



**Mandatory Provident Fund
Schemes Authority**

Annual Report 2001/02



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Extra Big Apple Martin Chung, aged 6

Martin imagines how happy he feels with a ripe red fruit in hand and resting in a chair with extra sturdy support.



Mission Statement

To ensure the provision of retirement protection for Hong Kong's workforce through an effective and efficient system of prudential regulation and supervision of privately managed provident fund schemes.



Every picture tells a MPF story:

Eight children aged 5 to 11 years were invited to paint pictures about MPF. Their bright and imaginative drawings vividly portray the benefits and rewards of what MPF contributions aim to provide – the delight and comfort of multiple protection and extra assurance when we age.

MPF

“A way of life”

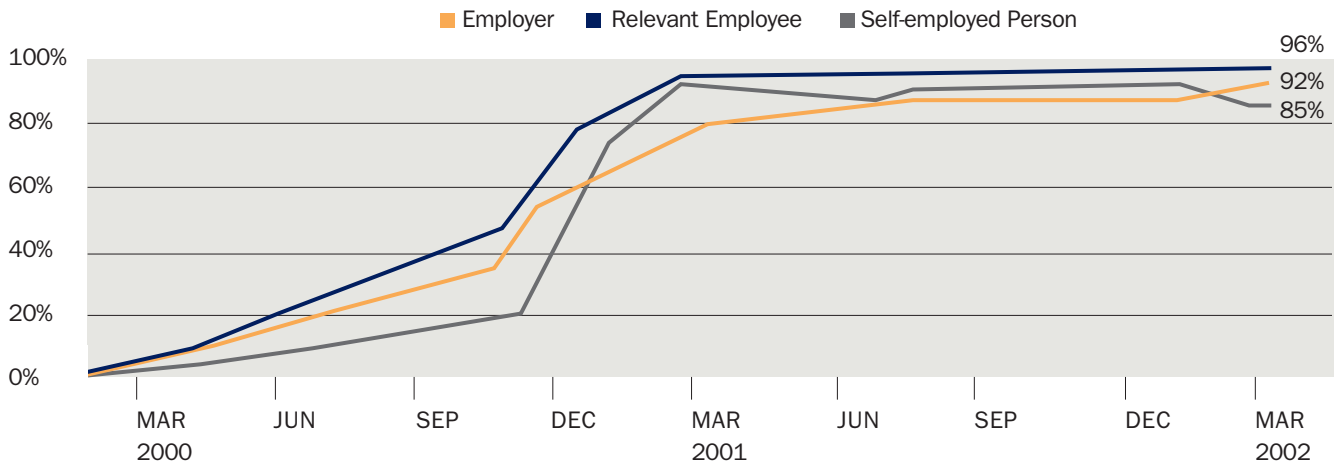
Highlights

April	Started Meet-the-Public sessions at the local offices of political parties. A total of 85 such sessions were organized throughout the year.
May	<p>Introduced the Mandatory Provident Fund Schemes (Amendment) Bill 2001 into the Legislative Council on 23 May 2001.</p> <p>The first prosecution under the Mandatory Provident Fund Schemes Ordinance was laid in court. The defendant was charged with failing to enrol his employee in a MPF scheme. He pleaded guilty and was fined \$5,000.</p>
June	Implemented a new organizational structure to streamline the organization of the MPFA and to improve operational efficiency.
July	<p>Implemented the contribution surcharge mechanism (as provided in the Mandatory Provident Fund Schemes Ordinance) on default contributions reported by trustees after consulting the Mandatory Provident Fund Schemes Advisory Committee.</p> <p>Launched a series of MPF roadshows organized at seven public housing estates throughout Hong Kong. MPF knowledge was disseminated to the local community in an interesting and interactive manner through games, singing performances and quizzes.</p>
August	<p>Set up the MPF Schemes Operation Review Committee (Review Committee), comprising representatives of employers, employees, service providers and the Government, to embark on a comprehensive review of the administrative and operational aspects of the MPF legislation.</p> <p>Organized the first of a series of MPF investment seminars as part of the MPFA's investment education campaign. These seminars, hosted by financial and investment experts, were designed to increase public understanding of various aspects of MPF investment.</p>
September	The Review Committee started bi-weekly meetings to consider proposed amendments to the MPF legislation in detail.
October	Conducted organization development and corporate planning workshops for management staff as part of the corporate planning and budgeting process for 2002-03.
November	<p>Successfully pursued a claim of \$47,000 on behalf of 11 employees through the Small Claims Tribunal against their employer, who failed to remit MPF contributions. This was the first of such cases filed by the MPFA at the Tribunal.</p> <p>Progressively prepared and passed the Draft Drafting Instructions on the proposed amendments to the MPF legislation agreed by the Review Committee to the Government for consideration.</p>
December	<p>Set up a schedule for the MPF Info Station sessions, which have been organized since the implementation of the MPF System, to operate regularly at fixed locations in the districts for the convenience of the working population. During the year, a total of 393 MPF Info Station sessions were held.</p> <p>Submitted the first batch of legislative proposals of the Review Committee to the Government. The proposals were subsequently introduced into the Legislative Council on 24 April 2002 as the Mandatory Provident Fund Schemes (Amendment) Bill 2002.</p>

2002

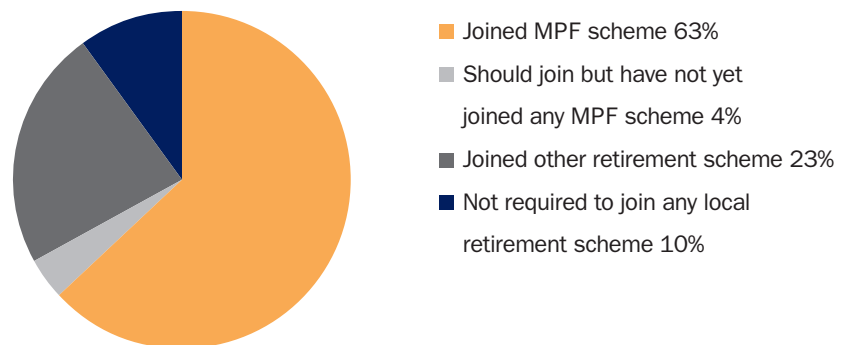
January	Implemented the Continuing Professional Development requirement for MPF intermediaries to help them maintain professional competence.
February	The Mandatory Provident Fund Schemes (Amendment) Bill 2001 was enacted by the Legislative Council on 6 February 2002 and gazetted on 15 February 2002 as the Mandatory Provident Fund Schemes (Amendment) Ordinance 2002.
March	Submitted the proposed Corporate Plan and Budget for 2002-03 for approval by the Financial Secretary. (The Financial Secretary gave his approval in early April.)

Enrolment in MPF Schemes 1 February 2000 – 31 March 2002



Employed Population by Type of Retirement Scheme

as at 31 March 2002



Compliance as at 31 March 2002

	Universe '000	Participating Members ⁽¹⁾ '000	Compliance Rate
Employer	228	210	92.1%
Relevant Employee	1 808	1 727	95.5%
Self-employed Person	353	300	85.0%

(1) As the MPF is an employment-based system, some employers and members may be participating in more than one scheme. Adjustments have been made for employers and members who are participating in more than one scheme in the same capacity.

THIS IS THE THIRD Annual Report of the Mandatory Provident Fund Schemes Authority (MPFA), covering the period from 1 April 2001 to 31 March 2002. The 2001-02 financial year marked the first full year of operation of the MPF System, paralleled by a shift in the MPFA's work focus from preparation for launching the MPF System to consolidating its functions. In reflection of this shift, the MPFA at the beginning of the year set out the objectives of:

Chairman's Statement

- A. Consolidating the work and the organization of MPFA;
- B. Enhancing the MPFA's regulatory and enforcement abilities with an emphasis on MPF investment products and investment education; and
- C. Increasing productivity, thereby enhancing operational efficiency and containing costs.

This report records the course we took in achieving these objectives, as given in more detail in the Managing Director's report and further elaborated in subsequent chapters.

Last year, we set the target of achieving an enrolment rate of at least 88% to 90% of the employers by the end of this financial year 2001-02. I am proud to say that this target has been achieved, and with a generous margin. As at 31 March 2002, sixteen months after the MPF System was implemented, 92% of the employers and 96% of relevant employees have joined MPF schemes. That means, about 210 000 employers, 1 727 000 employees and 300 000 self-employed persons are now MPF participants. When we include those members of Hong Kong's workforce who have joined other retirement schemes, 86% of the working population are now covered by some form of retirement protection. This is a remarkable achievement within so short a period, given that only one-third



of the workforce was covered by retirement protection schemes before the MPF's launch. In fact, this is an unprecedented success by world standards. Comparable schemes in many developed countries came nowhere near ours in terms of compliance rate during their first year of operation.

As far as MPF assets are concerned, total net asset value of MPF is increasing by \$2 billion every month. Counting the assets transferred from ORSO

schemes, the net asset value of MPF amounted to a total of \$42 billion as at end of March 2002. MPF is recognized by many to be an important contributing factor to the recent rapid growth of the retail fund sector. As at the end of the financial year, there were 20 trustees, 311 constituent funds,

220 approved pooled investment funds and over 28 000 registered MPF intermediaries in the MPF industry. It is estimated that MPF accrued assets would grow to about \$1,000 billion in 30 years and the annual contribution by then would amount to about \$60 billion. In this context, MPF is also considered an important force in sustaining the HKSAR as a leading centre for the fund management industry.

After the MPF System's first full year of operation, the MPFA is entering another phase with different challenges. We will reinforce our efforts in safeguarding scheme members' interests and refining the MPF System. Partly due to our education and publicity efforts on investments and partly due to the marketing initiatives of the MPF trustees, together with low interest rates, there has been a rise in the public knowledge of investment products, and a growing appetite for them. This development underscores the need for quality investment products. It is therefore vital that the regulation of MPF funds must provide the necessary quality assurance. The MPFA has started to examine the need and measures for further enhancement and development of a regulatory framework for MPF related investment funds: a framework that represents a good balance between investors' protection and free market initiatives. The eventual development and implementation of this programme, which will put even greater emphasis on disclosure and transparency, together with the necessary legislative enactment, will be a principal preoccupation of the Authority in the next few years.

With the groundwork laid down in the previous years and having regard to the anticipated operating environment for the coming year, the MPFA will develop its activities in several directions. There will be re-adjustment of work focus in areas such as MPF supervision and human resources management. The former will move from a broad-based and auditing approach to focus more on potential risk areas while the latter will put even greater emphasis on performance management. At the same time, we will aim to strengthen existing capabilities in the areas of investment regulation and provision of management information systems. We will strive to sustain our enforcement efforts because it is important that the credibility and integrity of the MPF System be upheld. Publicity activities will be less intensive after the initial drive to launch a brand new programme. However, MPF education for the general public, especially at the grass-roots level, as well as for the younger generation will be sustained.

According to figures recently published by the Census and Statistics Department, Hong Kong's population is projected to reach 8.72 million in 2031. In the projection, the proportion of people aged 65 and above will rise markedly from the current 11 per cent to 24 per cent in 30 years. The overall dependency ratio will rise from 382 to 562 per thousand; which means in 30 years' time the proportion will be 1.8 workers to one dependant, compared to the current situation of 2.62 workers to one dependant. With the population rapidly aging, ensuring that the elderly are adequately provided for is of paramount importance. The launch of a mandatory programme of retirement protection helps the workforce save for their retirement and helps ease the burden on future generations.

We are glad that at last we have embarked on the mission of ensuring the provision of retirement protection for Hong Kong's workforce in the years ahead.

The success of our past year's work owes much to the active participation and ardent support of the MPF industry participants who, with their talents, flexibility and perseverance, have helped iron out many of the initial operational problems associated with the launch of a new system. The cooperation of employers in enrolling their employees into MPF schemes, making contributions for them and handling the requisite administrative work, and the support of employees in making MPF contributions, are crucial in bringing about a most encouraging participation rate. The leaders of the community, including political parties, unions, chambers of commerce, District Councils, district organizations and various professional groups, have lent their generous support during the year, providing valuable input at various stages of MPF's implementation. It has been indeed a manifestation of social coherence, in that almost every individual is taking part in this mega social programme with a shared long-term objective for the common good.

Having witnessed MPFA's achievements in such a short time, I must also pay tribute to the dedication and contribution of my fellow Management Board Members, many of whom are also chairmen or members of various committees under the Management Board. The Guidelines Committee made meticulous efforts in helping MPFA lay out the guidelines and codes to facilitate compliance with the legislation. The Information Management System Committee, through the relentless efforts of its members, has seen the successful implementation of all phases of the Information Management System, which provides the essential data processing support for MPFA's operation. Having accomplished its mission, the Committee was dissolved at the end of this financial year. I would like to take this opportunity to put on record my deep appreciation for their hard work in the past years.

The invaluable advice of the MPF Schemes Advisory Committee as well as the MPF Industry Schemes Committee during the year has been indispensable, particularly in regard to the proposals made to enhance and improve on the operational efficiency and effectiveness of the MPF System.

Last but not the least, I wish to thank the management and staff for their continuous commitment and zealous drive towards greater heights of achievement after the MPF launch.

The successful start of the MPF System has been a highlight in my years of voluntary public service. In closing this statement, I wish to say that it has given me great pride and satisfaction in witnessing the growth and development of the MPFA as a prudent regulator, taking on a task that has no ready reference anywhere.



CHARLES LEE YEH-KWONG
Chairman

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



Management Board

as at 31 March 2002

The Hon Charles Lee Yeh-kwong, GBS, JP

One of the founders of Woo, Kwan, Lee & Lo; Member, Executive Council; Chairman, Hong Kong Exchanges and Clearing Limited; Member, Equal Opportunities Commission; Chairman, Council of the Open University of Hong Kong; Member, Council of the Hong Kong University of Science and Technology; Member, Court of the Hong Kong Polytechnic University.



Dr the Hon David Li Kwok-po, GBS, JP

Chairman and Chief Executive Officer, The Bank of East Asia, Limited; Chairman, The Chinese Banks Association, Ltd; Chairman, Hong Kong Management Association; Member, Legislative Council; Member, Banking Advisory Committee; Member, Exchange Fund Advisory Committee; Member, Land Fund Advisory Committee; Director, Hong Kong Interbank Clearing Ltd; Director, Hong Kong Mortgage Corporation Ltd.



Dr the Hon Lui Ming-wah, JP

Managing Director, Keystone Electronics Co, Ltd; Managing Director, Nantin Enterprise Ltd; Hon Chairman, The Hong Kong Electronic Industries Association; Executive Committee Member, The Chinese Manufacturers' Association of Hong Kong; Member, Vocational Training Council; Advisory Board Member, Hong Kong International Arbitration Centre; Member, Shandong Political Consultative Congress; Member, Legislative Council.



Mr Eddy Fong Ching, SBS, JP

Partner of PricewaterhouseCoopers; Member, Hong Kong Housing Authority; Non-executive Director, Hong Kong Mortgage Corporation; Non-executive Director, Exchange Fund Investment Limited; Director, Applied Research Council; Member, General Committee of the Federation of Hong Kong Industries.



Mr Lee Kai-ming, SBS, JP

Chairman, MPF Industry Schemes Committee; Chairman, Federation of Hong Kong and Kowloon Labour Unions; Vice-Chairmen, Occupational Safety and Health Council; Adjudicator, Obscene Articles Tribunal; Member, Skills Upgrading Scheme Steering Committee; Member, Legislative Council (1995-2000).



