



強制性公積金計劃管理局
MANDATORY PROVIDENT FUND SCHEMES AUTHORITY

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By Email

25 February 2019

Circular Letter: SU/CTR/2019/002

To: All Approved Trustees

Dear Sir/ Madam,

Complaints Handling by MPF Approved Trustees

Introduction

It is one of the statutory functions of the Mandatory Provident Fund Schemes Authority (MPFA) to promote and encourage the development of the retirement scheme industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by MPF trustees and other service providers.

In the global arena, financial regulators have been placing emphasis on consumer protection in financial markets. In 2011, the G20 High-Level Principles on Consumer Protection (HLPs) in the financial sector were developed by the Organization for Economic Co-operation and Development (OECD)¹. To reflect the applicability of the HLPs to the private pension sector, Good Practices on the Role of Pension Supervisory Authorities in Consumer Protection Related to Private Pension Systems² were published by the International Organization of Pension Supervisors (IOPS) in February 2018. In particular, HLP 9: Complaints Handling and Redress, which was emphasized in the Good Practices, suggests that jurisdictions should ensure that consumers have access to adequate complaints handling and redress mechanisms that are accessible, affordable, independent, fair, accountable, timely and efficient.

¹ The HLPs were developed by the G20/OECD Task Force on Financial Consumer Protection of the OECD.

² <http://www.iopsweb.org/IOPS-Good-Practices-Consumer-Protection.pdf>

Review on complaints handling of MPF approved trustees

Under the MPF regime, pursuant to section 57(3)(b) of the Mandatory Provident Fund Schemes (General) Regulation, an approved trustee of the MPF scheme has the duty to deal with complaints from scheme members and participating employers to ensure that both scheme members and participating employers are able to participate effectively in the operation of the scheme. In addition, Compliance Standards for MPF Approved Trustees (Compliance Standards) stipulate that an approved trustee should have in place measures that enable the proactive and timely management of complaints. Complaints also provide MPF approved trustees with useful information and opportunities to identify their potential control weaknesses, systemic problems and service delivery faults, based on which they can improve any operations, products and service quality continuously so as to discharge their fiduciary duties and protect the interests of scheme members.

In view of the regulatory trends, the MPFA has recently conducted on-site reviews of certain trustees³ to assess their complaints handling procedures and adequacy of their governance framework and control measures on complaints handling. The on-site reviews were conducted by way of: (1) questionnaires to collect information about the complaints handling policies and procedures; (2) meetings with senior management of the inspected trustees; and (3) process walkthroughs and sample review of the complaints handling documents.

The MPFA observed that the majority of the complaints against the inspected trustees concerned the quality of customer services and scheme administration processes, such as the time taken in following up employers' contribution status. The MPFA noted that the inspected trustees have generally established mechanisms to measure their performance and timeliness in their complaint resolution framework. It is considered that the inspected trustees have been handling and resolving the complaints satisfactorily. Nevertheless, there is room for improvement in certain areas.

The purpose of this circular is to share with the board of directors and senior management of approved trustees the areas that need more attention as well as some good practices observed in the context of complaints handling. This circular would facilitate approved trustees in self-assessment of their situations so as to institute improvements or remediate any potential deficiencies, where necessary, in order to foster a member-centric culture and enhance the experience for scheme members and participating employers. The MPFA reminds approved trustees to review their internal policies, procedures and controls on regular basis and take immediate action to rectify any deficiencies or inadequacies identified.

³ Number of complaints received by the inspected trustees contributed to around 86% of total complaints received by approved trustees for the period between 1 April 2017 and 31 March 2018. Both of their member size and net asset value of the MPF schemes are around 40% of the market share as at 31 March 2018.

Certain areas that need improvement

The areas that need improvement and respective recommendations are detailed in Appendix 1, whilst good practices identified during the reviews are set out in Appendix 2. Please note that they are not meant to be exhaustive. Approved trustees should always consider their own circumstances when adopting these practices and recommendations. Set out below are the areas that need improvement:

1. *Oversight of service providers⁴ in complaints handling –*
 - Monitoring framework and procedures to monitor the service quality of service providers in complaints handling;
 - Concrete assessment criteria to assess the performance of service providers;
 - Documentation and proper records to demonstrate the fulfillment of approved trustees' duties and obligations on complaints handling to protect members' interest.
2. *Documentation on accountability agreed between approved trustees and service providers.*
3. *Classification of complaints according to the standard definition.*
4. *Communication of service standards on complaints handling to scheme members and participating employers.*

The MPFA will continue to follow up with the inspected trustees, and monitor approved trustees' compliance with the obligations on complaints handling and implementation of a comprehensive complaints handling framework.

