercise Summary Report

Payment of special contributions

The MPFA has paid out a total sum of $8,411,790,000 to 1,401,965 eligible persons at $6,000 each, after taking into account the outcome of all request for review and appeal cases and discounting the 237 cases where the recipients have voluntarily surrendered the special contributions to MPFA.

Request for review and appeal cases

2. The MPFA has handled a total of 9,614 request for review cases, including 8,738 requests from persons who did not receive the special contributions but considered themselves eligible and 876 requests from persons who have received the special contributions but considered themselves ineligible. The eligibility was reversed in 6,604 cases after review, including 6,179 cases where the eligibility was turned from ineligible to eligible and 425 cases where the eligibility turned from eligible to ineligible.

3. There were 144 appeal cases against the outcome of request for review, of which 10 cases were allowed. All the appeal cases allowed involved eligibility turned from ineligible to eligible.

The Recovery of Special Contributions in mis-injection cases

4. For the purpose of the GIC Exercise, MPFA has processed the data of more than 7 million accounts of Mandatory Provident Fund Schemes ("MPF Schemes") and MPF-exempted Occupational Retirement Schemes ("MPF-exempted ORSO Schemes") members[1]. After various actions by MPFA and relevant parties, including on-site inspections, proactive review of the records of trustees/employers or through reports from employers/trustees/administrators, MPFA identified 12,045 mis-injection cases. As at 31 May 2010, MPFA has completed recovery action in respect of 11,970 cases (i.e. over 99% of all cases).

5. These mis-injected cases are mainly caused by the following

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[1] A MPF scheme member may possess more than one MPF account at one time, for example, due to concurrent employment by more than one employer.

reasons -

(a) one scheme administrator who had failed to comply with MPFA's guidance and had extracted non-monthly income for submission as monthly income;

(b) one trustee having extracted income for the wrong months due to errors in programming; and

(c) some employers having reported zero income for employees who were over 65 and not required to make mandatory contribution.[2]

6. On (a) and (b), the MPFA has followed up with the scheme administrator who failed to comply with its guidance when extracting data and the trustee who extracted income for the wrong months to rectify the problems identified.

7. As regards (c), as the account details sought by the MPFA for the implementation of the GIC Exercise are not required for the operation of the MPF system, the issue involved would not affect the normal operation of the MPF system. But to streamline future information flow from trustees, the MPFA has required the relevant trustees to adjust their data system so that employees aged over 65 who are not required to make mandatory contributions in the MPF system can be identified in the database in future.

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[2] Employees over the age of 65 are exempt from making mandatory contributions. If their actual income is reported to trustees, such income would be taken into account in assessing their eligibility for receiving special contributions. But for some employers, in order to ensure that they would not be reported as defaulters by mistake, they had chosen to report the income of such employees as zero to their trustees. Neither the MPFA nor the trustees were aware of this practice of "zero income" reporting before this exercise, and they have used "zero income" as the basis to assess the eligibility of these employees for receiving special contributions, which resulted in inaccuracies in the implementation of the injection exercise.