Mr Robert Tang Ching, SC, JP

Recorder of the High Court; Chairman, Independent Police Complaints Council; Member, ICAC Complaints Committee; Chairman, Town Planning Appeal Board (1996-2000); Chairman, Securities and Futures Appeal Panel (1995-99); Chairman, Takeovers Appeal Committee (1994-98); Chairman, Criminal and Law Enforcement Injuries Compensation Boards (1986-92); Chairman, The Hong Kong Bar Association (1988-90).



Ms Anna Wu Hung-yuk, SBS, JP

Chairperson, Equal Opportunities Commission; Chairman, Operations Review Committee of Independent Commission Against Corruption; Member, Advisory Committee on Corruption of Independent Commission Against Corruption; Non-executive Director, Securities and Futures Commission; Chairperson, The University of Hong Kong Academic Board for the Postgraduate Certificate in Laws (PCLL); Member, Council of Lingnan University; Member, Legislative Council (1993-95); Chairman, Consumer Council (1997-99).



**Mr Stephen Ip Shu-kwan,
GBS, JP**

Secretary for Financial Services; has worked in a number of departments including Housing Department, Urban Services Department, Lands and Works Branch and Monetary Affairs Branch; recent postings include Secretary for Economic Services (1996-2000); Commissioner for Labour (1994-96); Commissioner of Insurance and Registrar of Occupational Retirement Schemes (1993-94).



Mrs Fanny Law, JP

Secretary for Education and Manpower; has worked in various policy bureaux and departments, covering the areas of security, medical and health, economic services, housing and land supply, home affairs, social welfare, transport and civil service management; recent postings include Director of Education (1998-2000); Director of the Chief Executive's Office of the Hong Kong Special Administrative Region (1996-97).



**Mr Joseph Yam Chi-kwong,
GBS, JP**

Chief Executive, Hong Kong Monetary Authority; Director, Office of the Exchange Fund (1991-93); Deputy Secretary for Monetary Affairs (1985-91); Principal Assistant Secretary for Monetary Affairs (1982-85).



Mr Rafael Hui Si-yan, GBS, JP

Deputy Chairman and Managing Director

Secretary for Financial Services (1995-2000); Commissioner for Transport (1992-95); Deputy Secretary for Works (1990-91); Deputy Secretary for Economic Services (1986-90); Deputy Secretary-General in the Office of the Unofficial Members of the Executive and Legislative Councils (UMELCO) (1985-86).



Mrs Diana Chan Tong Chee-ching

Chief Operating Officer (Corporate Affairs)

Hospital Chief Executive, Wong Chuk Hang Hospital (1995-2000); Deputy Director (Administration), Hospital Authority (1991-95); Administrative Officer, Hong Kong Government (1980-91).



Ms Hendena Yu

Chief Operating Officer (Compliance)

Qualified Actuary; Fellow of the Society of Actuaries of USA; Fellow of the Canadian Institute of Actuaries; seconded from the Government to the MPFA (1998-99); Senior Manager (ORSO Interface), Mandatory Provident Fund Office (1995-98); Senior Insurance Officer, Office of the Registrar of Occupational Retirement Schemes (1995).



Mr Ernest Lee Shu-wing, BBS

Executive Director (Enforcement)

Registered Professional Planner; Fellow of Chartered Institute of Logistics & Transport in Hong Kong; Member of the Hong Kong Institute of Planners; Assistant Commissioner for Transport (1990-2000).



Mr Darren McShane

Executive Director (Investment Regulation)

Qualified barrister; Director, Legal & Technical Operations, Financial Services Regulation, Australian Securities Investment Commission (ASIC) (2001-02); Director, Managed Investments National Team, ASIC (2000-01); Director, Managed Investments, New South Wales, ASIC (1998-2000); Enforcement & Policy Consultant, Investment Management Regulatory Organisation Ltd, United Kingdom (1996-97); Principal Legal Officer, Australian Securities Commission (1990-96).



Mr Raymond Tam Wai-man

Executive Director (Policy and Development)

Qualified Actuary; Fellow of the Society of Actuaries of USA; seconded from the Government to the MPFA (1998-99); Assistant Director, Regulatory Standards, Mandatory Provident Fund Office (1996-98); Assistant Commissioner of Insurance, Long Term Business, Office of the Commissioner of Insurance (1994-96); Council Member and Chairman of Investment Committee, Actuarial Society of Hong Kong (1994-95).

Mandatory Provident Fund Schemes Advisory Committee

The Mandatory Provident Fund Schemes Advisory Committee (MPFSAC) is established under the Mandatory Provident Fund Schemes Ordinance (Cap. 485) (MPFSO) to make recommendations to the Mandatory Provident Fund Schemes Authority (MPFA) as to the operation of the MPFSO and the effectiveness and efficiency of the MPFA. The MPFSAC consists of an executive director designated by the MPFA and nine to eleven other members appointed by the Chief Executive. The chairman and deputy chairman of the MPFSAC are also appointed by the Chief Executive from amongst its members.

Members of the MPFSAC

as at 31 March 2002

CHAIRMAN

Professor Nelson Chow Wing-sun, SBS, JP

*Professor, Department of Social Work and Social Administration,
University of Hong Kong*

DEPUTY CHAIRMAN

Mr Rafael Hui Si-yan, GBS, JP

Managing Director, MPFA

OTHER MEMBERS

The Hon David Chu Yu-lin, JP

Member, Legislative Council

The Hon Ng Leung-sing, JP

Member, Legislative Council

The Hon Chan Yuen-han, JP

Member, Legislative Council

The Hon Bernard Chan

Member, Legislative Council

The Hon Sin Chung-kai

Member, Legislative Council

Mr Desmond Chan Kwok-kit

*Chairman, Hong Kong Investment
Funds Association (1998)*

Mr Ho Sai-chu, SBS, JP

*Vice Chairman, The Chinese
General Chamber of Commerce*

Mr Danny Ngai Kam-fai

*Member, Small and Medium
Enterprises Committee*

Mr Poon Siu-ping, MH

*Vice-Chairman, Federation of
Hong Kong and
Kowloon Labour Unions*

The MPFSAC has given valuable advice to the MPFA on a wide range of issues, including the handling of employers' default contribution reports received from trustees and proposed amendments to the MPF legislation. It discussed the proposed legislative amendments in depth, particularly the proposed adjustment mechanism for the minimum and maximum levels of relevant income for MPF contributions. It also advised on various other legislative proposals, such as those related to the simplification of MPF scheme administration and enhancement of protection for scheme members.



Professor Nelson Chow Wing-sun,
SBS, JP



Mr Desmond Chan Kwok-kit



The Hon Chan Yuen-han, JP



Mr Rafael Hui Si-yan, GBS, JP



Mr Ho Sai-chu, SBS, JP



The Hon David Chu Yu-lin, JP



The Hon Bernard Chan



Mr Danny Ngai Kam-fai



The Hon Sin Chung-kai



Mr Poon Siu-ping, MH



The Hon Ng Leung-sing, JP

MPF Industry Schemes Committee

The MPF Industry Schemes Committee (ISC) was established pursuant to the MPFSO to monitor the effectiveness of industry schemes and to advise on ways to improve the administration and operation of the schemes in the interests of scheme members. The ISC consists of a chairperson, at least one but no more than two representatives of the approved trustee of each industry scheme nominated by that trustee, and not fewer than six other persons. They are to be appointed by the Financial Secretary. In addition, an executive director of the MPFA is designated by the MPFA to serve on the ISC.

Members of the ISC

as at 31 March 2002

CHAIRMAN

Mr Lee Kai-ming, SBS, JP

Chairman, Federation of Hong Kong and Kowloon Labour Unions

OTHER MEMBERS

Mr Chan Chi-leung

*Chairman, Construction Site
Workers General Union*

Mr Chan Kay-cheung

*Director, Bank of East Asia
(Trustees) Limited*

Mr Chan Wai-lun

*Chairman, Food and Beverage
Management and Professional
Staff Association*

Mr Valiant Cheung Wai-lam

*Vice Chairman, Association
of Restaurant Managers*

Mr Ho Sai-chu, SBS, JP

*Council Member, Hong Kong
Construction Association Limited*

Mr Mok Kwok-wo

*Immediate Past President,
Society of Builders Hong Kong*

Mr Ngan Chun-hung

*Vice Chairman, Eating Establishment
Employees General Union*

Mr Poon To-chuen, MH

*Consultant, Hong Kong Construction
Industry Employees General Union*

Mr So Kim-hung

*Representative of the Hong Kong
Restaurants and Eating House Merchants
General Association*

Mr Ernest Lee Shu-wing, BBS

*Executive Director (Enforcement),
MPFA*

During the year, the ISC received reports of the MPFA and the approved trustees on the enrolment, administration, enforcement and publicity matters of the Industry Schemes, and gave valuable advice on issues relating to the proposed amendments to the MPFSO as regards the operation of the Industry Schemes. Members also gave advice on the operational aspects of the construction and catering industries so as to facilitate enforcement and foster compliance.



Mr Lee Kai-ming, SBS, JP



Mr Ngan Chun-hung



Mr Chan Chi-leung



Mr Chan Wai-lun



Mr Poon To-chuen, MH



Mr Valiant Cheung Wai-lam



Mr So Kim-hung



Mr Chan Kay-cheung



Mr Ho Sai-chu, SBS, JP



Mr Ernest Lee Shu-wing, BBS



Mr Mok Kwok-wo

About the Mandatory Provident Fund Schemes Authority

In August 1995, the Mandatory Provident Fund Schemes Ordinance (Cap.485) (MPFSO) was enacted to provide a formal system of retirement protection for the working population in Hong Kong. The MPFA was established in September 1998 pursuant to the MPFSO to regulate, supervise and monitor the operation of the MPF System, which came into operation on 1 December 2000. Since 10 January 2000, the MPFA has also formally taken over the role of the Registrar of Occupational Retirement Schemes from the Financial Services Bureau to oversee the operation of occupational retirement schemes established under the Occupational Retirement Schemes Ordinance (Cap. 426) (ORSO).

Functions

As provided under section 6E of the MPFSO, the functions of the MPFA are:

- A. to be responsible for ensuring compliance with the MPFSO;
- B. to register provident fund schemes as registered schemes;
- C. to approve qualified persons to be approved trustees of registered schemes;
- D. to regulate the affairs and activities of approved trustees and to ensure as far as reasonably practicable that those trustees administer the registered schemes for which they are responsible in a prudent manner;
- E. to make rules or guidelines for the payment of mandatory contributions and for the administration of registered schemes with respect to those contributions;
- F. to consider and propose reforms of the law relating to occupational retirement schemes or provident fund schemes;
- G. 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 trustees and other service providers;
- H. to exercise such other functions as are conferred or imposed on the MPFA by or under the MPFSO or any other ordinance.



Heidi Kwan Rafael Hui Henden Yu Ernest Lee
Darren McShane Raymond Tam Diana Chan

As the Registrar of Occupational Retirement Schemes, the MPFA has also taken up the functions conferred on the Registrar by the ORSO. Hence, the MPFA is responsible for ensuring the smooth operation of retirement benefit schemes in Hong Kong, whether set up mandatorily or voluntarily.

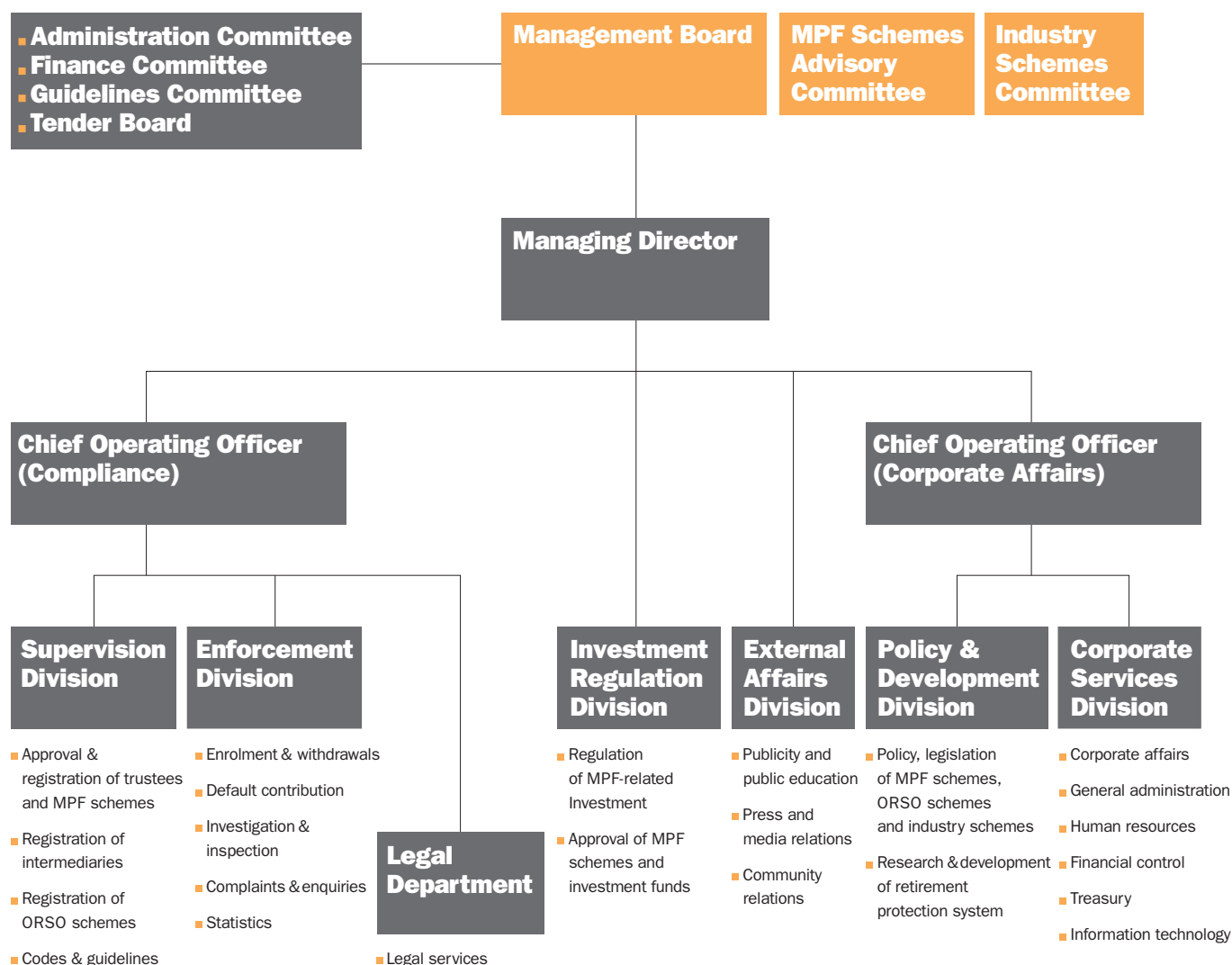
The Organization

The MPFA is governed by the Management Board which consists of ten non-executive directors and six executive directors. The executive directors are the Managing Director, the Chief Operating Officer (Corporate Affairs), the Chief Operating Officer (Compliance), the Executive Director (Enforcement), the Executive Director (Investment Regulation) and the Executive Director (Policy and Development).

