



Extra Mobility Christopher Cheng, aged 10
Additional wheels on Christopher's car certainly are indispensable for running the extra miles with confidence, comfort and style.



After the launch of the MPF System and the commencement of MPF contributions, the enforcement of the MPF legislation becomes an important aspect of the MPFA's work. Although the enrolment situation has been encouraging, it is only by ensuring compliance with legislative requirements and prosecuting offenders that confidence in the MPF System can be maintained.

Enforcement

Enrolment

As most of the relevant employees and self-employed persons (SEPs) had already enrolled in MPF schemes, the enrolment rates stabilized during the year. At the end of March 2002, about 92% of the employers, 96% of the relevant employees and 85% of the SEPs covered by the MPF System have joined MPF schemes.* The rates are high by international standards, particularly for a system which has only been launched for just over a year.

Together with the employees who were already covered by existing occupational retirement schemes or statutory pension plans, about 86% of the total workforce in Hong Kong was protected by retirement protection schemes at the end of March 2002. The remaining 14% included 10% who were exempt from MPF (people aged below 18, people aged 65 or above, domestic employees and self-employed hawkers, etc.), and 4% who should have joined but had not yet joined any MPF scheme. Detailed statistics on enrolment are included in Part A of the Statistics section of this report.

While the MPFA will sustain its enforcement efforts in converting the remaining 8% of the employers, 4% of the relevant employees and 15% of the SEPs, it is not practical or realistic to aim literally for full compliance. Besides the still restructuring economy, the high mobility and the continually changing pattern of the workforce effectively make the 100% compliance rate a constantly moving target. By combining public education with appropriate enforcement actions, the MPFA hopes to raise the employer compliance rate from 92% to at least 95% by the end of March 2003.

INDUSTRY SCHEMES

The Industry Schemes are set up to protect casual employees of the catering and construction industries which tend to employ daily-rated employees who may otherwise not benefit from the MPF System, as they may not be employed for more than 60 days.

At the end of March 2002, 12 350 employers have enrolled under the Industry Schemes. A total of 196 600 and 23 500 casual employees and SEPs respectively have also participated by registering with the two approved trustees under the Industry Schemes. Many employees and SEPs in the catering and construction industries have been enrolled and protected under the master trust schemes instead of the Industry Schemes, because many employees are employed on non-casual terms.

Enquiries and Complaints Handling

After a full year of implementation, members of the public have become more familiar with the features of the MPF System. The number of enquiries received by the MPFA in 2001-02 was 190 988 as compared with

* The universe of employers and SEPs under the MPF System was adjusted in the last quarter of the 2001-02 financial year to take account of the latest statistics available from the Census and Statistics Department.

3 19 464 in 2000-01, averaging about 700 per day. The enquiries were mostly about contribution and enrolment arrangements.

During the year, a total of 8 843 complaints were received. Complaints relating to default contributions accounted for more than half of the cases recorded, followed by complaints relating to non-enrolment and trustees' scheme administration. The number of complaints against trustees decreased over the year as the operation of most of the trustees continued to improve.

The computerized Complaints Handling System underwent several rounds of enhancement during the year to make it more user friendly and to augment its functions. Daily and monthly complaint reports and cumulative grievance/suggestions reports were compiled for close monitoring of MPF operation and gauging of the community's reactions and for prompt action by the management.

In line with the decreased number of enquiries and complaints, the establishment of the Enquiries Hotline has been significantly trimmed down and merged with the Inspection and Investigation Department. The resulting work unit has been renamed the Complaints & Investigation Department since January 2002.

Statistics of enquiries and complaints are included in Part D of the Statistics section.

Investigation and Prosecution

The MPFA investigated into all complaints received in detail. Technical breaches by employers, committed due to oversight or ignorance, were usually rectified speedily after warnings were served by the MPFA. Where complaints were substantiated, the MPFA would prepare the cases and refer them to the Department of Justice and the Police for prosecution.

Up to the end of March 2002, 417 summonses had been applied for. Most cases were about failure to make MPF contributions. Among the 56 employers (involving 173 summonses) who had taken plea, 55 (involving 172 summonses) pleaded guilty. They were imposed fines ranging from \$2,000 to \$36,000.

When carrying out investigations, the MPFA would sometimes make inspection visits at the complainers' premises. In addition to inspections made in response to complaints received, some inspections were planned and conducted proactively to maintain compliance of employers in enrolling their employees in MPF schemes and making contributions. During the year, 3 556 proactive inspections were conducted.

Handling of Default Contribution Cases

Default contribution cases come to the MPFA's notice through two channels: complaints lodged by employees and reports submitted by trustees. Ever since the launch of the MPF System, the MPFA has conducted detailed investigations into complaints about suspected default contributions and imposed a contribution surcharge at 15% per annum in the first instance



Financial Secretary,
Hon Antony Leung, visits the
MPFA and its hotline staff

on each of the substantiated cases according to law. A second notice imposing a surcharge at 20% per annum would be issued if the first surcharge was not paid on time. The surcharges received would be credited into the employees' MPF accounts.

Meanwhile, trustees are required by law to report to the MPFA default contribution cases they are aware of. Based on these reports, the MPFA may impose a contribution surcharge on the defaulting employers. The MPFA appreciated that both employers and trustees might have teething problems in scheme administration in the initial stage of operation of the MPF System. The MPFA therefore allowed an adaptation period since the launch of the System up to the end of June 2001 during which no contribution surcharge was imposed on the defaulting employers reported by trustees.

With the expiry of the adaptation period, the MPFA Management Board, having taken advice from the MPF Schemes Advisory Committee, decided to implement the contribution surcharge mechanism on all default contribution reports submitted by trustees to the MPFA. All surcharges would also be credited to the employees' MPF accounts. Initially, first payment notices were issued after extensive work had been carried out by the MPFA in urging employers to rectify their contribution defaults, in investigating appeals lodged by employers claiming that the trustees' reports were false alarms, and by the trustees in verifying the claims made by employers in their appeals. The second payment notices were issued to employers who did not rectify defaults after having been given reasonable time to do so.

In parallel with the decision to implement the contribution surcharge mechanism, the MPFA had written to the 206 000 employers who had enrolled in MPF schemes, reminding them of the need to make mandatory contributions on time and encouraging them to pay up any contributions in arrears. Media advertisements were also run to disseminate the same message to employers.

During the year, about 96 300 first payment notices and 53 100 second payment notices were issued to 30 800 employers. The majority of these notices were issued in response to reports of default contributions filed by trustees. Of these employers, 24% did not settle the contribution in arrears. The unsettled cases were followed up by the MPFA. The MPFA also pursued the unsettled default contribution cases which were the target of complaints by employees, by investigation and, where substantiated, prosecuting the employers or referring the cases to the Small Claims Tribunal to recover the contributions in arrears. By the end of March 2002, the MPFA has applied for 327 such summonses and filed 21 claims at the Small Claims Tribunal in respect of such default contribution cases.

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