



The MPFA is now ready to embark on new initiatives in consolidating its work, strengthening its regulatory and enforcement abilities and increasing its productivity.

The MPFA will tackle the non-compliant employers, relevant employees and self-employed persons by education and law enforcement. It will strive to boost the compliance rates and impress on the public that at the end of the day, it is the entire community of Hong Kong, not merely employees, that will benefit from the success of the MPF System.

# PROTECTION OF SCHEME MEMBERS

In this crucial initial year, the MPFA had to carefully chart its course in order to meet its objectives of smoothening the transition, ensuring public acceptance, enforcing the law, and protecting scheme members' interests.

From 1 December 2000, Hong Kong has become the first place in Asia with the World Bank's "three pillars" of old age protection\* in place for its industrious workforce. Given time, the MPF System will become an integral and indispensable part of the working life of the people of Hong Kong, providing a reliable source of funding support for their retirement needs.

On the other hand, in its inaugural year of operation, when employers and employees found themselves having to align with the legal requirements of enrolling in MPF schemes and making periodic contributions, the implementation of the MPF System inevitably had its fair share of teething problems. In this crucial initial year, the MPFA had to carefully chart its course in order to meet its objectives of smoothening the transition, ensuring public acceptance, enforcing the law, and protecting scheme members' interests.

## SMOOTHENING THE TRANSITION

The advent of the MPF era poses many challenges. As a social programme, the scale of transformation brought about by

the MPF System has been unprecedented. The universe of the MPF System involves 240 000 employers, covers 1 816 000 relevant employees and 326 000 SEPs. The socio-economic background, employment status and remuneration packages, saving habits and knowledge on investment, as well as plans for retirement of these people are widely different. The implementation of the MPF System has introduced new dynamics into the culture and behaviour in the world of human resources and their employment: it requires the employment status and remuneration packages of individuals to be individually and formally identified. It brings to light people of the informal sector, who have no fixed jobs and who might never have paid tax, and requires them to enrol in a MPF scheme. It also requires enrolled employees to make choices on their long term investment strategies.

It was against such a background that the MPFA had been devising implementation strategies and action

*\* In 1994, the World Bank published its Research Report "Averting the Old Age Crisis". It advocates the need for a multi-pillar arrangement for old age security. The three pillars are a mandatory, privately funded and managed retirement fund scheme, publicly funded social security, and personal savings plus insurance.*

plans. These required close coordination amongst employers, employees and the MPFA. They involved trade associations, labour unions and professional bodies. Since the MPFSO does not and indeed cannot prescribe specific conditions covering each and every individual or employment establishment, comprehensive answers to frequently asked questions had to be prepared and promulgated in all practicable ways. Over 400 briefing seminars were held for employer's representatives and trade associations. Over 300 000 letters and pamphlets on the key features of the MPF System were sent to employers in September 2000, urging them to enrol early.

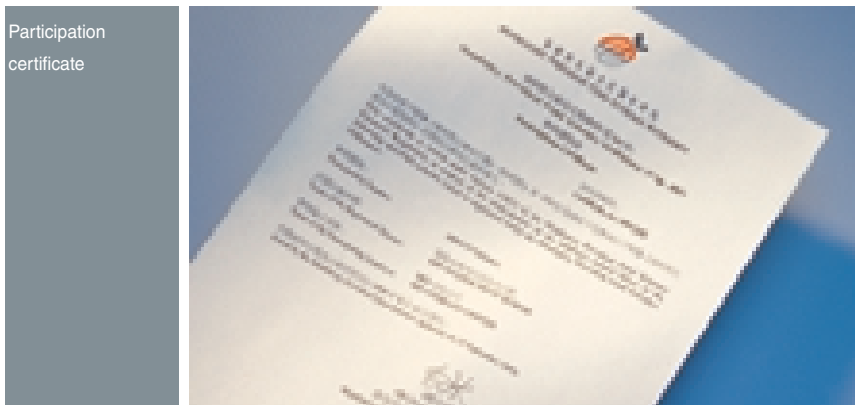
The MPFA has issued guidelines to facilitate service providers in complying with the operational requirements of MPF, among them 13 sets were on scheme operations. These 13 sets of guidelines were supplemented by 11 circular letters to clarify specific and technical issues for trustees and corporate MPF intermediaries. The full list of guidelines and codes issued by the MPFA so far is included in Appendix IV. Appendix V lists all the circular letters and bulletins issued within the year.