The Management Board has established a number of supporting committees to give advice and assistance to the MPFA on various aspects of its management and regulatory work. Membership lists of the Management Board and its supporting committees are included in Appendix 1.

Organization Structure

as at 31 March 2002



Major Programmes in 2001-02

The MPF System was fully implemented on 1 December 2000. The MPFA's work in the year focused on three major objectives:

- A. Consolidating the work and the organization of the MPFA;
- B. Enhancing the MPFA's regulatory and enforcement abilities with an emphasis on MPF investment products and investment education; and
- C. Increasing productivity, thereby enhancing operational efficiency and containing costs.

In addition to fulfilling its ongoing statutory duties, the MPFA embarked on a number of programmes to achieve the above objectives. The major programmes in 2001-02 are highlighted below.

Review of legislation

- Proposed amendments relating to certain operational and technical issues of MPF schemes to the MPFSO, which were enacted by the Legislative Council in February 2002 as the Mandatory Provident Fund Schemes (Amendment) Ordinance 2002
- Set up the MPF Schemes Operation Review Committee in August 2001 to carry out a comprehensive review on the administrative and operational aspects of the MPF legislation
- Submitted a batch of legislative proposals to the Government for introduction into the Legislative Council in April 2002
- Reviewed the ORSO legislation and consulted the industry with a view to submitting the finalized proposals to the Government in 2002

Strengthening the enforcement functions

- Investigated 8 800 complaints on non-compliant employers and applied for over 400 summonses
- Carried out 3 556 pro-active inspection visits to check compliance
- Implemented the contribution surcharge mechanism on default contribution cases reported by trustees
- Issued over 149 000 notices to urge payment of contributions in arrears and with contribution surcharges imposed

Supervision of MPF intermediaries

- Implemented the Continuing Professional Development requirement for MPF intermediaries

Public education and publicity

- Disseminated information on MPF through publications, advertisements and other lively and entertaining means of publicity, including roadshows, television and radio programmes, with an emphasis on investment education
- Established face-to-face contact with the public through seminars, talks and Meet-the-Public sessions
- Built partnership with political parties and local groups to bring MPF information to the district level
- Operated MPF Info Station sessions in the districts regularly at fixed locations

<i>Complaints and enquiries handling</i>	<ul style="list-style-type: none"> ■ Replied to over 190 000 phone-in, walk-in and written enquiries about the MPF and ORSO systems ■ Enhanced the computerized Complaints Handling System and the computerized Enquiries Handling System
<i>Assessing and managing risks</i>	<ul style="list-style-type: none"> ■ Commissioned a panel of international experts to examine the risks associated with MPF operations ■ Conducted management reviews and started internal audit exercises ■ Enhanced the existing Financial Information System and the management information database for financial and management reporting purposes ■ Implemented appropriate checks and controls in the Financial Control and Treasury Departments
<i>Enhancement and refinement of the Information Management System</i>	<ul style="list-style-type: none"> ■ Completed the final phase of the Information Management System (IMS) ■ Enhanced the IMS to enable submission of returns and other reports from trustees through dedicated electronic networks ■ Set up an in-house IMS maintenance team to acquire the skills and knowledge for maintaining the system
<i>Organization and pay structure review</i>	<ul style="list-style-type: none"> ■ Conducted two rounds of organization structure review ■ Developed and formulated the corporate vision, the core values and the top five strategies for the organization in the next few years



Extra Fat Savings Tricia Chan, aged 11

Tricia's big fat piggy bank gives a delightfully prudent message of the virtue of saving for the future.



MPF Legislation

Following its enactment in 1995, the Mandatory Provident Fund Schemes Ordinance (Cap.485) (MPFSO) was amended in 1998 and supplemented by several regulations and rules made in 1998, 1999 and 2000 respectively.

In the course of preparing for the implementation of the MPF System, the MPFA identified provisions in the MPFSO and Mandatory Provident Fund Schemes (General) Regulation which could be improved to better protect the interests of scheme members and enhance the effective operation of the MPF System. In May 2001, the Mandatory Provident Fund Schemes (Amendment) Bill 2001, containing 20 amendments related to certain operational and technical issues of MPF schemes, was introduced into the Legislative Council. The items of amendment are set out in Appendix 2. The Bill was enacted in February 2002 as the Mandatory Provident Fund Schemes (Amendment) Ordinance 2002.

A list of the subsidiary legislation and legislative amendments made in respect of the MPFSO since its enactment is at Appendix 3.

MPF SCHEMES OPERATION REVIEW COMMITTEE

The MPF System affects over two million employers, employees, self-employed persons as well as service providers. In view of the overriding need to ensure that the System is efficient, effective and user-friendly, it is necessary to conduct a comprehensive review of the operational aspects of the System. Towards this end, the MPFA established the MPF Schemes Operation Review Committee (Review Committee) in August 2001. The Review Committee comprises representatives of employer and employee bodies, service providers, professional organizations, Government and MPFA. The composition of the Review Committee is included in Appendix 1.

The Review Committee is responsible for carrying out a comprehensive review on the administrative and operational aspects of the MPF legislation and making recommendations to amend the legislation in order to enhance the effectiveness and efficiency of the MPF System. It is envisaged that the review exercise will last for two to three years. The Review Committee completed the first phase of its work in end 2001 and made a number of

Legislative Development

proposals to the MPFA to amend the MPFSO. The resulting Mandatory Provident Fund Schemes (Amendment) Bill 2002 was introduced into the Legislative Council on 24 April 2002.

The proposals in the 2002 Bill include amendments to:

- Set out the mechanism for adjusting the minimum and maximum levels of relevant income for MPF contributions
- Enhance protection for scheme members
- Simplify MPF scheme administration
- Improve the system of regulating MPF schemes
- Adjust certain provisions on MPF investment
- Resolve certain technical issues

In the coming year, the Review Committee will proceed with the second phase of its work, taking into account the experience gained in the implementation of the MPF System.

ORSO Legislation

Enacted in 1992 and brought into operation in 1993, the Occupational Retirement Schemes Ordinance (Cap.426) (ORSO) regulates all voluntarily established occupational retirement schemes (ORSO schemes) operating in or from Hong Kong. It is supported by subsidiary legislation in the form of rules made by the Registrar of Occupational Retirement Schemes.

A list of the subsidiary legislation and legislative amendments made in respect of the ORSO since its enactment is at Appendix 4.

During the year, the MPFA reviewed the ORSO legislation for the purposes of facilitating the administration of ORSO schemes and improving the overall effectiveness of ORSO schemes regulation. The industry was consulted on the proposed legislative amendments and finalized proposals are expected to be submitted to the Government in 2002.

Guidelines and Codes

To elaborate on the legislative requirements and to facilitate compliance with the MPF and ORSO legislation, the MPFA has issued in total 56 sets of Guidelines and two sets of Codes as of 31 March 2002. Among those guidelines, two sets of new guidelines setting out detailed reporting requirements on certain statistics and investment funds were issued in the reporting year, and eleven existing guidelines covering reporting requirements, investment and scheme operations were revised during the year. Separately, a Guide to Continuing Professional Development for MPF Intermediaries was issued to provide guidance to the industry on the new requirement. A complete list of all the guidelines and codes issued by the MPFA is set out in Appendix 5. These guidelines and codes are available on the MPFA website.

Circular Letters

Apart from the guidelines and codes, the MPFA has issued 21 circular letters to service providers to express the views of the MPFA on various issues and provide further assistance on compliance. Most of the circular letters issued during the reporting year covered scheme administration issues, including the handling of default contribution cases, the transfer of accrued benefits among approved trustees and the termination of ORSO schemes. Circular letters were also issued to explain the Continuing Professional Development requirement for MPF intermediaries. A list of the circular letters issued during the year is set out in Appendix 6.



Extra Lifesavers Ma Kwan Ching, aged 5

Extra lifesavers can not only keep us afloat, Kwan Ching makes sure that they also keep her in style and fashion.



In the first full year of operation of the MPF System, MPF trustees and other service providers made significant improvements in familiarizing themselves with the full details of the System and smoothening the scheme administration process. In the course of discharging its supervisory functions, the MPFA provided assistance to the industry in overcoming the teething problems in scheme administration, which arose in the initial months of MPF launch.

Supervision of the Industry

Supervision of Trustees

The trustee of a MPF scheme is the central party having overall responsibility for the administration and management of the scheme. A trustee may delegate part of its functions to other service providers but the trustee has the duty to supervise and exercise proper control over these service providers.

In the initial months of MPF contributions, MPF trustees experienced some operational problems and encountered substantial numbers of discrepancies in contribution data and payments, which were mainly attributable to the unfamiliarity of employers and self-employed persons with the MPF System. After having accumulated operational experience, the trustees showed significant improvements in the accuracy and efficiency in processing contributions during the year. By increasing staff resources, streamlining procedures, enhancing their internal systems and providing appropriate assistance to the employers, they managed to substantially reduce processing backlogs and increase the operational efficiency in various stages of contributions processing.

Inspection Visits to Trustees

In year 2000-01, the MPFA carried out on-site inspections of the approved trustees mainly to assess their readiness for the commencement of MPF contributions on 1 December 2000. In the past year, the on-site inspection programme was refocused to ensure the trustees' on-going compliance with various aspects of the MPF legislation. All aspects of the trustees' operations, including the processing of contributions, fund switching and benefit transfers, were scrutinized.

Some non-compliance issues were discovered during inspection visits, including failure to complete transfer-out and payment of benefit requests within the statutory timeframe, late reporting of events of a significant nature, technical breaches of the 10% investment rule (the rule prohibiting the investment of more than 10% of total scheme assets in any single investment) and acquisition of non-permissible investments. With regard to these cases of non-compliance, the MPFA issued a total of four financial penalty notices to trustees during the year. The MPFA monitored all the breaches closely and made sure that remedial actions were taken by the service providers. Subsequent improvements were found in the operations of scheme administrators and the monitoring mechanisms of the trustees over other service providers.

Ongoing Monitoring

To ensure that the approved trustees comply with the statutory requirements and to enable early detection of deficiencies, trustees are required to submit returns, audited financial statements and reports in respect of the schemes under their trusteeship on monthly, quarterly and annual bases. For the protection of scheme members' interests, necessary follow-up actions and special investigations will be carried out if deficiencies or contravention of the MPF legislation are identified.

The MPFA is also responsible for processing changes of officers and other information of the approved trustees to ensure that they comply with the MPF legislation and the conditions of approval. New appointment of directors or chief executive officers of approved trustees must have the prior consent of the MPFA based on the same approval requirements as adopted in the initial approval process. During the current financial year, the MPFA gave consent to the appointment of 45 directors or chief executive officers.

Meetings and Workshops

Apart from inspection visits, the MPFA started regular meetings with individual trustees in June 2001 to keep abreast of the trustees' MPF operations and provide a channel for the trustees to raise their concerns and other issues with a view to addressing those issues more promptly. The meetings were very constructive as they facilitated direct communication between the trustees and the MPFA.

In the early months of the reporting year, the MPFA organized a series of workshops for trustees and other service providers to clarify the procedures relating to such issues as contribution arrangements and benefit transfers. These briefings helped the MPF intermediaries and the frontline staff of the trustees in familiarizing with scheme administration issues and in smoothening their operations.

Complaints Against Trustees

A total of 1 329 complaints received by the MPFA in the year were lodged against trustees. Most of them were related to scheme administration. Considering the massive numbers of accounts involved in the MPF System (about three million in total), the number of complaints was relatively small. The majority of the complaints were lodged in the early months of the reporting year. The number of complaints decreased over the year as the operation of most trustees continued to stabilize and improve.

Resignation of Trustees

The MPFA approved two cases of application for resignation as the approved trustee of MPF schemes. The resignations took effect between January and March 2002. In both cases, as the resigned trustees' functions were taken over by existing approved trustees and as the resignation did not involve a change of scheme administrators, the changeover of business went smoothly. The two trustees retained their approval status for the purposes of managing MPF approved pooled investment funds.

A list of the approved trustees and their background as at 31 March 2002 is at Appendix 7.

Monitoring of MPF Investments

With the implementation of the MPF System, the emphasis of the MPFA's work in respect of the regulation of MPF investment was shifted from the registration and approval of schemes and funds to the monitoring of compliance with investment requirements. Efforts were made during the year to strengthen the MPFA's capabilities in this respect.

Review of Investment Regulation

The MPFA is responsible for regulating all relevant parties under the MPF System and protecting the interests of members of MPF schemes. Investment regulation is therefore very important in the regulatory framework. A panel of international experts on risk management and investment was commissioned, with the assistance of the Securities and Futures Commission, in May 2001 to conduct a review on risks associated with MPF operations. Issues related to investment regulation reviewed included the risk of diversion of funds from MPF schemes, potential for inflated fees and charges, conflicts of interest among service providers, and the adequacy of regulatory arrangements to address operational risks and disclosure requirements.

Based on the findings of the review, the panel made a number of recommendations which primarily focused on the MPF legislation, the existing regulatory arrangements, the development of technical expertise at the MPFA and the disclosure of information to scheme members. In the light of those recommendations, MPFA has taken steps to enhance its capabilities in investment regulation and supervision. It is also examining those recommendations relating to streamlining of MPF scheme administration, in consultation with the industry and other stakeholders.

Registration and Approval of Schemes and Funds

MPF products include schemes, constituent funds and pooled investment funds. Following the implementation of the MPF System at the end of year 2000, the amount of work related to the registration of schemes and approval of funds was largely reduced. Isolated applications for registration were received and processed. Table 1 sets out the processing statistics during the year, and Table 2 shows an analysis of the structure of approved pooled investment funds. A full list of the registered schemes and their underlying constituent funds is at Appendix 8.

Table 1. Processing statistics at scheme and fund levels

	Number as at 31 March 2001	De-registration/ Revocation during the year	Registration/ Approval during the year	Number as at 31 March 2002
Registered Schemes	51	0	0	51
<i>Master Trust Schemes</i>	47	0	0	47
<i>Industry Schemes</i>	2	0	0	2
<i>Employer Sponsored Schemes</i>	2	0	0	2
Approved Constituent Funds	299	0	12	311
Approved Pooled Investment Funds	231	14	3	220

Table 2. Analysis of approved pooled investment funds

	Unit Trust		Insurance Policy		Total	
	as at 31 March 2001	as at 31 March 2002	as at 31 March 2001	as at 31 March 2002	as at 31 March 2001	as at 31 March 2002
By fund valuation bases						
<i>Unitized</i>	167	156	61	61	228	217
<i>Non-unitized</i>	0	0	3	3	3	3
Total	167	156	64	64	231	220
By fund structures						
<i>Umbrella funds</i>	22	21	4	4	26	25
<i>Internal portfolios</i>	113	107	36	36	149	143
<i>Feeder funds</i>	5	5	15	15	20	20
<i>Portfolio management Funds</i>	27	23	9	9	36	32
Total	167	156	64	64	231	220

In the past year, various changes to the structures of MPF schemes and approved pooled investment funds were made by the service providers, including changes in fees and charges and adjustments in the administrative aspects of the schemes. These changes were made in response to market demand and/or in view of operational needs. The statistics of amendments processed are summarized in Table 3.

