

REGULATION OF OCCUPATIONAL RETIREMENT SCHEMES

One of the MPFA's key tasks before the launch of the MPF System was the processing of applications for MPF exemption of ORSO Schemes.

EXEMPTION OF ORSO SCHEMES FROM MPF REQUIREMENTS

PROCESSING OF MPF EXEMPTION APPLICATIONS

During the year, one of the MPFA's key tasks before the launch of the MPF System was the processing of applications for MPF exemption of ORSO schemes. The closing date for lodging such applications was 3 May 2000. In order to urge the employers to submit their exemption applications by 3 May 2000, the MPFA had taken various measures to raise their awareness. These measures involved enhanced publicity efforts as well as direct communication with the parties concerned.

An intensive publicity campaign was conducted prior to the closing date for making MPF exemption applications. The campaign engaged a variety of promotional measures, including advertisements and announcements in the mass media, distribution of information pamphlets, dissemination of messages through outdoor signboards, TV screens and giving talks to groups at the district level. Concurrently, the MPFA issued letters reminding employers operating ORSO schemes of the exemption

application deadline and urged them to communicate with their employees on the issue.

In addition, the MPFA contacted ORSO scheme administrators, inviting them to assist the employers to make the relevant interface arrangements and prepare the necessary documents for communicating with the employees on the decision.

At the close of the deadline for MPF exemption applications on 3 May 2000, the MPFA received a total of 7 111 MPF exemption applications, of which 6 542 schemes were registered schemes and 569 were exempted schemes. The MPFA had completed the processing of all MPF exemption applications by 31 July 2000. Out of the 7 111 applications, 6 943 exemption applications covering about 635 000 scheme members were approved by the MPFA. The results of MPF exemption applications are shown in Figure 4.

APPEALS

Four appeals were lodged with the Mandatory Provident Fund Schemes Appeal Board (the Appeal Board) against the MPFA's decision to refuse applications for MPF exemption certificate. Three of the appeals were

subsequently withdrawn. The hearing of the remaining appeal case was held on 31 October 2000. The decision of the MPFA to refuse the application was upheld by the Appeal Board.

MPF/ORSO OPTION

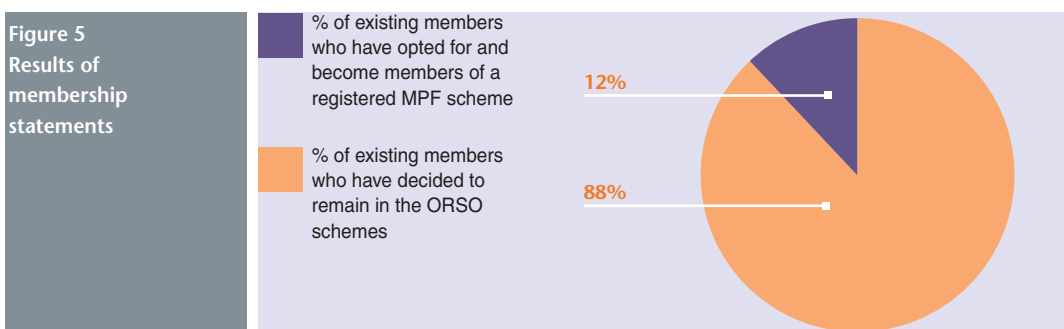
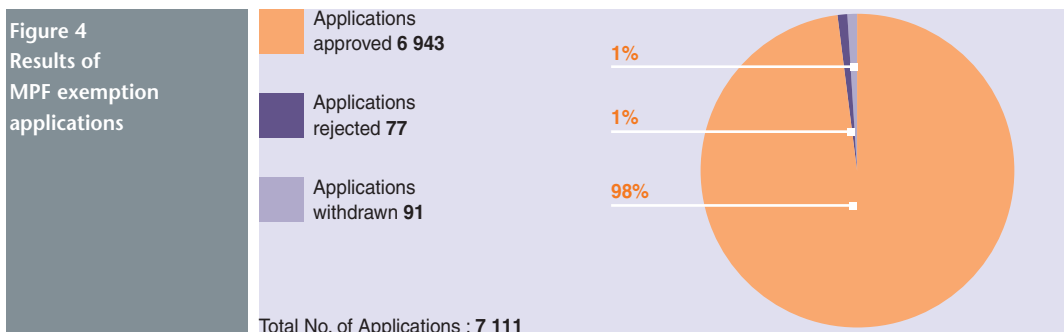
Under the Mandatory Provident Fund Schemes (Exemption) Regulation, the employers of MPF exempted ORSO schemes are required to offer an option to the members of the ORSO schemes to choose between MPF schemes and the ORSO schemes. Each relevant employer of a MPF Exempted ORSO Registered Scheme is required to report the

membership information to the MPFA on or before 28 February 2001.

