

# MANAGING DIRECTOR'S REPORT



By 31 March 2001, the Mandatory Provident Fund Schemes Authority (MPFA) has been in operation for two and a half years. During this period, the focus of its work was mainly on the setting up of the organization as well as the planning and preparation for the full implementation of the Mandatory Provident Fund (MPF) System.

Following the decision to go ahead with the planned commencement of MPF System on 1 December 2000, the MPFA's work in the first three quarters of the financial year concentrated on the completion of all the regulatory and supervisory tasks

essential for the launch. At the same time, it had to gear up for dealing with all the unavoidable teething problems of a new system, bearing in mind that this is one of the largest social programmes ever implemented in Hong Kong. Furthermore, it had to prepare and assist all parties concerned in playing their individual roles and in complying with the legislative requirements, including service providers, other regulatory bodies, Government departments, employers, employees and self-employed persons, to name but a few. Meanwhile, in order to

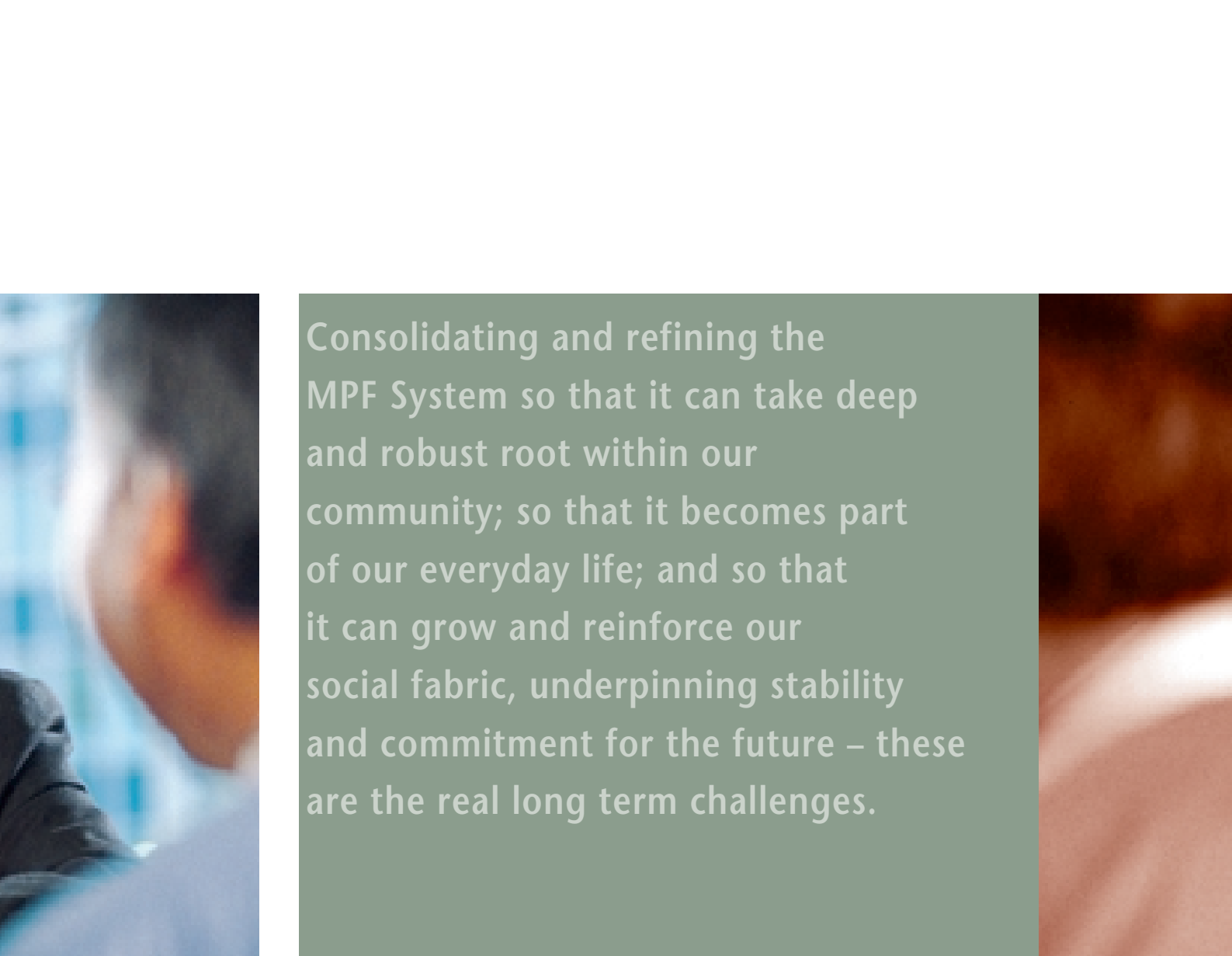
ensure the smooth implementation of the MPF System, the MPFA continued to reach out to the whole community of Hong Kong and particularly the 3.25 million workforce in order to raise their awareness and rally their support for the System.