Table 3. Statistics of processing amendments to registered schemes and approved funds
as at 31 March 2002

	Completed	In Progress	Total
Registered Schemes	80	19	99
Approved Pooled Investment Funds	41	6	47
Total	121	25	146

Monitoring of Investment Compliance

The MPFA monitored MPF investment compliance by periodically conducting on-site inspection visits to the trustees and regularly reviewing the various types of returns and reports submitted by the service providers. No substantive problems or irregularities were noted, other than certain technical breaches of the diversification rule and acquisitions of non-permissible investments.

Market Developments

A number of developments in the market affecting MPF funds were notable during the year.

PREScribed SAVINGS RATE

According to the Mandatory Provident Fund Schemes (General) Regulation, administrative expenses (other than the Compensation Fund levy) may be deducted from the capital preservation fund of a MPF scheme in each month. The expenses may be deducted only if the investment income of the fund for that month exceeds the amount of interest that would be earned if the fund has been placed on deposit in a Hong Kong dollar savings account at the prescribed savings rate determined by the MPFA. Where such deduction is made from the capital preservation fund, the amount is limited to the actual return in excess of the interests earned at the prescribed savings rate.

The basis for determining the prescribed savings rate for each month is specified in the Guidelines on Capital Preservation Funds. This set of guidelines was revised in June 2001 in anticipation of the de-regulation of the Interest Rate Rule applicable to Hong Kong Dollar Savings Accounts in July 2001. The revised guidelines specify that the prescribed savings rate is to be determined by taking the simple average of the interest rates on savings deposits of \$120,000 offered by the three note-issuing banks in Hong Kong.

SUSPENSION OF DEALINGS OF MPF FUNDS

Due to the suspension of trading of the US stock exchanges during 11-14 September 2001 inclusive, the 20 approved trustees declared suspension of dealing in the constituent funds of their MPF schemes and the associated approved pooled investment funds. As a result, 267 constituent funds and 172 approved pooled investment funds were affected. The decision to suspend trading was promptly reported to the MPFA and communicated to scheme members via announcements in the press. Trading in all of the funds was resumed by 18 September 2001.

Statistics

Statistics on MPF schemes and funds are included in Part B of the Statistics section.

Supervision of Intermediaries

MPF scheme members are directly served by intermediaries who sell MPF products and advise on the schemes and funds that they sell. The MPFA works closely with the Hong Kong Monetary Authority (HKMA), the Insurance Authority (IA) and the Securities and Futures Commission (SFC) in regulating MPF intermediaries. During the year, the work in respect of supervision of intermediaries focused on monitoring compliance with the Code of Conduct for MPF Intermediaries and improving the professional standard of MPF intermediaries.

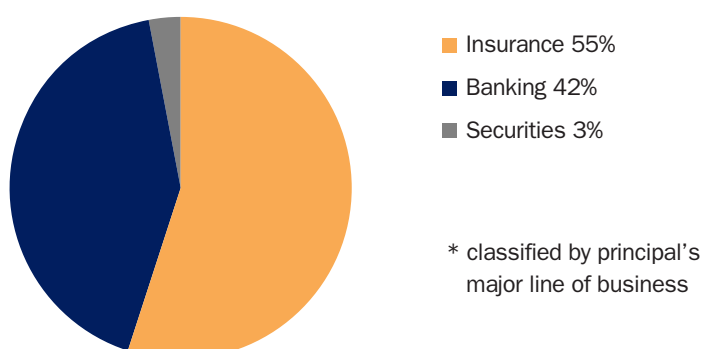
Registration of MPF Intermediaries

During the year, the MPFA processed a total of 4 140 new applications for registration as MPF intermediaries. As at 31 March 2002, there was a total of 28 637 registered MPF intermediaries, comprising 474 corporations and 28 163 individuals respectively. Table 4 sets out the number of MPF intermediaries and Figure 1 shows the percentage share of individual registered intermediaries by the major line of business of the intermediary's primary sponsoring corporation.

Table 4. Number of Registered MPF Intermediaries *as at 31 March 2002*

Total number of registered MPF intermediaries	28 637
Corporate intermediaries	474
Individual intermediaries	28 163
<i>Permitted to advise on insurance policies</i>	13 820
<i>Permitted to advise on securities</i>	9 343
<i>Permitted to advise on securities & insurance policies</i>	5 000

Figure 1. **MPF Intermediaries by Industry*** *as at 31 March 2002*



Ongoing Monitoring

Under the existing regulatory framework, the MPFA acts as the lead regulator in the regulation of MPF intermediaries, coordinating the regulatory efforts of the other three regulators with a view to ensuring regulatory consistency and minimizing regulatory overlap. Whilst the MPFA is mainly responsible for daily monitoring and handling of complaints, the HKMA, the IA and the SFC are responsible for supervising those MPF intermediaries falling under their regulatory regimes, including conducting inspections and taking enforcement/disciplinary actions where necessary on MPF intermediaries under their respective supervision.

During the year, the MPFA processed a total of 7 726 changes of information relating to MPF intermediaries. Most of the changes were related to change of employment of individual intermediaries and change of name of their sponsoring corporation as a result of corporate mergers and restructuring.

The HKMA, IA and SFC conducted a number of inspections on corporate intermediaries falling under their respective regulatory regimes. So far, no major irregularities or serious breaches of the Code of Conduct for MPF Intermediaries were noted.

In the past year, there were 38 complaints against MPF intermediaries. This accounted for less than 1% of the total complaints received by the MPFA. Three complaint cases were referred to the other regulators for information and consideration of follow-up action.



Forum to introduce the CPD requirements for MPF intermediaries

Continuing Professional Development

In order to help MPF intermediaries maintain their professional competence, the Continuing Professional Development (CPD) requirement was introduced with effect from January 2002. MPF intermediaries were required to undertake a minimum of 10 hours of CPD activities in each calendar year. Four institutions, namely Hong Kong Securities Institute, Caritas Adult & Higher Education Service, the Financial Services Development Centre of the Vocational Training Council, and the Management and Executive Centre of the Hong Kong Polytechnic University have been recognized by the MPFA for the provision of training activities for CPD core subjects.

A guide to the CPD requirement was issued in October 2001.

In addition, a forum on the CPD requirement was held by the MPFA on 1 February 2002 at the Hong Kong Convention and Exhibition Centre, where industry practitioners were briefed on the CPD requirement and details of the relevant courses offered by the recognized institutions.

Regulation of Occupational Retirement Schemes

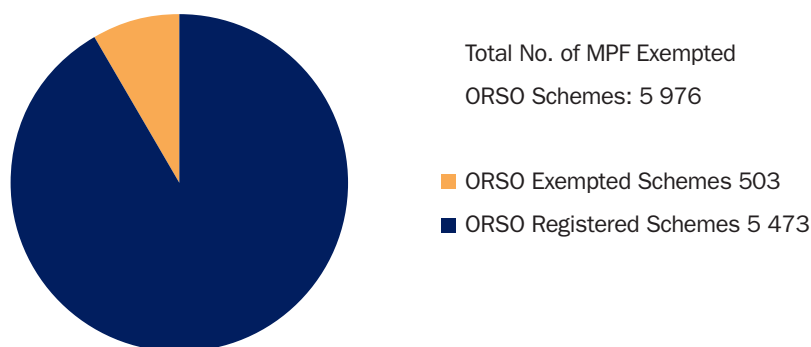
Occupational retirement schemes (ORSO schemes) are voluntarily established by employers under the Occupational Retirement Schemes Ordinance (Cap.426) (ORSO). The number of ORSO schemes has been decreasing since the implementation of the MPF System.

Withdrawal of Exemption Certificate

Prior to the launch of the MPF System, existing ORSO schemes might choose to apply for exemption from MPF requirements. Members of MPF-exempted ORSO schemes had a one-off option to choose between the existing scheme and a MPF scheme.

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 their MPF exemption certificates. During the year, 345 MPF exempted ORSO schemes had relinquished their exemption status covering about 7 000 members, who had to be enrolled in MPF schemes subsequently. The number of MPF exempted ORSO schemes as at 31 March 2002 was 5 976 covering about 8 400 employers and 524 000 scheme members. A breakdown of the number of schemes is shown in Figure 2.

Figure 2. **Number of MPF Exempted ORSO Schemes** as at 31 March 2002



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. During the year, 7 447 ORSO schemes (comprising 422 MPF exempted schemes and 7 025 non-MPF exempted schemes) were wound up. As at 31 March 2002, there were 768 termination notices still pending the MPFA's processing due to incomplete information or assets pending transfer. After completion of the processing of these notices, the number of ORSO schemes would be 8 660, including 5 895 MPF exempted schemes (covering about 522 000 scheme members) and 2 765 non-MPF exempted schemes (covering about 83 000 employees).

Based on the termination notices submitted and the latest annual returns of the respective ORSO registered schemes, the asset arrangements for the terminated ORSO registered schemes (including those schemes undergoing termination process) are set out in Table 5.

Table 5. Asset arrangements for terminated ORSO registered schemes for the period from 1 April 2001 to 31 March 2002

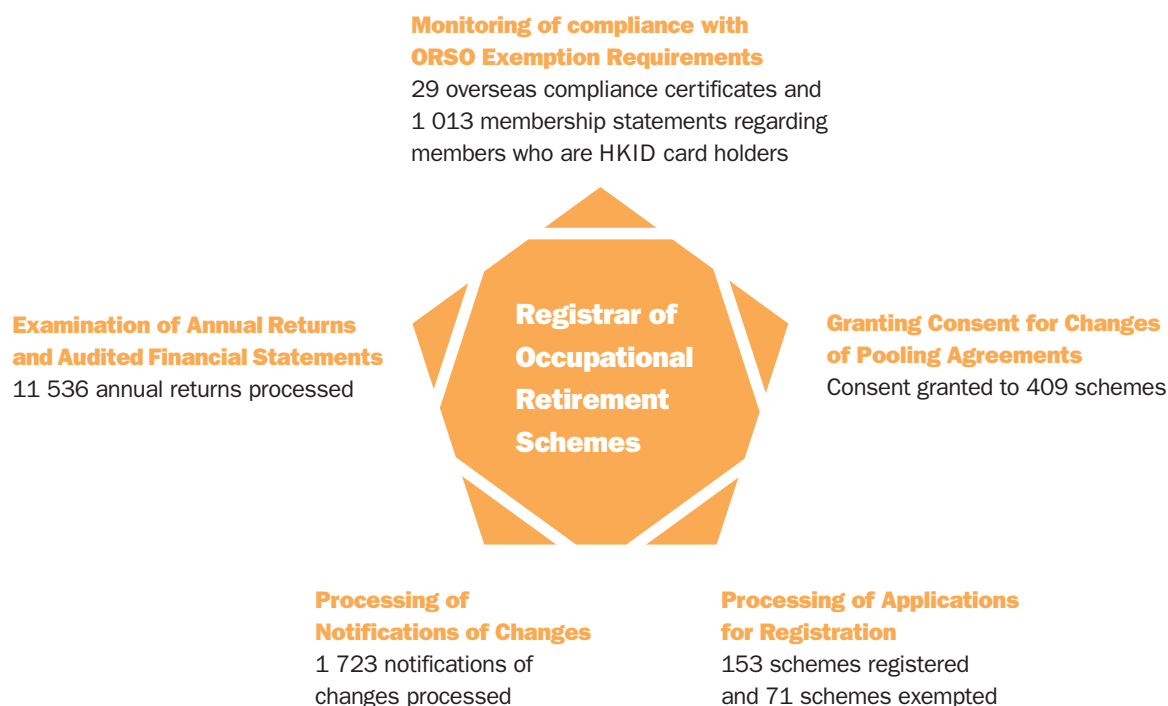
ORSO Asset Arrangement	NO. of Schemes	%	Asset Size (HK\$million)	%
Transferred to MPF Scheme	6 205	85	11,297	72
Transferred to another ORSO Scheme	313	4	3,654	24
Paid out to scheme members	801	11	686	4
Total	7 319	100	15,637	100

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 ORSO schemes. The work of the RORS in this aspect includes monitoring of ORSO registered/exempted schemes and processing of changes to the schemes. Statistics of some major work of the RORS are summarized in Figure 3.

Figure 3. Work of Registrar of Occupational Retirement Schemes

Note: Figures denote workload for the year.



A list of the corporate administrators who administer pooling agreements for ORSO schemes is in Appendix 9.

Statistics

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



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 complainees' 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.



Extra Coverage Joyce Kan, aged 11

Not one, but two giant trees give Joyce and her beloved family extended shield and shade.



The public education and publicity efforts before the launch of the MPF System were successful in raising public awareness and rallying general support for the System. Following the implementation of the MPF System on 1 December 2000, the MPFA carried on with its public education and publicity programmes to foster continuous public support, encourage new enrolment and instill in the public a good understanding of MPF, particularly MPF investment knowledge.

Public Education and Publicity

In organizing public education activities, the MPFA often collaborated with various local bodies, trade associations, worker groups, small and medium enterprises, professional bodies, political parties and the Government, reaching out to those most in need of assistance and targeting at their information needs. Efforts were also made to educate the younger generation who would have to join MPF when they completed their schooling and started to work.

Major Activities

Publicity Activities

During the year, the MPFA produced publications and placed advertisements on all the main media as well as on board buses to disseminate information on the operation of MPF schemes. With the help of television and radio stations, we produced promotion programmes to explain different aspects of the operation of the MPF System.

To convey MPF messages to the general public in a lively and entertaining manner, the MPFA conducted road shows and roving exhibitions at the shopping arcades of large housing estates at various districts. These road shows, presented by well-known DJs, were well received.

With the assistance of financial and investment experts, the MPFA held a series of seminars on MPF investment throughout Hong Kong to give the public, especially members of MPF schemes, more in-depth knowledge on MPF investment as well as selection and switch of MPF constituent funds.

Advertisement on TV,
starring Jerry Lamb, promoting
the MPF Info Station service



Community Outreach

Reaching out to the community was an important part of the MPFA's public education programme. Through seminars, talks and workshops for labour unions, human resources professionals, intermediaries and Area Committees, the MPFA established face-to-face contact with members of the public, directly and promptly answering their enquiries.

To further reach out to different sectors of the community, the MPFA, with the support of major political parties, held Meet-the-Public sessions at their local offices. The 85 sessions conducted throughout the year were well received.

The MPF Info Stations service at community halls and the Public Enquiry Service Centres of the Home Affairs Department in various districts was an effective channel in reaching out to the working population. In December 2001, a schedule was set up for the MPF Info Station sessions to operate regularly at fixed locations and fixed hours. The enhanced services were publicized through the use of television and radio announcements and print advertisements. Handouts were also published to inform the public of the time and venue of the services. During the year, a total of 393 MPF Info Station sessions were held.

Education of Young People

In addition to giving talks at schools and tertiary institutions, the MPFA has started working on a MPF teaching kit catering to secondary school students. We also took part in the Education and Career Expo 2002 to promote the concept of MPF rights to school leavers and job seekers.



Hon Donald Tsang attends a Labour Day's Dinner in celebration of the implementation of MPF in Hong Kong



Prof Nelson Chow and Hon Ng Leung-sing officiating at MPF Info Station launching ceremony



Exchanging views: Non-executive Director Hon Lui Ming-wah at a MPF forum for small and medium enterprises



Fun with learning about MPF funds



Getting to know more: investment seminar for members of the public



Lantern Festival Fair organized by Democratic Alliance for Betterment of Hong Kong, bringing MPF messages to the community



Non-executive Director Lee Kai-ming at MPF roadshow



MPF roadshow at Tuen Mun

Media

The MPFA contributed articles to regular columns of three newspapers to disseminate MPF investment-related concepts and knowledge. Close media contacts were maintained through activities such as media workshops and briefings. During the year, 99 articles were contributed to newspaper columns and 66 press releases were issued.