The role of approved trustees

Approved trustees should note that, regardless of whether the complaints are handled by themselves or service providers, they are ultimately responsible for ensuring that complaints are handled properly and in a timely manner. Proper accountability can be ensured by putting in place effective complaints handling policies and procedures. Approved trustees should also be well prepared to deal with any negative and challenging feedback positively and transparently.

⁴ For the purpose of this circular, service providers refer to the parties (either affiliates or external parties) to whom the trustees have outsourced the handling of complaints.

Approved trustees should review regularly the existing controls and measures of complaints handling and ensure that the complaints management programme is effective. Approved trustees are also reminded to make reference to the Compliance Standards and related circulars issued by the MPFA from time to time when designing and implementing their complaints management programme.

Should you have any questions about the contents of this letter, please contact your supervisory manager in the MPFA.

Yours faithfully,

A handwritten signature in black ink that reads "Ginni Wong". The signature is written in a cursive, flowing style.

Ginni Wong
Head (Supervision)
Supervision Division

Encl.

Areas that need Improvement and Recommendations on Complaints Handling

1. Oversight of service providers in complaints handling

The MPFA is of the view that the board of directors (the Board) and the senior management of approved trustees retain ultimate responsibility to ensure appropriateness of the complaints being handled. Regardless of whether the complaints handling is outsourced to approved trustees' service providers or managed internally, the approved trustees should have oversight of the resolution of complaints to ensure that the complaints are managed effectively.

We observed from the on-site reviews that a trustee delegated its complaints handling duty to a service provider. The trustee monitored the complaints handling and related issues with its service provider by various means, such as tele-communication and face-to-face meetings on a regular basis.

However, it was noted that the trustee did not have a comprehensive monitoring framework and procedures to monitor the service quality of its service provider in complaints handling. In addition, the trustee did not establish concrete assessment criteria to assess the performance of its service provider, the trustee might not be able to measure the performance of the service provider in complaints handling.

Apart from the above, the trustee did not maintain proper records to document its discussions and assessment details of each complaint case to demonstrate how it has fulfilled its duties and discharged its obligations to protect members' interests. In particular, it heavily relied on verbal communications with the service provider. However, there was no audit trail on the verbal discussions and assessment details of each complaint case to demonstrate the trustee's ongoing review and monitoring of the case assessment.

Recommendations:

Approved trustees should establish and document a comprehensive monitoring framework and procedures on monitoring the progress and performance of complaints handling by their service providers, which should include but not limited to the following:

- Effective monitoring mechanisms and procedures to assess whether the service providers are fulfilling their obligations;
- Concrete assessment criteria and reviewing mechanisms to assess the efficiency and quality of complaints handling performed by the service providers; and
- Clear documentation and proper records to demonstrate that the approved trustees have exercised the monitoring function and proper oversight over the service providers.

2. Documentation on accountability agreed between approved trustees and service providers

Approved trustees should be aware that the use of outsourced service providers does not diminish their responsibility. To ensure that the outsourced services are carried out in compliance with the approved trustees' own obligations, a clear service level agreement should be established in order to formally define the standards and requirements of the delegated services and set out clear accountabilities between the approved trustees and service providers.

We observed from the on-site reviews that a trustee outsourced the function of customer service to the call centre of its affiliate company (the Call Centre). The Call Centre provided various supports which include, among others, answering and handling of enquiries/inbound calls from scheme members and participating employers. In cases where the enquiries were classified as complaints, the Call Centre staff were required to report and escalate the complaints to the complaint handling team of the trustee within 24 hours of receipt. We noted that there were internal complaints handling procedures established for the trustee, however the details and requirements of complaints escalation and service level were not clearly spelt out in the service agreement between the trustee and the Call Centre. To summarize, the trustee had no formal reference or service standards agreed with the Call Centre relating to how the complaints handling was assessed and monitored.

Recommendations:

According to Standard 2 and Appendix 1 – AS.1.0 of the Compliance Standards, it is a good practice for approved trustees to ensure that the service agreement with their service providers specifies, among others,

- that the service providers maintain a compliance programme to address the obligations under the agreement;
- how the approved trustees will monitor and supervise the service providers; and
- what reporting measures must be met.

As such, a formal service level agreement should be established between an approved trustee and its service providers to outline the series of actions and the manner in which they will be conducted (including for example the steps and timescale involved) in the handling of a complaint. Approved trustees should monitor the performance of their service providers based on the criteria specified in the service level agreement. Although approved trustees might not deal with complainants directly, they should be kept informed of the complaints progress and document the actions and considerations which were discussed and agreed with their service providers.