The results compiled on the basis of the membership statements received are set out in Figure 5.

WITHDRAWAL OF EXEMPTION CERTIFICATE

Owing to the additional costs of running two schemes (MPF and ORSO schemes) simultaneously and other reasons, employers of MPF exempted ORSO schemes may withdraw the MPF exemption certificates. Up to 31 March 2001, 650 MPF exempted ORSO schemes had relinquished their exemption status covering about 31 600 members who would be required to be enrolled in MPF



schemes. The number of MPF exempted ORSO schemes as at 31 March 2001 was 6 306 covering about 8 700 employers and 524 000 scheme members (after excluding 72 000 members who have opted to join MPF schemes). A breakdown of the number of schemes is shown in Figure 6.

WINDING UP OF ORSO SCHEMES

For those ORSO schemes which have not obtained MPF exemption status, the relevant employers may choose an interface arrangement to retain them as top-up schemes, freeze the schemes or terminate the schemes. A majority of the employers

are expected to terminate the ORSO schemes upon the MPF launch. To ensure a smooth interface for these ORSO schemes, the MPFA issued a letter to all the relevant employers on 19 September 2000 to remind them of the interface options as well as the issues in respect of termination of ORSO schemes.

In October 2000, the MPFA also issued a circular letter to all ORSO scheme administrators to draw their attention to various matters relating to termination of an ORSO scheme upon which an employer would have to enrol his employees into a MPF scheme.

During the year, 3 247 ORSO schemes (comprising 3 167 registered schemes and 80 exempted schemes) were

wound up. As at 31 March 2001, the number of ORSO schemes stood at 16 677, of which 14 627 were registered schemes (covering about 776 000 scheme members after excluding 72 000 members who have opted to join MPF schemes) and 2 050 were exempted schemes. In addition, the MPFA had received a further 5 572 termination notices in respect of ORSO schemes (including 5 538 registered schemes and 34 exempted schemes). These schemes were undergoing termination processes as at 31 March 2001.

Based on the termination notices submitted and the latest annual returns of the respective ORSO registered schemes, the asset

Figure 6
Number of MPF exempted ORSO schemes (as at 31 March 2001)

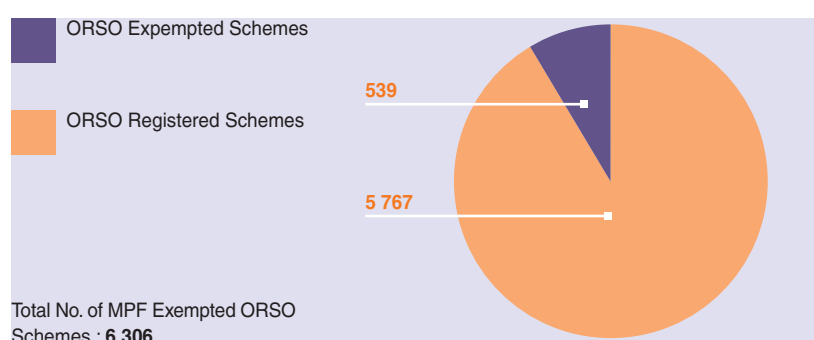


Table 7
Asset arrangements for terminated ORSO registered schemes

ORSO Asset Arrangement	No of Schemes	%	Asset Size (\$M)	%
Transferred to MPF Scheme	5 482	63	12,181	62
Transferred to another ORSO Scheme	757	9	5,089	26
Paid out to scheme members	2 466	28	2,369	12
Total	8 705	100	19,639	100

arrangements for the terminated ORSO registered schemes (including those schemes undergoing termination process) are set out in Table 7.

ENHANCEMENT OF ADMINISTRATION OF MPF EXEMPTED ORSO SCHEMES

The MPFA issued four guidelines during the year in order to ensure effective administration of the MPF exempted ORSO schemes. Four bulletins were also issued to employers who operate MPF exempted ORSO registered schemes to promulgate the major requirements

they need to fulfill in order to comply with the relevant legislation and to safeguard the interests of scheme members.

The guidelines issued by the MPFA so far and all the circular letters issued in the year are listed in Appendices IV and V respectively.

WORK OF THE REGISTRAR OF OCCUPATIONAL RETIREMENT SCHEMES

As the Registrar of Occupational Retirement Schemes (RORS), the MPFA is also responsible for the effective administration of occupational retirement schemes.

The work of the RORS in this aspect includes monitoring of ORSO registered/exempted schemes and processing of changes to the schemes. Details of the work of the RORS are summarized in Figure 7.

A list of the corporate administrators who administer pooling agreements for ORSO schemes is in Appendix VIII.

STATISTICS

Statistics on ORSO schemes are set out in Part C of the Statistics section.

Figure 7
Work of Registrar of Occupational Retirement Schemes

Note: Figures denote workload for the year