Statistical Digest

With a view to enhancing the transparency of the MPF System, the MPFA produced a quarterly publication, the *MPF Statistical Digest*. The publication contains such key statistical information as enrolment rates, the net asset values of MPF schemes, the asset allocation of MPF funds, and the number and asset size of occupational retirement schemes.

MPFA Website

The MPFA website continued to be a popular source for information seekers. In addition to information featuring the MPF System, it also provided latest news on the MPFA. Close to 600 000 visitors have visited the site.

The lists of major publicity activities, campaign media used and articles contributed to newspaper columns are set out at Appendices 10 to 12.



MPF Info Station at Tsz Wan Shan



MPF: a matter for all ages



Legislative Councillors in support of the MPF Meet-the-Public sessions



Reading about MPF



MPF investment seminars with guest speakers (clockwise from top left) Cho Chi-ming, Arthur Shek, Chan Yan-chong and Billy Mak



MPF talk organized by District Councillor Cheung Yuet-lan



Promoting MPF to job-seekers at Education & Careers Expo 2002



Extra Security Gisella Tan, aged 7

To Gisella, security is being surrounded by everything you need at home. What's even better is the added comfort of a very secure chair with eight legs to sit on when you want to settle down and rest.



Before the implementation of the MPF System, the MPFA focused on monitoring the service providers' preparatory work and processing new applications. After 1 December 2000, the emphasis of the MPFA's work shifted to enforcing the law, reviewing the administrative and operational issues of the MPF System and monitoring the compliance of the service providers on an ongoing basis. The various supporting services within the organization were geared towards the changing business needs of the MPFA.

Human Resources Management

Supporting Services

ESTABLISHMENT AND RECRUITMENT

As the MPFA settled into more regular patterns of work after the launch of the MPF System, a comprehensive review of the organization was conducted during the year to streamline the organizational structure and to improve operational efficiency. As a result of two rounds of organizational structure review, the organization has been down-sized from 327 to 292 positions. Meanwhile, an external consultant was commissioned to carry out a pay structure review.

Major recruitment exercises having been completed, recruitment activities during the year were mainly to seek replacement for staff members who have left and recruitment of 30 posts was carried out. The turnover rate of the organization during the year was 24.86%. The rate is largely due to the fact that the MPFA is still a very young organization and its business focus, in the early years of implementing MPF, has to shift more frequently than comparable but more mature bodies.

The Human Resources Information System was developed and implemented during the year to facilitate human resources administration.

ORGANIZATIONAL DEVELOPMENT AND TRAINING

In developing the culture of the organization, a series of strategic planning and team building workshops were organized in September and October 2001. The corporate vision, the core values and the top five strategies for the organization in the next few years were developed and formulated. The core values, namely, Commitment, Quality, Teamwork and Community Perspective, have become the guiding principles for staff in their decision making and behaviour at work. We have also started preparatory work to review the performance management system for the MPFA in 2002-03.

During the year, the MPFA organized various types of training programmes to develop staff and equip them with the necessary business skills. A total of 82 classes covering 26 training programmes/workshops were organized, with a total attendance of over 2 000. A list of major training classes and workshops conducted is at Appendix 13.

STAFF COMMUNICATION AND STAFF ACTIVITIES

To provide a forum for discussion and a channel for understanding the corporate direction, staff communication sessions were held to share with staff the strategic directions and the core values developed during the year. Staff communication was also kept up through regular management

meetings and through the publication of six issues of the Staff Newsletter *The Orchard*, eight issues of *Staff Express* and nine issues of *Staff Bulletin*, and the organization of nine topical briefing sessions.

The Staff Welfare Committee continued to plan and organize staff social activities. A total of eight events were organized during the year. Major activities included an autumn outing, movie evenings, a bowling competition and a Christmas Party. With the participation of all MPFA staff in the Dress Casual Day 2001, we were awarded the second Highest Participation Rate Award in the Companies & Organizations category. A Blood Donation Day was held on 20 March 2002, with a participation of 42 staff members.

General Administration

In early 2002, the inspectorate team moved from the office at Asia Standard Tower to the International Finance Centre. The entire organization has since been housed under one roof.

During the year, an exercise was carried out to ensure office security of the MPFA. Possible risks that the organization may encounter were defined, and the impact of the risks on various Divisions and Departments was identified. Recovery plans and business continuity plans to meet contingencies are now being developed.

Financial Control

In order to strengthen financial control, the MPFA enhanced the existing financial information system and the management information database for financial and management reporting purposes. The commitment module and the enhancement of the receipt module have been successfully implemented during the year.

The policies on procurement of goods and services for the organization have been reviewed. A Procurement Policies and Procedures Manual has been compiled to document the policies and procedures for procurement activities and to give guidance to staff in carrying out such activities.

A consultancy study was commissioned in the last financial year (2000-01) for identification of risks in the Financial Control and Treasury Departments' policies and procedures. The MPFA implemented appropriate checks and controls during the year in accordance with the recommendations of the study. Checks and controls within the Financial Control Department as well as those in core business operations, including cheque receipt and remittance advice functions for ORSO operations, have been put in place.

Treasury

Checks and controls were implemented under the treasury functions, including cross-department compliance checking and revised dealing limits. The investment strategies for the Capital Grant and the Compensation Fund were regularly reviewed, and the services and performance of the master custodian and the two external fund managers appointed to safe-keep and manage the MPFA's assets were closely monitored.

In previous years, the \$5 billion Capital Grant and the \$600 million Compensation Fund seed money were mainly deposited with the Hong Kong Monetary Authority. A small portion of the Capital Grant was also invested in the Tracker Fund. Towards the end of the last financial year, a bond portfolio was introduced for the Capital Grant via external fund management. During the reporting year, the bond portfolio of the Capital Grant was enlarged and a bond portfolio for the Compensation Fund was introduced via in-house investment management.

Information Technology

INFORMATION MANAGEMENT SYSTEM

The final phase of the Information Management System (IMS) was delivered in October 2001. The IMS facilitates the efficient processing of applications submitted by service providers for registration of MPF trustees, schemes, intermediaries and investment funds, and assists in the management and monitoring of enrolment and compliance.

A result of the hard work and collaboration between MPFA staff and the project contractor staff, the IMS also owes its smooth launch to the valuable advice and close monitoring of the IMS Committee. This Committee was headed personally by the Chairman and consisted of external information technology experts. The membership list of the IMS Committee is at Appendix 1. Having discharged its functions in full, the Committee was disbanded in March 2002.

The IMS has been enhanced during the year to enable submission of returns and other reports from trustees through dedicated electronic networks. Ancillary systems were developed to improve the efficiency of default contribution handling. After delivery of the entire IMS, an in-house IMS maintenance team was set up to acquire the skills and knowledge for maintaining the system. A post-implementation review of IMS has also started since early 2002 with a view to further refining the system.

In order to ensure business continuity in case of system failure and to contain associated operational risks, two disaster recovery drills had been conducted. In the drills, it had been demonstrated that the disaster recovery procedures could be performed satisfactorily with no major problem encountered.

OTHER INFORMATION TECHNOLOGY SYSTEMS

A number of information technology systems were developed in-house to facilitate the rendering of various supporting services. The Human Resources Information System (HRIS) was developed and implemented to assist in the discharge of human resources functions. The Investigation Handling System (IHS) was developed to ensure the security and efficiency of processing complaint case files and enforcement. The Executive Information Assistant (EIA) system was developed to facilitate the sharing of information among management staff.

Several systems were enhanced, including the Enquiries Handling System, the Complaints Handling System and the existing financial information system.

Corporate Affairs

The Management Board held eight meetings during the year, whereas MPF Schemes Advisory Committee and Industry Schemes Committee met two and four times respectively. The numbers of meetings held by the Administration Committee, Finance Committee and Guidelines Committee were three, six and two respectively during the year. The members of the Management Board and most members of the MPF Schemes Advisory Committee were reappointed in September 2001 for a further term of two years.

As a public body, the MPFA attaches great importance to complying with laws applicable to an organization, such as those relating to intellectual property, electronic transaction and personal data privacy. During the year, the MPFA followed closely the development of the related legislation and took steps to ensure compliance.

With the rapid growth in the volume of records of the organization, there is a pressing need to develop a set of policies for the management of documents and files. A study has been started during the year on the management of corporate records and will be extended to other types of records in the coming year.

In view of the continuous growth of its library collection and the development of research needs in the organization, the MPFA has acquired an automated library system in order to enhance the efficiency and effectiveness of library management and operation.



MPFA staff supporting the Community Chest Dress Casual Day 2001

Management Review and Internal Audit

With the help of an external consultant, financial control and treasury operations have been reviewed. Internally, a total of six management reviews were conducted in a number of areas, including records management, procurement policies and procedures, and corruption risks in default contribution handling by the Complaints and Investigation Department, with a view to enhancing efficiency and effectiveness and reducing risk. Plans were in place to establish the internal audit function and conduct internal audits of financial control operations and treasury functions.

Legal Support

Since the launch of the MPF System in late 2000, the in-house Legal Department has been heavily engaged in supporting the MPFA's enforcement actions. It provided legal advice to MPFA's inspectors, and liaised closely with the Police and the Department of Justice in handling prosecution cases. It gave advice and contributed to each investigation report before it was dispatched to the Department of Justice for further action.

During the comprehensive review of the MPF legislation, in-house legal support was provided in the form of advice on the legal aspects of proposed legislative amendments.

The Legal Department also advised on all legal issues affecting the MPFA, including internal governance, employment and commercial issues.



Extra Safe Landing Becky Yeung, aged 5

Bespectacled, Becky sees to it that there are as many parachutes as possible to protect her for a safe and secure landing.



Hong Kong's experience in practising the multi-pillar arrangement for old age security advocated by World Bank has been of interest to financial regulators, social agencies, and government and non-government organizations of various countries. During the year, the MPFA received a number of visitors from overseas and the Mainland, exchanging views as well as sharing experiences with them. Our representatives also participated in several international conferences. Highlights of these activities are given below.

2001

External Relations

23 May

Deputy Managing Director received Mrs Mary Francis, Director General of the Association of British Insurers and gave a briefing to her on MPF.

12 July

Chief Operating Officer (Compliance) briefed a delegation of the People's Bank of China on MPF issues.

31 July

Executive Director (Policy & Development) briefed Mr Norbert von Hofmann, Head of China Desk, International Department, Friedrich-Ebert-Stiftung of Germany on the MPF System.

28 August

Executive Director (Policy & Development) met representatives of the Korea Deposit Insurance Corporation and briefed them on MPF operations.

25-26 October

Chief Operating Officer (Compliance) attended the "Workshop on Occupational Pensions in China" held in Beijing and spoke on the supervisory structure of provident fund schemes in Hong Kong.

14 November

Executive Director (Policy & Development) received a delegation of the Thai Fiscal Policy Office.



Exchanging views with delegates of the Thai Ministry of Finance

2002

23-25 January

Chief Operating Officer (Compliance) attended the 2002 Winter Roundtable Meeting organized by the Pacific Pension Institute in the United States.

29 January

Executive Director (Policy & Development) exchanged views with Prof Joseph Fong and Dr c Y Cho from Taiwan.

30 January

Chief Operating Officer (Compliance) gave a briefing to Mr Qi Bin of the China Securities Regulatory Commission on the MPF System.

4-6 March

Chief Operating Officer (Corporate Affairs) attended the "Workshop on pension reform issues" held in Australia.



Visitors from the People's Bank of China



Extra Protection Maxwell Chan, aged 5

*It's so warm and snug wearing a raincoat under an umbrella.
With the double protection, Maxwell knows he and his family will
never get wet or be left out in the cold.*



Financial Statements

Mandatory Provident Fund Schemes Authority

- 54. Auditors' Report
- 55. Income and Expenditure Account
- 56. Balance Sheet
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Mandatory Provident Fund Schemes Compensation Fund

- 66. Auditors' Report
- 67. Income and Expenditure Account
- 68. Balance Sheet
- 69. Cash Flow Statement
- 70. Notes to the Financial Statements

We have audited the financial statements on pages 55 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the MPFA and the auditors

The Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) requires the MPFA to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the MPFA in the preparation of the financial statements, and of whether the accounting policies are appropriate to the MPFA’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the MPFA’s affairs as at 31 March 2002 and of its deficit and cash flows for the year then ended, and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong.

Deloitte Touche Tohmatsu
18 June 2002

Auditors’ Report

to the Mandatory Provident
Fund Schemes Authority
 (“the MPFA”)

*Established in Hong Kong
under the Mandatory Provident
Fund Schemes Ordinance*

**Income and
Expenditure Account**
*for the year ended
31 March 2002*

	Notes	2002 HK\$	2001 HK\$
Income			
Fee income		11,672,150	23,452,210
Interest income on bank deposits		111,540,910	291,364,370
Net investment income (loss)	4	103,008,589	(72,063,008)
		226,221,649	242,753,572
Other income		26,240	166,909
		226,247,889	242,920,481
Expenditure			
Staff and related expenses		160,969,595	165,508,867
Depreciation		22,395,341	12,715,467
Premises expenses		25,640,748	23,804,226
Public education and publicity expenses		12,103,404	53,937,066
Other operating expenses		23,263,667	26,049,921
		244,372,755	282,015,547
Deficit for the year	6	(18,124,866)	(39,095,066)
Surplus brought forward		245,677,329	284,772,395
Surplus carried forward		227,552,463	245,677,329

There were no recognised gains or losses other than the deficit for the year.

	Notes	2002 HK\$	2001 HK\$
Assets			
Property and equipment	7	50,505,038	53,424,266
Projects in progress	8	89,250	403,198
Investments in securities	9	2,442,035,977	1,192,113,410
Debtors, deposits and prepayments		9,408,968	26,517,623
Interest receivable		43,686,263	27,692,314
Bank balances and cash	10	2,737,176,000	3,978,488,955
		5,282,901,496	5,278,639,766
Liabilities			
Creditors and accrued charges		49,871,833	27,588,387
Fees received in advance		5,477,200	5,374,050
		55,349,033	32,962,437
Net assets		5,227,552,463	5,245,677,329
Capital grant	11	5,000,000,000	5,000,000,000
Income and expenditure account		227,552,463	245,677,329
		5,227,552,463	5,245,677,329

The financial statements on pages 55 to 65 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 18 June 2002 and are signed on its behalf by:

RAFAEL HUI
Managing Director

Cash Flow Statement
for the year ended
31 March 2002

	Notes	2002 HK\$	2001 HK\$
Net cash outflow from operating activities	12	(176,891,986)	(248,335,086)
Returns on investments and servicing of finance			
Dividend income		5,780,000	5,949,500
Interest received		213,422,778	332,181,887
Net cash inflow from returns on investments and servicing of finance		219,202,778	338,131,387
Investing activities			
Proceeds from disposal of property and equipment		115,786	–
Proceeds from disposal of investments in securities		1,952,918,227	239,793,672
Payment of property and equipment		(13,169,738)	(38,131,723)
Purchases of investments in securities		(3,223,488,022)	(1,213,427,587)
Decrease (increase) in deposits with banks maturing more than three months from date of deposit		702,400,000	(2,186,000,000)
Net cash outflow from investing activities		(581,223,747)	(3,197,765,638)
Decrease in cash and cash equivalents		(538,912,955)	(3,107,969,337)
Cash and cash equivalents brought forward		1,792,488,955	4,900,458,292
Cash and cash equivalents carried forward	13	1,253,576,000	1,792,488,955

**Notes to the
Financial Statements**

*for the year ended
31 March 2002*

1. Background and functions of the Mandatory Provident Fund Schemes Authority (“the MPFA”)

The MPFA was established under section 6 of the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the Ordinance”) which came into effect on 24 July 1998. The functions of the MPFA are stated under section 6E of the Ordinance.