## THE PARTICIPATION CERTIFICATES

The participation certificate, issued by the MPFA, is legally required to be displayed by employers as the proof of having joined a MPF scheme.

Despite the fact that the MPFA's major publicity started long before the implementation date, most employers only signed up between November 2000 and February 2001. As a result, the bulk of the applications for participation certificates was only received by the MPFA and processed within these months. The bunching of applications and their high volume presented an onerous task for the MPFA. Nevertheless, efforts on the vetting of applications, in printing and validation of the certificates produced, proved to be well spent. As at 31 March 2001, a total of 204 000 participation certificates have been processed and issued by the MPFA to employers, of which 108 000 were

Participation certificate



printed and delivered during the 3 months from December 2000 to February 2001.

## ENSURING ACCEPTANCE OF THE MPF SYSTEM

### ENROLMENT

At the end of March 2001, about 82% of the employers, 92% of the relevant employees and 90% of the SEPs covered by the MPF System have joined an MPF scheme. By and large, the public appears to have accepted the MPF as a useful means of retirement protection and beneficial for the long term interests of the community. These results however have not been attained easily. In February 2000, enrolment by employers was only a worrying 0.5%. It caught up and reached 63% in December 2000 when the MPF System commenced. The enrolment

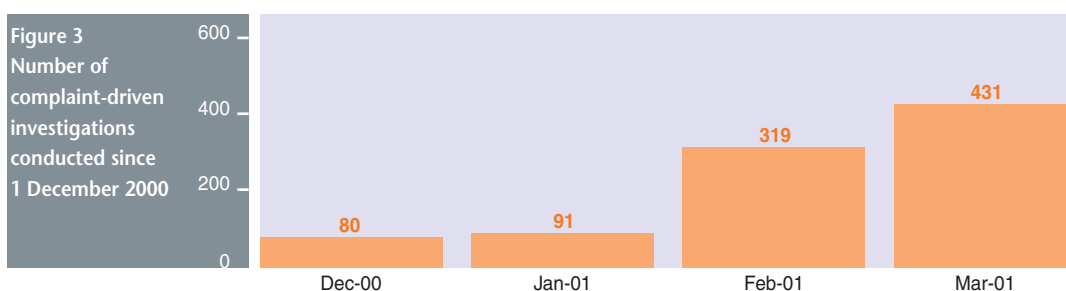
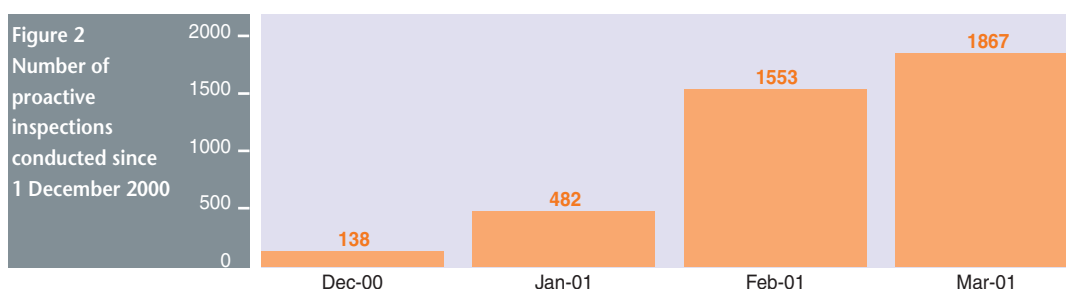
rate subsequently exceeded 80% in February 2001. Detailed statistics on enrolment are included in Part A of the Statistics section of this report.

While most employers were compliant, many took action only at the last minute. The last-minute rush created a tremendous challenge for the service providers in having to clear the volume of work within a short period of time. The growth in enrolment rates during the period from February 2000 to March 2001 is shown on page 3.