3. Classification of complaints according to the standard definition

According to our letter to approved trustees entitled “Standardization of Definition of Complaints Against Approved Trustees and Their Appointed Service Providers” dated 24 August 2012 (the Letter), all approved trustees are required to adopt the standard definition of complaints. In gist, a complaint is defined as an expression of dissatisfaction, made verbally or in writing with matters relating to MPF products and services.

During the on-site reviews, a few samples of audio recordings of calls received by trustees’ call centre were selected for review. It was noted that a trustee categorized a call as an enquiry even though the caller explicitly expressed her grievances during the conversation and asked how she could file a complaint. After answering the caller’s questions, the call centre staff adopted a closing script saying that “we shall classify your case as an enquiry if it is fine with you”. As the caller did not express with any disagreement, the call was classified as an enquiry.

The MPFA is concerned that the complaints received by the trustee might be imprudently treated as enquiries which would understate the actual number of complaints. Consequently, the Board and the senior management might not be able to identify operational deficiencies or emerging risks in its business.

Recommendations:

As mentioned in Standard 5 of the Compliance Standards, complaints are a valuable early warning device and repeated complaints often indicate a systemic problem that needs to be addressed.

To reflect accurate complaint information to the Board and the senior management, approved trustees should ensure its compliance with the definition of complaint as stipulated in the Letter. Approved trustees should also reinforce their training programmes to their staff in order to enhance their understanding and skills on complaints handling, in particular the understanding of the standard definition of complaints. Last but not least, approved trustees should also implement regular reviews on their service quality.

4. Communication of service standards on complaints handling to scheme members and participating employers

The MPFA encourages approved trustees to communicate the service standards on complaints handling to scheme members and participating employers to raise their awareness of the process that will be followed when a complaint is made. It was noted that internal service standards on complaints handling have been put in place by the inspected trustees, but the majority of these trustees did not communicate the agreed service standards to their scheme members and participating employers. In this regard, the expectations of their customers might not be well managed which may result in escalation of the complaints.

Recommendations:

To better manage the expectations of scheme members and participating employers on complaints handling, approved trustees should enhance the transparency by disclosing adequate information to their customers. For details, please refer to item 3 in Appendix 2 – “**Examples of Good Practice of Complaints Handling**”

Examples of Good Practice of Complaints Handling

The MPFA identified a number of good practices on complaints handling adopted by some approved trustees in the course of the on-site reviews. Approved trustees are encouraged to incorporate these good practices into their complaints management. For the avoidance of doubt, the examples below are not exhaustive and approved trustees should always take into consideration their own circumstances when adopting these practices or their equivalent.

1. Implementation of Root Cause Analysis (RCA) mechanism on complaints

An effective RCA on complaints allows approved trustees to identify and tackle the root causes of any recurring or systemic problems with the aim of preventing the undesirable outcome from further recurring.

One of the inspected trustees has established a RCA mechanism to identify and remedy any recurring issues identified from complaints. The trustee analyses the root causes of the complaints received on a monthly basis so as to design the measures to remediate the relevant operational/ service deficiencies. To assess the effectiveness of the new measures, the trustee monitors the complaint trend in a specified period and reassesses the remedial actions where recurring issues happen again.

2. Continued service improvement by learning from complaints

We are pleased to find that all trustees inspected have a clear system for recording the information of complaints received including the number of cases; what they are about; actions taken and the outcomes. The trustees use the information to analyze the root cause of the complaints so as to design and enhance their services for reducing the complaints volume.

In general, complaints related to default contributions (DC related complaints) from participating employers is the category with highest volumes among the total complaints received. To address the root cause of DC related complaints, one of the inspected trustees has introduced an automated voice message system to remind employers to make contributions before contribution day. As such, the numbers of default contributions and DC related complaints of the trustee have been declining. Another inspected trustee introduced new payment channels and resulted in fewer DC related complaints.

In addition, a trustee has established Key Performance Indicators (KPI) to measure i) first contact resolution statistics, ii) turnaround time of case resolved and iii) re-

open rate. The KPI is a tool for analyzing the factors that may prevent the resolution of complaints at the first point of contact.

3. Increased transparency on complaints handling

All approved trustees should demonstrate that they operate openly and transparently and are accountable to their scheme members, participating employers and stakeholders for the complaints handling. According to Standard 5 of the Compliance Standards, it is a good practice for approved trustees to communicate the service standards to scheme members and participating employers. We noted that one of the inspected trustees has published its complaints service pledge, how it handles complaints and resolves disputes in its website, which increase the transparency on complaints handling and better manage the expectations of customers and stakeholders.