2. Adoption of statements of standard accounting practice

In the current year, the MPFA has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants.

SSAP 9 (Revised)	Events after the Balance Sheet Date
SSAP 14 (Revised)	Leases
SSAP 28	Provisions, Contingent Liabilities and Contingent Assets
SSAP 31	Impairment of Assets

Other than SSAP 14 (Revised) “Leases” as set out below, the adoption of these new and revised SSAPs has not resulted in any changes to the MPFA’s accounting policies that have affected the amounts reported for the current or prior years.

SSAP 14 (Revised) “Leases” has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the MPFA’s leasing arrangements. These changes have no effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for all of the MPFA’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

REVENUE RECOGNITION

Fee income consists of application fees and annual fees arising from the Occupational Retirement Schemes Ordinance schemes and Mandatory Provident Fund schemes and is accounted for on an accrual basis.

Interest income on bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Interest income on investments in securities is recognised on a time basis by reference to the principal outstanding and at the coupon rate applicable.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established.

Realised gains and losses on investments in securities are recognised when a sales and purchase contract is entered into.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property and equipment over their estimated useful lives after taking into account their estimated residual value, using the straight-line method, as follows:

Leasehold improvements	Over the remaining terms of the leases or 4 years whichever is shorter
Computer equipment and software	3-4 years
Office equipment and furniture	4 years
Motor vehicles	4 years

The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income and expenditure account.

IMPAIRMENT

At each balance sheet date, the MPFA reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

INVESTMENTS IN SECURITIES

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the MPFA has the expressed intention and ability to hold to maturity are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of

the instrument so that the revenue recognised in each period represents a consistent yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the income and expenditure account.

OPERATING LEASES

Rentals under operating leases are charged to the income and expenditure account on a straight-line basis over the relevant lease term.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

4. Net investment income (loss)

	2002 HK\$	2001 HK\$
Interest income on investments in securities	117,875,817	157,997
Amortisation of premium/discount on held-to-maturity securities	(3,149,067)	–
	114,726,750	157,997
Dividends from investments in securities	5,780,000	5,949,500
Net realised gain on disposal of investments in securities	15,573,056	212,842
Net unrealised loss on investments in securities	(33,071,217)	(78,383,347)
	103,008,589	(72,063,008)

5. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the MPFA is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

6. Deficit for the year

Deficit for the year has been arrived at after charging:

	2002	2001
	HK\$	HK\$
Auditors' remuneration	83,000	125,600
Depreciation	22,395,341	12,715,467
Loss on disposal of property and equipment	28,787	24,492
Operating lease charges - property rentals	17,781,017	16,375,005
Staff costs		
<i>Directors' emoluments</i>		
- fee	–	–
- other emoluments	19,721,788	15,608,238
<i>Salaries, variable pay and other allowances</i>	127,535,661	135,070,037
<i>Retirement benefits</i>	7,773,998	9,287,170
	155,031,447	159,965,445

Directors' emoluments include salary, employer's MPF contributions and variable pay. The Managing Director's emoluments fell within these ranges:

	2002	2001
		(Note 1)
HK\$3,500,001 to HK\$4,000,000	–	1
HK\$5,000,001 to HK\$5,500,000	1	–

The other 4 Directors' emoluments fell within these ranges:

	2002	2001
	Number of directors	Number of directors
HK\$2,000,001 to HK\$2,500,000	–	1
		(Note 2)
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	3	3
HK\$3,500,001 to HK\$4,000,000	1	–

Note 1: Joined the MPFA on 7 June 2000.

Note 2: Joined the MPFA on 13 June 2000.

7. Property and equipment

Notes to the
Financial Statements
continued

	Leasehold improvements HK\$	Computer equipment and software HK\$	Office equipment and furniture HK\$	Motor vehicles HK\$	Total HK\$
COST					
At 1 April 2001	23,252,099	38,516,532	7,723,224	1,362,901	70,854,756
Additions	1,733,244	17,163,632	723,810	–	19,620,686
Disposals	–	–	(77,572)	(282,099)	(359,671)
At 31 March 2002	24,985,343	55,680,164	8,369,462	1,080,802	90,115,771
ACCUMULATED DEPRECIATION					
At 1 April 2001	7,063,771	8,075,152	1,892,403	399,164	17,430,490
Charge for the year	7,894,565	12,230,471	1,929,580	340,725	22,395,341
Eliminated on disposals	–	–	(38,786)	(176,312)	(215,098)
At 31 March 2002	14,958,336	20,305,623	3,783,197	563,577	39,610,733
NET BOOK VALUES					
At 31 March 2002	10,027,007	35,374,541	4,586,265	517,225	50,505,038
At 31 March 2001	16,188,328	30,441,380	5,830,821	963,737	53,424,266

8. Projects in progress

Projects in progress consist of capital project expenditure in respect of IT systems not completed at 31 March 2002 of HK\$89,250 (2001: HK\$403,198).

9. Investments in securities

	Held to maturity securities		Other investments		Total	
	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed	–	–	190,400,000	219,300,000	190,400,000	219,300,000
Debt securities:						
Listed	79,317,781	–	1,072,435,764	300,594,150	1,151,753,545	300,594,150
Unlisted	418,303,103	–	681,579,329	672,219,260	1,099,882,432	672,219,260
	497,620,884	–	1,754,015,093	972,813,410	2,251,635,977	972,813,410
Total:						
Listed	79,317,781	–	1,262,835,764	519,894,150	1,342,153,545	519,894,150
Unlisted	418,303,103	–	681,579,329	672,219,260	1,099,882,432	672,219,260
	497,620,884	–	1,944,415,093	1,192,113,410	2,442,035,977	1,192,113,410
Market value of listed securities	80,554,700	–	1,262,835,764	522,242,327	1,343,390,464	522,242,327

10. Bank balances and cash

	2002 HK\$	2001 HK\$
Bank deposits maturing: <i>less than three months</i>	1,223,000,000	1,784,000,000
<i>more than three months</i>	1,483,600,000	2,186,000,000
Bank balances and cash	30,576,000	8,488,955
	<u>2,737,176,000</u>	<u>3,978,488,955</u>

11. Capital grant

On 3 April 1998 the Finance Committee of the Legislative Council of the Hong Kong Special Administrative Region approved a capital grant of HK\$5 billion as initial funding to cover the establishment and operating costs of the MPFA.

12. Reconciliation of deficit for the year to net cash outflow from operating activities

	2002 HK\$	2001 HK\$
Deficit for the year	(18,124,866)	(39,095,066)
Amortisation on held-to-maturity securities	3,149,067	–
Depreciation	22,395,341	12,715,467
Loss on disposal of property and equipment	28,787	24,492
Interest income on bank deposits	(111,540,910)	(291,364,370)
Interest income on investments in securities	(117,875,817)	(157,997)
Dividend income	(5,780,000)	(5,949,500)
Net realised gain on disposal of investments in securities	(15,573,056)	(212,842)
Net unrealised loss on investments in securities	33,071,217	78,383,347
Decrease (increase) in debtors, deposits and prepayments	17,108,655	(19,242,258)
Increase in creditors and accrued charges	16,146,446	11,549,591
Increase in fees received in advance	103,150	5,014,050
Net cash outflow from operating activities	<u>(176,891,986)</u>	<u>(248,335,086)</u>

13. Cash and cash equivalents

	2002 HK\$	2001 HK\$
Bank balances and cash	30,576,000	8,488,955
Bank deposits maturing less than three months from date of deposit	1,223,000,000	1,784,000,000
	1,253,576,000	1,792,488,955

14. Loans to directors and executives

There were no loans to directors or executives during the year and no loans were outstanding at the balance sheet date.

15. Capital commitments

At the balance sheet date, the MPFA had commitments for capital expenditure in respect of the acquisition of property and equipment:

	2002 HK\$	2001 HK\$
Contracted for but not provided for in the financial statements	2,261,614	16,260,281
Authorised but not contracted for	2,236,178	3,278,474
	4,497,792	19,538,755

16. Operating lease commitments

At the balance sheet date, the MPFA had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises as follows:

	2002 HK\$	2001 HK\$
Within one year	18,741,947	17,929,112
In the second to fifth year inclusive	20,455,497	39,197,444
	39,197,444	57,126,556

17. Mandatory Provident Fund Schemes Compensation Fund

Section 17 of the Ordinance requires the MPFA to establish a compensation fund and the MPFA may appoint an administrator for the compensation fund or where there is no such administrator, the MPFA must administer the compensation fund. In January 2001, MPFA was appointed as the administrator of the compensation fund until 31 March 2003. The Mandatory Provident Fund Schemes (General) Regulation requires the compensation fund to be maintained in separate bank accounts and separate financial statements are to be prepared in respect of the fund.

18. Comparative figures

In 2001, sundry receivables, interest receivable and bank balances held by the external investment fund manager were classified as investments in securities. During the current year, these balances have been included under the relevant balance sheet items.

Comparative figures of investments in securities, debtors, deposits and prepayments, interest receivable and bank balances and cash have been reclassified to conform with the current year's presentation.

Auditors' Report

to the Administrator of
the Mandatory Provident Fund
Schemes Compensation Fund
("the Fund")

*Established in Hong Kong
under the Mandatory Provident
Fund Schemes Ordinance*

We have audited the financial statements on pages 67 to 72 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of the administrator and auditors

The Mandatory Provident Fund Schemes Ordinance ("the Ordinance") requires the administrator to keep proper accounting records of the Fund and to prepare financial statements of the Fund which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the administrator in the preparation of the financial statements and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 31 March 2002 and of its surplus and cash flows for the year then ended and have been properly prepared in accordance with accounting principles generally accepted in Hong Kong.

Deloitte Touche Tohmatsu
18 June 2002

**Income
and Expenditure
Account**
*for the year ended
31 March 2002*

	Note	2002 HK\$	2001 HK\$
Income			
Levy fee		13,121,850	3,690,656
Interest income on bank deposits		20,812,990	39,672,385
Net investment income	3	7,860,771	–
		41,795,611	43,363,041
Expenditure			
Auditors' remuneration		40,000	37,000
Other operating expenses		46,238	6,750
		86,238	43,750
Surplus for the year		41,709,373	43,319,291
Surplus brought forward		81,192,048	37,872,757
Surplus carried forward		122,901,421	81,192,048

There were no recognised gains or losses other than the surplus for the year.

MPF Schemes
Compensation Fund

	Notes	2002 HK\$	2001 HK\$
Assets			
Investments in securities	5	177,529,310	–
Levy fee receivable		12,263,902	3,690,656
Interest receivable		8,554,588	11,770,024
Bank balances and cash	6	524,604,023	665,775,118
		722,951,823	681,235,798
Liabilities			
Creditors and accrued charges		50,402	43,750
		722,901,421	681,192,048
Net assets			
Compensation Fund			
Seed Money	7	600,000,000	600,000,000
Income and expenditure account			
		122,901,421	81,192,048
Compensation Fund			
		722,901,421	681,192,048

The financial statements on pages 67 to 72 were approved and authorised for issue by the Mandatory Provident Fund Schemes Authority on 18 June 2002 and signed on its behalf by:

RAFAEL HUI
Managing Director

Cash Flow Statement
for the year ended
31 March 2002

	Notes	2002 HK\$	2001 HK\$
Net cash inflow from operating activities	8	4,469,018	—
Cash inflow from returns on investments and servicing of finance			
Interest received		29,719,145	37,309,967
Investing activities			
Proceeds from disposal of investments in securities		103,056,500	—
Purchase of investments in securities		(278,415,758)	—
Decrease (increase) in deposits with banks maturing more than three months from date of deposit		95,760,000	(610,760,000)
Net cash outflow from investing activities		(79,599,258)	(610,760,000)
Decrease in cash and cash equivalents		(45,411,095)	(573,450,033)
Cash and cash equivalents brought forward		55,015,118	628,465,151
Cash and cash equivalents carried forward	9	9,604,023	55,015,118

**Notes to the
Financial Statements**
*for the year ended
31 March 2002*

1. Purpose and claim for payment

The Mandatory Provident Fund Schemes Compensation Fund (“the Fund”) is established for the purpose of compensating members of registered Mandatory Provident Fund schemes and other persons who have beneficial interests in those schemes for losses of accrued benefits that are attributable to misfeasance or illegal conduct committed by the approved trustees of those schemes or by other persons concerned with the administration of those schemes.

Application for compensation from the Fund has to be made to a court of law in accordance with the Hong Kong Mandatory Provident Fund Schemes Ordinance (“the Ordinance”). The administrator shall then make the compensation fund payment pursuant to the decisions of the court. During the year, the Mandatory Provident Fund Schemes Authority (“the MPFA”) was the administrator of the Fund. The MPFA has not charged any administration fee to the Fund during the year.

2. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

REVENUE RECOGNITION

Levy fee consists of fees charged to the approved trustees of registered Mandatory Provident Fund Schemes and is accounted for on an accrual basis.

Interest income on bank deposits is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Interest income on investments in securities is recognised on a time basis by reference to the principal outstanding and at the coupon rate applicable.

Realised gains and losses on investments in securities are recognised when a sales and purchase contract is entered into.

INVESTMENTS IN SECURITIES

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Fund has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a consistent yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the income and expenditure account.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

3. Net investment income

	2002 HK\$	2001 HK\$
Interest income on investments in securities	5,690,719	—
Net realised gain on disposal of investments in securities	1,653,500	—
Net unrealised gain on investments in securities	516,552	—
	7,860,771	—

4. Taxation

No provision for Hong Kong Profits Tax has been made in the financial statements as the Fund is exempt from Hong Kong Profits Tax under Section 88 of the Inland Revenue Ordinance.

5. Investments in securities

	2002 HK\$	2001 HK\$
Other investments:		
<i>Listed debt securities, at market value</i>	101,313,910	—
<i>Unlisted debt securities</i>	76,215,400	—
	177,529,310	—

6. Bank balances and cash

	2002 HK\$	2001 HK\$
Bank deposits maturing: <i>less than three months</i>	9,480,000	55,000,000
<i>more than three months</i>	515,000,000	610,760,000
Bank balances and cash	124,023	15,118
	524,604,023	665,775,118

7. Compensation fund seed money

On 12 March 1999, an amount of HK\$600 million was injected from the Government of the Hong Kong Special Administrative Region, as the seed money of the Fund.