Together with the employees who were already covered by existing occupational retirement schemes or statutory pension plans, 82% of the total workforce in Hong Kong was protected by retirement protection schemes at the end of March 2001.

The remaining 18% included 12% who were exempt from MPF (people aged below 18, people aged 65 or above, or domestic employees and self-employed hawkers who are not required by law to join any local retirement scheme) and 6% who should have joined but had not yet joined any MPF scheme. The coverage of Hong Kong's employed population by different types of retirement schemes as at 31 March 2001 is shown on page 3.

While the MPFA will sustain its efforts on the remaining 18% of the employers, 8% of the relevant employees and 10% of the SEPs, it will take time to achieve full compliance, if it can be achieved at all. In this connection, continual efforts on public education should go hand in hand with appropriate enforcement actions.



**ENFORCING THE LAW**

**INSPECTION AND INVESTIGATION**

The MPFA established its enforcement team in December 2000, with the passing out of 60 MPF Inspectorate officers after training. The team is tasked with the responsibilities of inspecting employment premises and investigating complaints received. Inspections are proactive with surprise checks on employers randomly but systematically selected. Up to the end of March 2001, a total of 4 040 inspections have been conducted. Figures 2 and 3 show the number of inspections and investigations conducted since 1 December 2000.

Investigations are detailed examinations of complaint cases received. Up to 31 March 2001, 1 387 complaints had been received by the MPFA, of which about 68%

concerned member protection. Table 6 shows a breakdown of the nature of complaints received. Member protection has been enhanced by the effective processing of complaints received. Technical breaches by employers, committed due to oversight or ignorance, were usually rectified speedily after warnings were served by the MPFA. Furthermore, not all the complaints were genuinely MPF-related. In the initial months, false alarms with no infringement on scheme members' right were not uncommon. Such complaints were usually withdrawn after it was found that the problems were caused by misunderstanding or inadequate communications between employers and employees. Some complaints on "deduction of wages" were in fact industrial disputes. In this respect, an effective mechanism of referral of such complaints through an electronic link

had been established between the MPFA and the Labour Department.

Anonymous cases accounted for about 19% of the complaints received. Some complainants were unwilling to reveal their identities to employers, or to serve as witnesses in court. In such cases, investigation had to be curtailed and the cases closed.

**PROSECUTION**

Prosecution is the last resort in ensuring compliance. For blatant contraventions of the MPFSO, the MPFA would have no hesitation in bringing offenders to court.

The MPFA is not empowered by law to prosecute MPF-related offences. Assistance from the Department of Justice and the Police is therefore required. The MPFA has established an effective rapport with these two Government departments. Up to the

**Table 6**  
The nature of complaints received by the MPFA – up to 31 March 2001

Nature	%
(A) Complaint cases related to member protection: *	68
• Deduction of wages	16
• Involuntary change from employee to SEP	6
• Non-enrolment in MPF Schemes	22
• Default contribution	21
• Others (e.g. dismissal by employer)	7
(B) Complaint cases against trustees, intermediaries, ORSO etc	32
Total	100

