

Managing Director's Report

THE MANDATORY PROVIDENT FUND (MPF) System underwent the first full year of implementation in 2001-02. In the early months of MPF's launch, the various participants in the System, including employers, employees, self-employed persons, trustees and other service providers, had to understand its rules and familiarize themselves with its operation. Thanks to their joint efforts, the System has had a satisfactory start without encountering major problems. The Mandatory Provident Fund Schemes Authority (MPFA) also played an important part in educating the public and assisting all parties in complying with relevant requirements, laying the ground for subsequent policing and monitoring.

Our Work in 2001-02

During the year, the MPFA reviewed and refined its operation with a view to consolidating its work, strengthening its abilities and increasing its



productivity. Major strides were taken in supervising the industry, enforcing the law and reviewing relevant legislation. Efforts in public education and publicity were sustained. Internally, the organization, its systems and operations also have undergone several rounds of review for continuous improvement.

The MPFA closely monitored the operation of the trustees and assisted them in overcoming teething problems in scheme

administration through on-site inspections and regular meetings. Workshops were organized for the frontline staff of service providers to help them better serve scheme members. The Continuing Professional Development requirement for MPF intermediaries was implemented in January 2002 to require intermediaries to maintain their professional competence.

On enforcement, in consultation with the Department of Justice and the Police, the prosecution policy and procedures were put in place with the first non-compliant cases laid in court during the year. Claims against employers who had failed to remit MPF contributions were pursued on behalf of employees through the Small Claims Tribunal. After consulting the Mandatory Provident Fund Schemes Advisory Committee, the MPFA implemented the contribution surcharge mechanism (as provided in the Mandatory Provident Fund Schemes Ordinance) on default contributions reported by trustees with effect from July 2001. Notices were issued to urge the payment of contributions in arrears and impose contribution surcharges. Pro-active inspection visits also were carried out to monitor compliance of employers in enrolling their employees in MPF schemes and making contributions.

With the enactment of the Mandatory Provident Fund Schemes (Amendment) Ordinance 2002, improvements to the legislation were made to enhance the effective operation of the MPF System. Meanwhile, the MPF Schemes Operation Review Committee, comprising representatives of employers, employees, service providers, professional bodies and the Government, started a comprehensive review of the administrative and operational aspects of the MPF legislation. The first batch of proposals, contained in the Mandatory Provident Fund Schemes (Amendment) Bill 2002, was introduced into the Legislative Council on 24 April 2002.

In order to foster continuous public support, public education and publicity efforts were sustained, with an emphasis on investment education. MPF knowledge was disseminated to the public in an interesting and interactive manner through roadshows held at housing estates. Meet-the-Public sessions were organized at the local offices of political parties, and MPF Info Station sessions were held regularly in the districts for the convenience of the working population. Regular contacts were made with labour unions, employer groups, trade associations, small and medium enterprises as well as professional bodies to understand their concerns, collect their feedback and maintain a partnership with them.

Regarding the development of the organization, the MPFA developed its corporate vision and core values, namely, Commitment, Quality, Teamwork and Community Perspective, as the guiding principles for staff in their decision making and behaviour at work. Two rounds of organizational structure review were carried out to streamline the organizational structure and to improve operational efficiency. With the assistance of the Securities and Futures Commission, a panel of experts on investment was commissioned to conduct a study on operational risks in MPF products and made recommendations to enhance the MPFA's capabilities in the regulation of MPF-related investments.

The Way Forward

With actual operational experience gained in the first year, we hope to progress smoothly to the coming year. After assessing the economic situation and the anticipated operating environment for the coming year, we set out our objectives for 2002-03 as follows:

- A. to review and refine the MPF System;
- B. to strengthen enforcement of the MPF legislation; and
- C. to enhance MPFA's capabilities, integrity and accountability.

The MPFA has developed various programmes under a series of strategies designed to achieve these objectives. The strategies include:

- A. to review and further refine MPF scheme administration through continuous legislative review, more focused monitoring of service providers and more rigorous investment regulation, especially in disclosure;
- B. to review and refine enforcement policies and procedures by reviewing the respective responsibilities of employers and employees and adopting measures which would enhance the MPFA's enforcement capabilities;

- C. to educate scheme members and the public on MPF, especially in the area of investments, and network with relevant parties through meetings, gatherings and outreaching programmes;
- D. to revamp and develop management information systems to help provide appropriate and timely management information; and
- E. to train and develop staff, build corporate culture and identity to ensure integrity, accountability, commitment and a high quality service.

These strategies underlie our efforts to further refine and consolidate the MPF System and strengthen its regulation and supervision.

The MPF System is a large-scale social programme designed to assist the working population in accumulating financial resources for their protection after retirement. Whilst the System will ultimately benefit members of the workforce and lighten the burden of an aging community as a whole, its day-to-day operation does create administrative work for employers and service providers. In addition, employers also have to contribute financially for their employees, although such contributions can offset long service or severance payments. We are grateful that, with the concerted efforts of all participants, practically all the teething problems in scheme administration have been resolved. The MPFA is committed to partnering with all involved to further refine the operation of the System. We will render continuous support to participants and provide all necessary assistance to them, in the belief that it is only with the active participation, commitment and acceptance of everyone concerned that the MPF System can operate effectively and efficiently.

In closing, I must thank the Chairman, other members of the Management Board as well as members of the supporting committees established under the Management Board for their tremendous contribution and staunch support during this crucial first year of MPF operation. My sincere appreciation also goes to members of the MPF Schemes Advisory Committee and Industry Schemes Committee who have rendered us valuable advice and assistance. The staff of the MPFA also have shown their professionalism, dedication and commitment in discharging their duties. Without their enthusiasm and hard work, we would not have been able to take such a firm step towards achieving our mission.

My close involvement, since 1995, in the genesis and subsequent development of MPF, with the system now being truly up and running, has been one of the most memorable experiences of my work in the public sector during the past thirty years. I am deeply thankful for being given the opportunity to play a part in such a major social programme which will have a profound effect on future generations here in Hong Kong.



RAFAEL HUI SI-YAN
Managing Director