8. Reconciliation of surplus for the year to net cash inflow from operating activities

	2002 HK\$	2001 HK\$
Surplus for the year	41,709,373	43,319,291
Interest income on bank deposits	(20,812,990)	(39,672,385)
Interest income on investments in securities	(5,690,719)	–
Net realised gain on disposals of investments in securities	(1,653,500)	–
Net unrealised gain on investments in securities	(516,552)	–
Increase in levy fee receivable	(8,573,246)	(3,690,656)
Increase in creditors and accrued charges	6,652	43,750
Net cash inflow from operating activities	4,469,018	–

9. Cash and cash equivalents

	2002 HK\$	2001 HK\$
Bank balances and cash	124,023	15,118
Bank deposits maturing less than three months from date of deposit	9,480,000	55,000,000
	9,604,023	55,015,118

Statistics

Appendices

- 74. (A) MPF Scheme Members
- 77. (B) MPF Products
- 80. (C) ORSO Schemes
- 84. (D) Enquiries and Complaints
- 87. (E) Enforcement

- 90. (1) Membership Lists of Boards and Committees
- 92. (2) Major Amendments Introduced in Mandatory Provident Fund Schemes (Amendment) Ordinance 2002
- 94. (3) Mandatory Provident Fund Schemes Ordinance and Subsidiary Legislation
- 96. (4) Occupational Retirement Schemes Ordinance and Subsidiary Legislation
- 97. (5) List of MPF Guidelines and Codes
- 100. (6) List of Circular Letters

- 101. (7) List of Approved MPF Trustees and Their Background
- 103. (8) List of Registered MPF Schemes and Constituent Funds
- 110. (9) List of Corporate Administrators who Administer Pooling Agreements for ORSO Schemes
- 111. (10) List of Major Public Education and Publicity Activities
- 113. (11) List of Campaign Media
- 114. (12) List of Articles Contributed to Newspaper Columns
- 116. (13) List of Major Staff Training Classes and Workshops
- 117. (14) Definition of Terms

Part A: MPF Scheme Members

1. The MPF Universe

A. Employers under the MPF System

Statistics

	'000
Number of main businesses ⁽¹⁾	303
Add	
<i>Number of owners' corporations with employee(s) which are not covered in the Central Register of Establishments (CRE)⁽²⁾</i>	3
<i>Number of employers engaged in other industries which are not covered in CRE</i>	3
Less	
<i>Number of business establishments with no employee⁽³⁾</i>	75
<i>Number of business establishments engaging exempt persons only</i>	6
Employers under the MPF System [*]	228

^{*} Figures may not sum up to the total due to rounding.

Sources:

(1) Estimation based on figures provided by Central Register of Establishments and the Survey of Employment and Vacancies, Census and Statistics Department

(2) Estimation based on figures provided by the Land Registry

(3) Estimation based on figures provided by the Census and Statistics Department

B. Relevant Employees under the MPF System

	'000
Number of employees (excluding employees aged below 18 or above 65) ⁽¹⁾	2 820
Less	
<i>Civil servants who are covered by the Civil Service Pension System</i> ⁽²⁾	172
<i>Teachers who are covered by the Grant Schools or Subsidized Schools Provident Fund</i> ⁽³⁾	39
<i>Employees who choose to remain as members of MPF Exempted ORSO schemes</i> ⁽⁴⁾	520
<i>Domestic employees</i> ⁽⁵⁾	204
<i>Expatriates who do not have the right of abode in Hong Kong and are covered by overseas retirement schemes or who work in Hong Kong for not more than 1 year</i> ⁽⁶⁾	45
<i>Employees who are employed for less than 60 days, excluding employees participating in Construction and Catering Industries</i> ⁽⁷⁾	32
Relevant Employees under the MPF System *	1 808

* Figures may not sum up to the total due to rounding.

Sources :

(1) General Household Survey, Census and Statistics Department

(2) Civil Service Bureau

(3) Treasury Department

(4) Figures reported by Employers of MPF Exempted ORSO Schemes

(5) General Household Survey, Census and Statistics Department

(6) Estimation based on figures provided by the Immigration Department

(7) Estimation based on figures provided by a special topic enquiry conducted via the General Household Survey in Q4 2000 by Census and Statistics Department

C. Self-employed Persons under the MPF System

	'000
Number of SEPs extracted from General Household Survey (excluding SEPs aged below 18 or above 65) ⁽¹⁾	358
Less	
<i>SEPs who are licensed hawkers</i> ⁽²⁾ (excluding licensed hawkers aged below 18 or above 65)	5
SEPs under the MPF System *	353

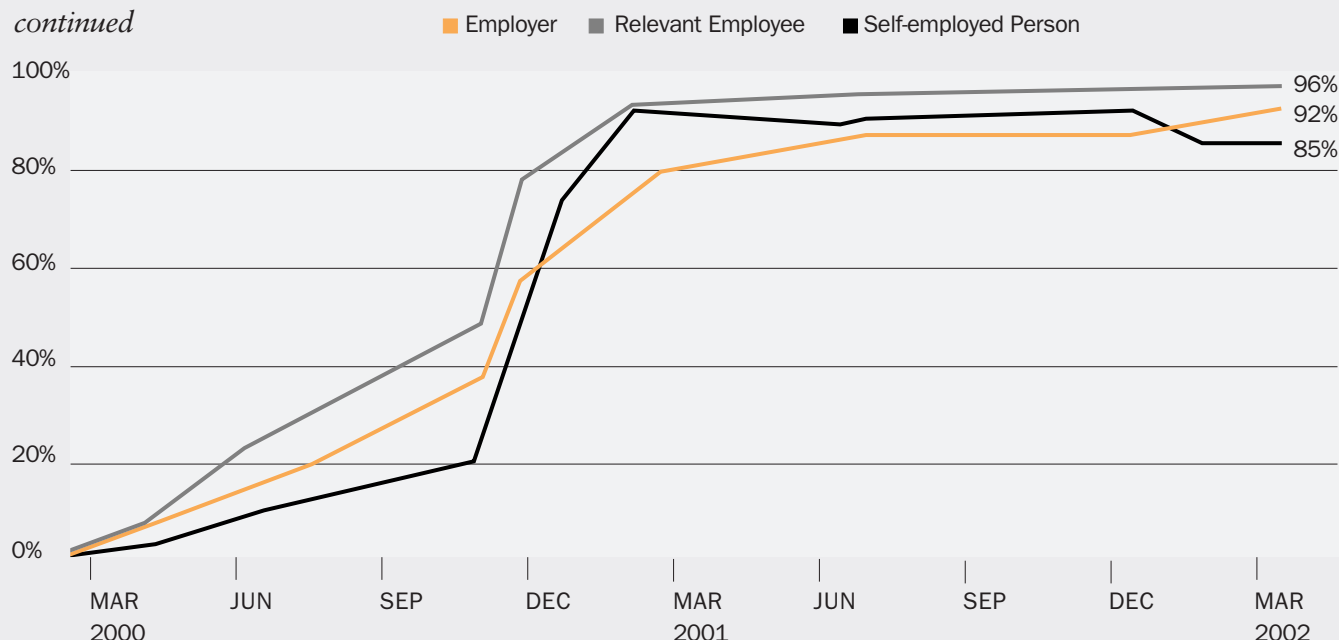
* Figures may not sum up to the total due to rounding.

Sources :

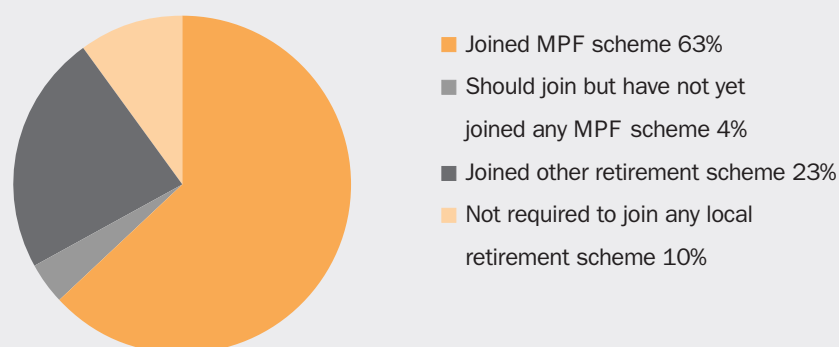
(1) SEPs under the MPF System include both “self-employed persons” and “employers” as defined in the Quarterly Report on General Household Survey, Census and Statistics Department

(2) General Household Survey, Census and Statistics Department

2. Enrolment in MPF Schemes



3. Employed Population by Type of Retirement Schemes Enrolled as at 31.3.2002



4. Enrolment Rates 1.4.2001-31.3.2002

As at	Employer		Relevant Employee		SEP	
	Participating Employers ⁽¹⁾ (‘000)	Enrolment Rate (%)	Participating Members ⁽¹⁾ (‘000)	Enrolment Rate (%)	Participating Members ⁽¹⁾ (‘000)	Enrolment Rate (%)
31.03.2001	198	82.4	1 664	91.4	292	89.6
30.06.2001	207	87.1	1 733	94.0	295	89.2
30.09.2001	209	87.8	1 739	94.4	300	90.8
31.12.2001	209	88.0	1 747	94.6	301	91.0
31.03.2002 ⁽²⁾	210	92.1	1 727	95.5	300	85.0

(1) As the MPF is an employment-based system, some employers and members may be participating in more than one scheme. Adjustments have been made for employers and members who are participating in more than one scheme in the same capacity.

(2) The overall enrolment rate of employers has increased. The change reflected slight growth of enrolled employers by 1 000, as well as the decrease in the universe of employers under the MPF system from 238 000 to 228 000 at the end of 2001. At the same time, the decrease in enrolment of SEPs was mainly due to an increase of the universe of SEPs from 330 000 to 353 000 people.

Part B: MPF Products

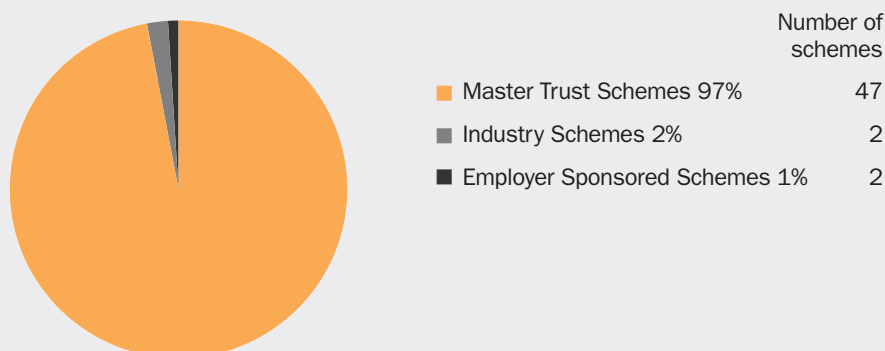
1. Net Asset Values⁽¹⁾ of MPF Schemes by Type

A. 1.4.2001–31.3.2002

As at	Type of MPF Schemes			Total*
	Master Trust Schemes	Industry Schemes	Employer Sponsored Schemes	
31.03.2001	15,534	106	54	15,694
30.06.2001	23,989	350	118	24,457
30.09.2001	27,612	508	162	28,282
31.12.2001	35,088	706	219	36,013
31.03.2002	40,965	886	274	42,125

* Figures may not sum up to the total due to rounding.

B. as at 31.3.2002



(1) As reported by trustees. Note that the figures include assets transferred from the ORSO schemes.

2. Net Asset Values⁽¹⁾ of Approved Constituent Funds by Type

A. 1.4.2001–31.3.2002

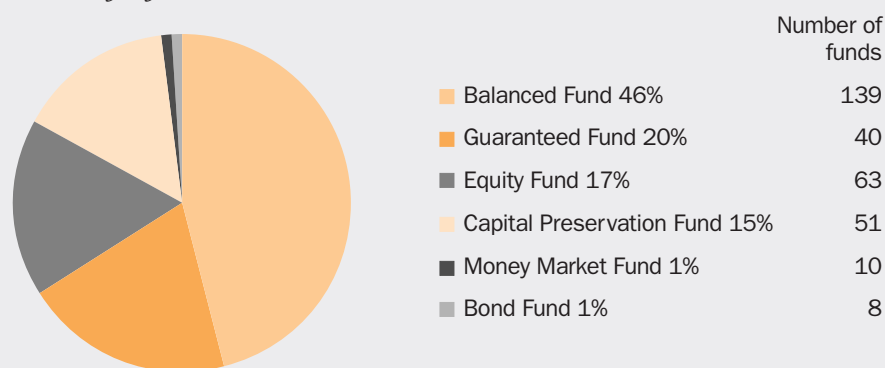
As at	Type of Approved Constituent Funds						Total*
	Capital Preservation Fund	Money Market Fund	Guaranteed Fund	Bond Fund	Balanced Fund	Equity Fund	
31.03.2001	2,201	313	3,536	107	7,155	2,382	15,694
30.06.2001	3,230	372	5,225	155	11,285	4,189	24,457
30.09.2001	4,287	419	6,160	197	12,823	4,395	28,282
31.12.2001	5,329	456	7,312	219	16,599	6,098	36,013
31.03.2002	6,291	497	8,273	245	19,589	7,230	42,125

* Figures may not sum up to the total due to rounding.

2. Net Asset Values⁽¹⁾ of Approved Constituent Funds by Type

continued

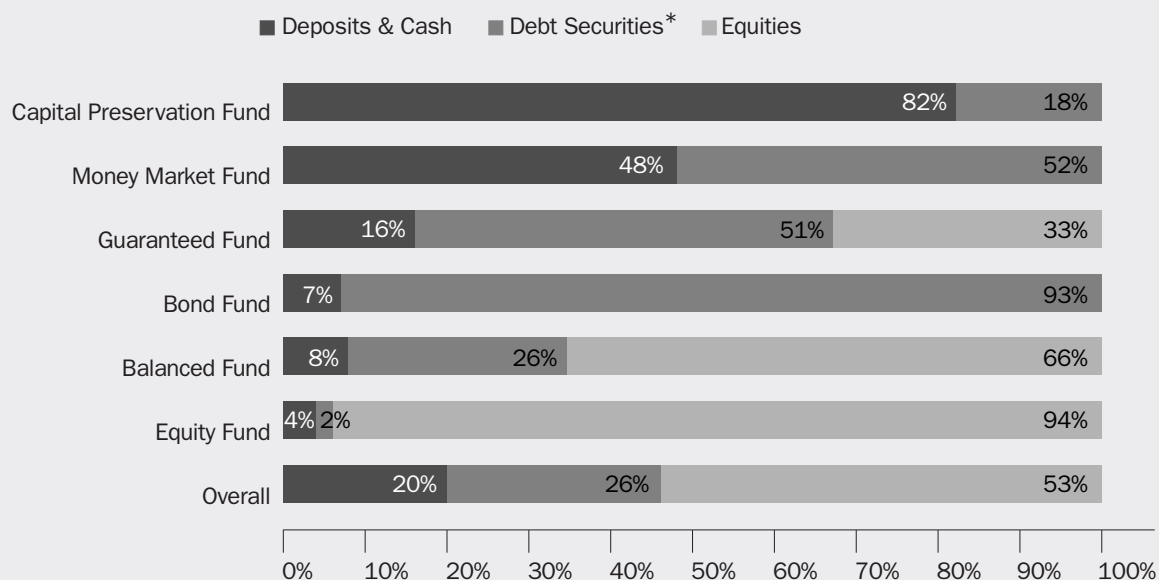
B. as at 31.3.2002



(1) As reported by trustees. Note that the figures include assets transferred from the ORSO schemes.