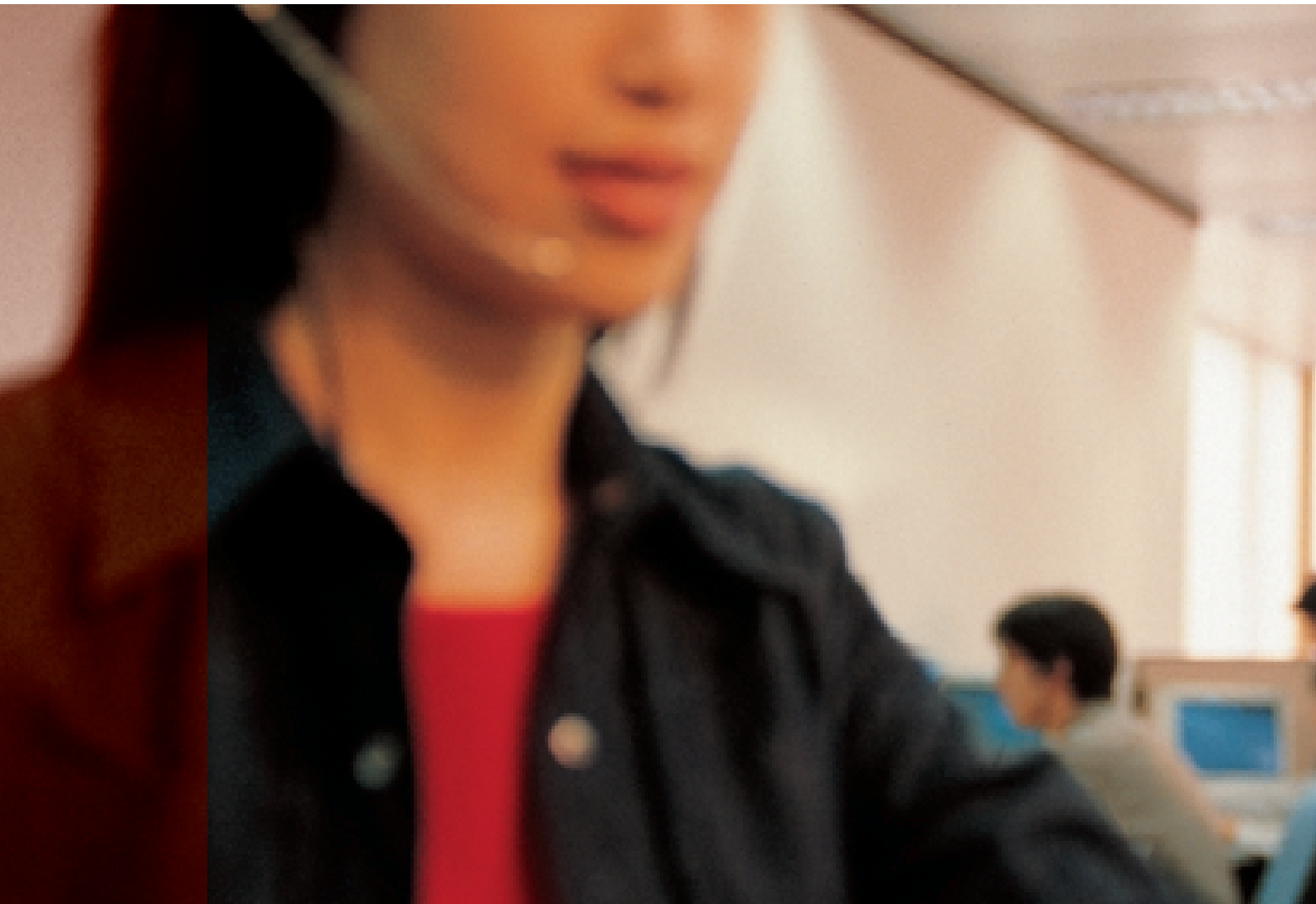
\* Multiple selection of complaint category is allowed. As such, the sum of the percentages of individual categories is larger than the total percentage.

end of March 2001, 12 cases involving 16 summonses have been referred to the Police for prosecution. Most cases were about non-enrolment and were taken up mainly in response to complaints received.

Statistics on enforcement are contained in Part E of the Statistics section of this report.

### ENHANCING THE TRANSPARENCY OF THE MPF SYSTEM

With a view to keeping the public better informed about the MPF System and better protecting scheme members, the MPF *Statistical Digest*, a quarterly publication, was published in March 2001. A cyber version is also available on the MPFA website. The *Digest* contains such



key statistical information as enrolment rates, the universe of the MPF System, the consolidated net asset values of the MPF schemes, and similar data on the ORSO schemes. The contents will be enhanced when further information is available from trustees.

#### THE WAY FORWARD

For the year 2001-2002, the key activities in respect of member protection will be to tackle the non-compliance of the remaining hard core of 18% of employers, 8% of relevant employees and 10% of SEPs, by education and law enforcement. The MPFA hopes to be able to achieve the target enrolment

rate of at least 88% to 90% of the employers by the end of 2001. We will strive to boost the compliance rates and impress on the public that at the end of the day, it is the entire community of Hong Kong, not merely employees, that will benefit from the success of the MPF System.



Public enquiries related to the MPF System are promptly answered.