## MILESTONES

The course of the year was marked by the following important accomplishments:

### April

– completed review of the overall readiness for the scheduled full implementation date of the MPF System of 1 December 2000.



Consolidating and refining the MPF System so that it can take deep and robust root within our community; so that it becomes part of our everyday life; and so that it can grow and reinforce our social fabric, underpinning stability and commitment for the future – these are the real long term challenges.

- two industry schemes covering the catering and construction industries were registered to provide for the industries' high labour mobility and large number of casual employees.
- the Call Centre providing a hotline enquiry service commenced operation, handling over 8 000 calls a month.

#### May

- the Commencement Notice for appointing 1 December 2000 as the commencement date for relevant provisions of the MPF legislation to

bring the MPF System into full operation was passed by the Legislative Council on 31 May 2000.

#### June

- all proposed amendments to the MPF legislation necessary for the implementation of the MPF System were passed by the Legislative Council.

#### July

- processing of all applications of occupational retirement schemes (ORSO schemes) for MPF exemption was completed by 31 July 2000. As at 31 March 2001, there were 6 306 MPF exempted ORSO schemes.

- the first batch of pooled investment funds applications were processed. Up to 31 March 2001, there were 231 approved pooled investment funds.

#### August

- the computerized Hotline Enquiry Handling System went into service on 1 August and was recording over 12 000 calls a month.
- the Industry Schemes Committee was established to monitor the effectiveness of Industry Schemes and to advise on ways to improve the administration and operation of the schemes.

### September

- completed the third round of on-site inspection of the approved trustees to assess their readiness for the commencement of the MPF System. Recommendations on expediting recruitment of qualified personnel, development of computer systems and proper operational procedures were made to the trustees, all of whom were required to be ready by 1 October 2000.

### October

- the MPF universe of employers, relevant employees and self-employed persons was compiled on the basis of the data released by Government and was updated periodically thereafter. As at the end of the financial year, the numbers of employers, relevant employees and self-employed persons under the MPF System were estimated to be 240 000, 1 816 000 and 326 000 respectively.
- after having completed the fourth round of on-site inspection of trustees and intervened in certain cases involving problems in staffing and systems, the MPFA announced in late October 2000 that it was sufficiently satisfied with the competency of the 20 approved trustees in commencing the operation of their businesses from 1 December.

### November

- MPF SME\* Resource Centres to provide SMEs with easy access to MPF information were set up in MPFA's premises and in the Trade and Industry Department's SME Information Centre.
- the number of hotline enquiries peaked at 6 000 calls on one day.
- a computerized Complaints Handling System was set up to complement the Enquiries Handling System in an integrated network. At the end of the financial year, the two systems were handling an average of 1 000 enquiries and registering 30 complaints a day. The Complaints Handling System has facilitated closer tracking and monitoring of the progress of complaint cases. It also has been linked up electronically with the trustees and the Labour Department.

### December

- commencement of MPF System on 1 December 2000.

### December / January

- the enforcement team started to carry out inspections at business establishments after the end of the permitted period for casual employees in the construction and catering industries.

### February

- in addition to investigation of complaint cases, general

inspections were carried out by the enforcement team from February 2001 at the rate of about 100 business establishments per day.

### March

- started the consultation on the first set of proposed amendments to the MPF legislation after MPF implementation.

Meanwhile, a total of 19 sets of new guidelines were issued to service providers to facilitate their compliance with the MPF legislation. In the course of licensing and supervision, the MPFA continued to work closely with other regulators. It liaised regularly with the Securities and Futures Commission (SFC) in processing applications and monitoring compliance of MPF products. With the MPFA playing a leading role, the MPF Intermediaries Regulation Coordinating Committee comprising representatives from the Insurance Authority, the SFC and the Hong Kong Monetary Authority agreed on the details of the intermediaries inspection programme.

The large-scale territory-wide Public Education and Publicity Campaign was intensified with the objective to encourage enrolment in MPF schemes. In addition to the general public education and publicity

\* SME – small and medium-sized enterprise.

activities, some of the smaller scale special projects included special assistance rendered to SMEs, an enrolment drive for the Industry Schemes and a campaign for publicizing the MPF-ORSO interface arrangements.

### LOOKING AHEAD

My colleagues and I would not have accomplished the launch of the MPF System without the guidance and trust on the part of the Chairman and all the Non-Executive Directors of our Management Board. We are proud and fortunate in having played a part in completing another chapter in the history of Hong Kong. It has been a very trying year, but, as the Chairman has pointed out in his Statement, in the development of retirement protection, this is only the beginning. Consolidating and refining the MPF System so that it can take deep and robust root within our community; so that it becomes part of our everyday life; and so that it can grow and reinforce our social fabric, underpinning stability and commitment for the future – these are the real long term challenges.

The MPF System is still very new. It is also unique in many ways among the principal models of retirement protection adopted in other places. It is customized for Hong Kong's own particular circumstances and it has

to rest on a delicate set of balance of interests – of employers, employees and service providers. At this stage, no one can claim that we have a perfect system. In the light of actual operating experience, changes and improvements are both desirable and unavoidable. However, in introducing any change, we always must be mindful of the need for balance and consensus. This is an evolving process and it will take at least a few more years before the system can settle into a more steady state.

The focus of MPFA's work in the coming year will be on the following:

- (a) Consolidating the work and the organization of the MPFA;
- (b) Enhancing the MPFA's regulatory and enforcement abilities with emphasis on MPF investment products and investment education; and
- (c) Increasing productivity, thereby enhancing operational efficiency and containing costs.

These objectives will be attained, in part, by several major projects in the coming year. Comprehensive reviews of the MPFA's organization will be conducted with a view to streamlining processes, rationalizing the distribution of workload, improving operational efficiency and ensuring that we are able to attract and retain quality staff. In consultation with the SFC and also seeking overseas expertise and advice, we will examine the need for, and ways and means to,

further enhancing and developing our framework for the regulation of MPF-related investment funds. Having attained very high enrolment rates in MPF schemes, our Public Education and Publicity Campaign will continue to focus on the fostering of public support and understanding, with emphasis on MPF investment products and investment education. With the objective of refining the MPF System, a comprehensive review of the operational aspects of the MPF and ORSO legislation will be carried out, with the former spanning the next few years.

In ending this Report, I would like to take the opportunity to pay tribute, and to express my gratitude, to the vast majority of employers, employees and self-employed persons who are now members of the MPF family. The very high participation rate, even at the initial phase of the system, is all the more remarkable as our economy is still in the throes of restructuring and adjustment. Their response and support will be a constant source of inspiration and encouragement for all of us in the MPFA.



**Rafael Hui Si-yan**  
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