3. Asset Allocation of Approved Constituent Funds by Asset Class

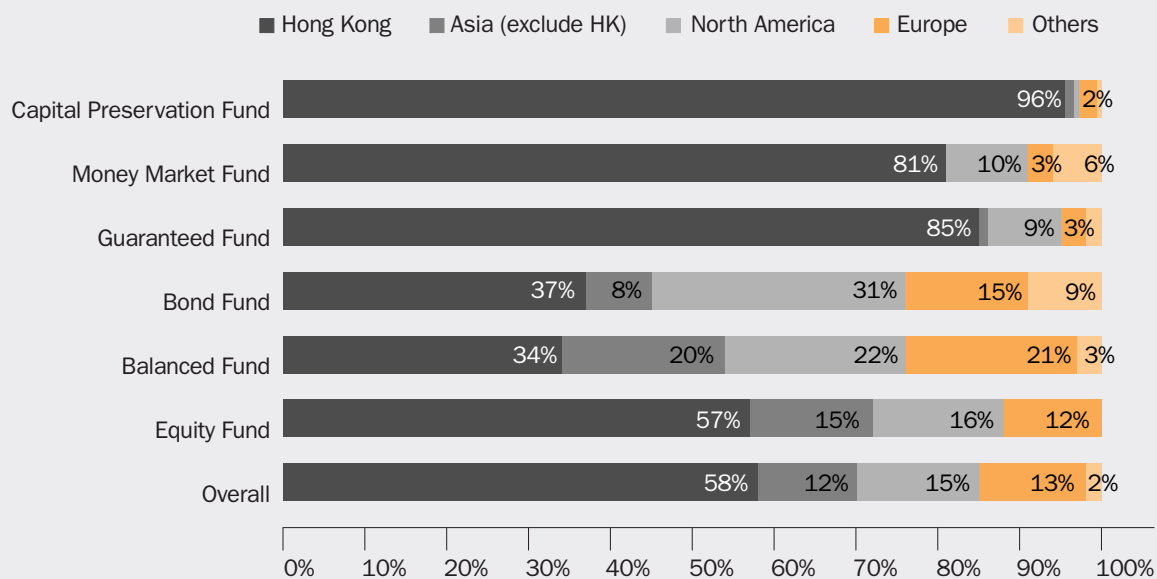
as at 31.3.2002



* Include convertible debt securities.

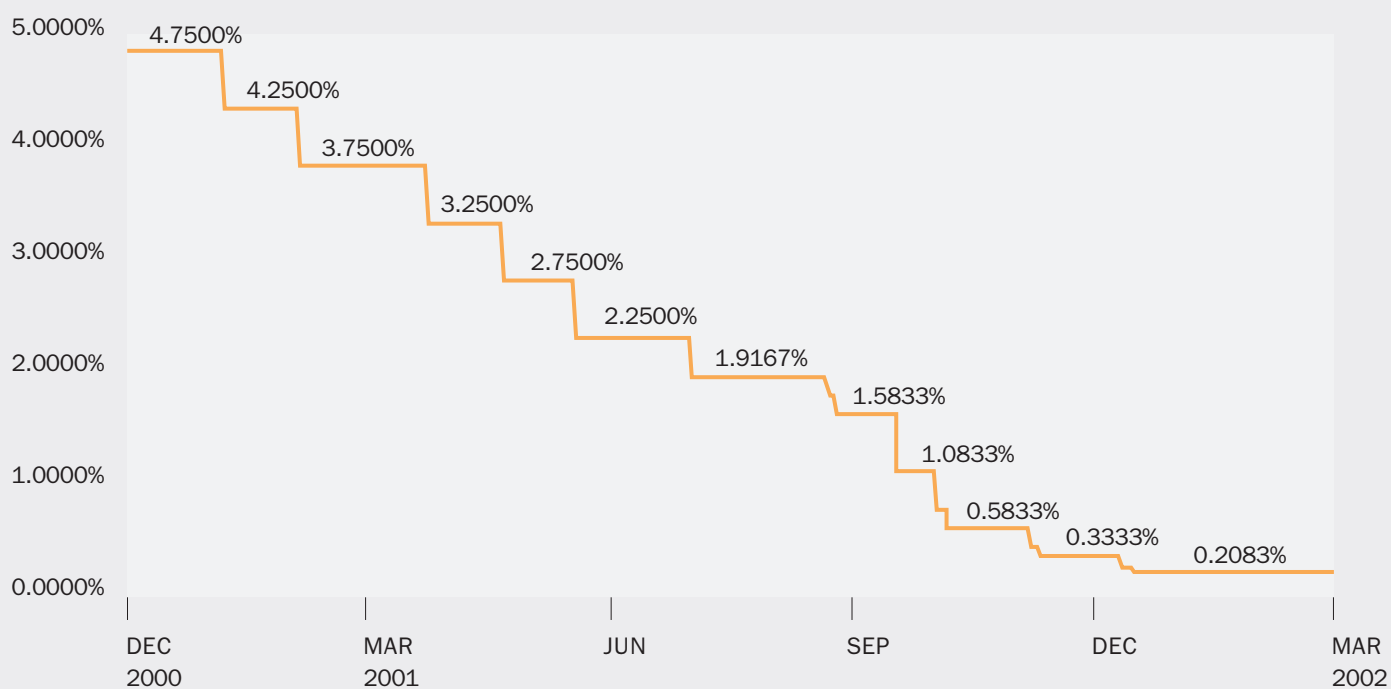
4. Asset Allocation of Approved Constituent Funds by Region*

as at 31.3.2002



* "Geographical Region" basically reflects the country of origin of the issuer of the investment.

5. Published Prescribed Savings Rates⁽¹⁾ 1.12.2000 – 31.3.2002

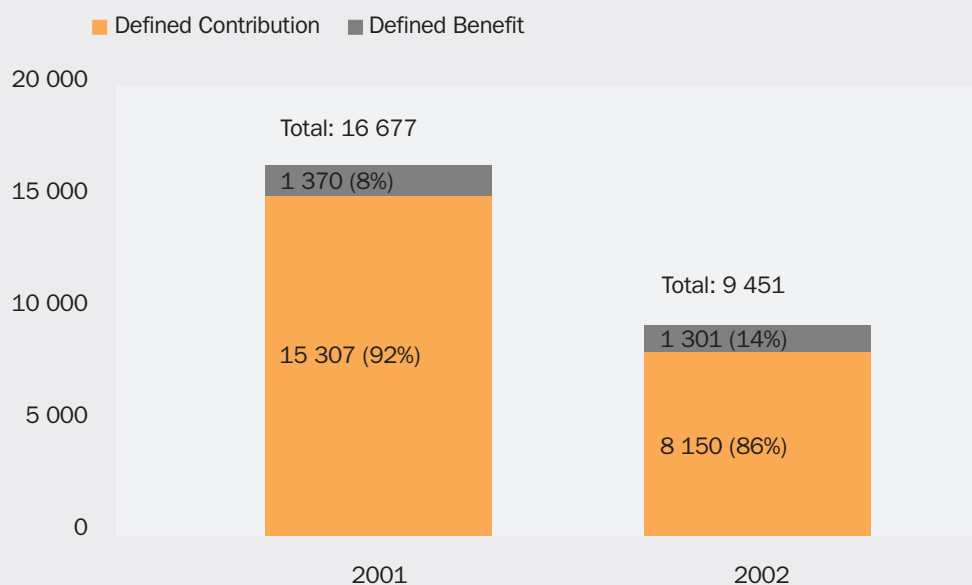


(1) The Prescribed Savings Rates are prescribed by the MPFA pursuant to section 37(8) of the Mandatory Provident Fund Schemes (General) Regulation for the operation of Capital Preservation Funds.

Part C: ORSO Schemes

ORSO Schemes

1. Number of ORSO Schemes (2 year comparison) – by Benefit Type



2. Number of ORSO Schemes as at 31.3.2002 – by Benefit Type

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	No. of schemes	%	No. of schemes	%	No. of schemes	%
Registered Scheme						
- MPF <i>exempted</i>	5 155	63	3 18	25	5 473	58
- Non-MPF <i>exempted</i>	1 945	24	44	3	1 989	21
	7 100	87	3 62	28	7 462	79
Exempted Scheme						
- MPF <i>exempted</i>	289	4	2 14	16	503	5
- Non-MPF <i>exempted</i>	761	9	725	56	1 486	16
	1 050	13	939	72	1 989	21
Total	8 150	100	1 301	100	9 451	100

MPF Exempted ORSO Schemes

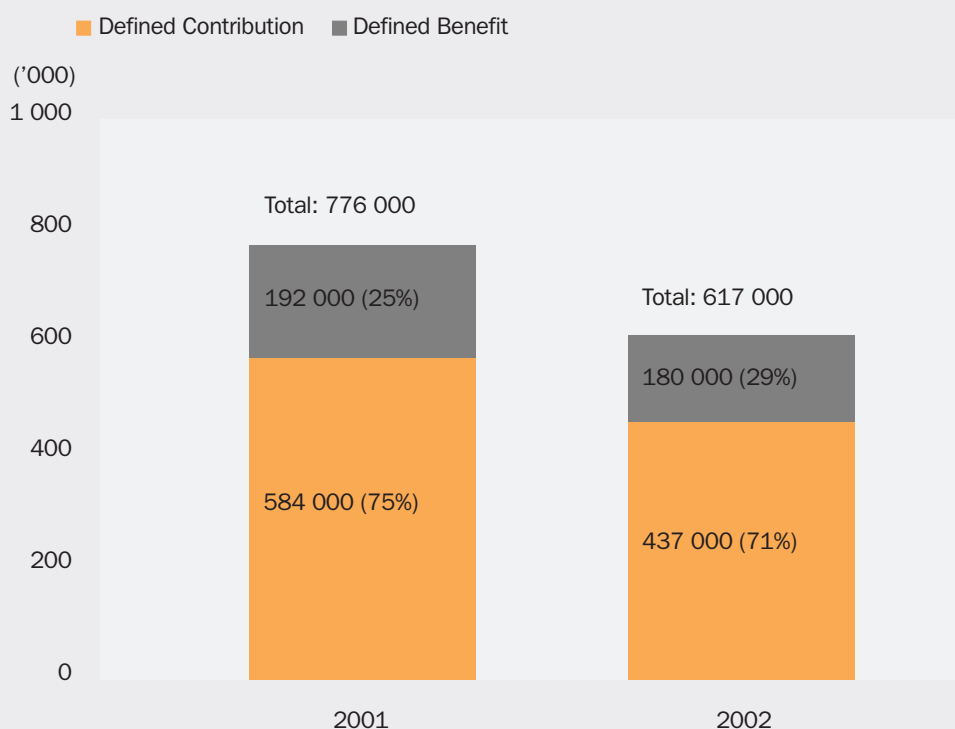
1. Number of MPF Exempted ORSO Schemes *as at 31.3.2002*

	ORSO Registered Schemes	ORSO Exempted Schemes	Total
(A) Number of MPF Exempted ORSO Schemes approved as at 31 March 2001	5 767	539	6 306
(B) Number of new applications approved during the period from 1 April 2001 to 31 March 2002 (Note)	15	0	15
(C) Number of withdrawals of MPF Exemption Certificates during the period from 1 April 2001 to 31 March 2002	309	36	345
(D) Number of MPF Exempted ORSO Schemes as at 31 March 2002 [i.e. (D) = (A) + (B) – (C)]	5 473	503	5 976

Note: This refers to the application for MPF exemption in respect of newly established ORSO registered schemes whereby all or a substantial portion of the members and assets of the schemes were transferred from one or more MPF exempted ORSO schemes as a result of scheme restructuring or bona fide business transactions.

ORSO Registered Schemes

1. Number of Members Covered by ORSO Registered Schemes
(2 year comparison) – by Benefit Type



2. Number of Members Covered by ORSO Registered Schemes
as at 31.3.2002 – by Benefit Type

Scheme Type	Benefit Type					
	Defined Contribution		Defined Benefit		Total	
	'000	%	'000	%	'000	%
MPF exempted	352	67	172	33	524	100
Non-MPF exempted	85	91	8	9	93	100
Total	437	71	180	29	617	100

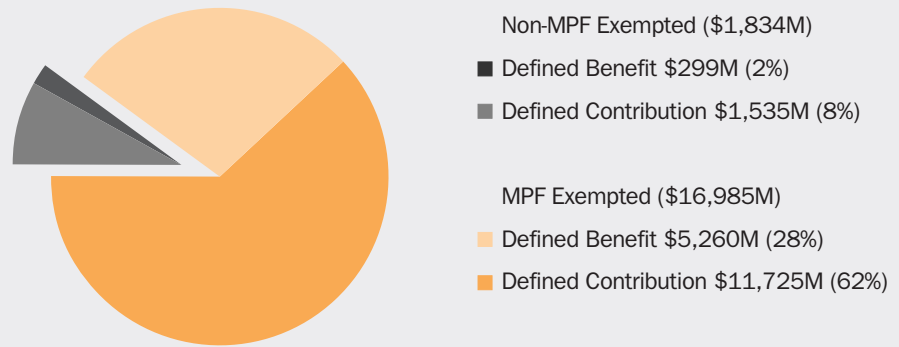
Contribution Amount

3. Contribution Amount to ORSO Registered Schemes – by Employers and Employees

	MPF Exempted HK\$ million	Non-MPF Exempted HK\$ million	Total HK\$ million
Employer's Contributions			
- Ordinary	12,456 (73%)	1,138 (62%)	13,594 (72%)
- Initial/Special	556 (3%)	58 (3%)	614 (3%)
Sub-total	13,012 (76%)	1,196 (65%)	14,208 (75%)
Employee's Contributions	3,973 (24%)	638 (35%)	4,611 (25%)
Total Contributions	16,985 (100%)	1,834 (100%)	18,819 (100%)

Source: The latest annual returns in respect of 7 316 ORSO registered schemes

4. Contribution Amount to ORSO Registered Schemes – by Benefit Type

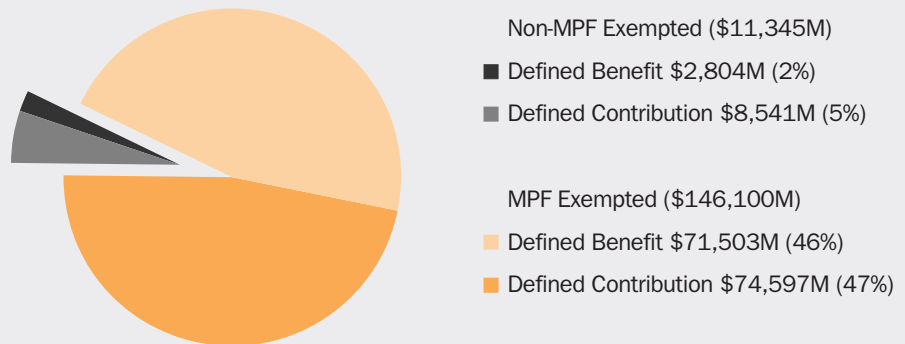


Contribution Amount: HK\$18,819 million

Source: The latest annual returns in respect of 7 316 ORSO registered schemes

Asset Size

5. Asset Size of ORSO Registered Schemes – by Benefit Type

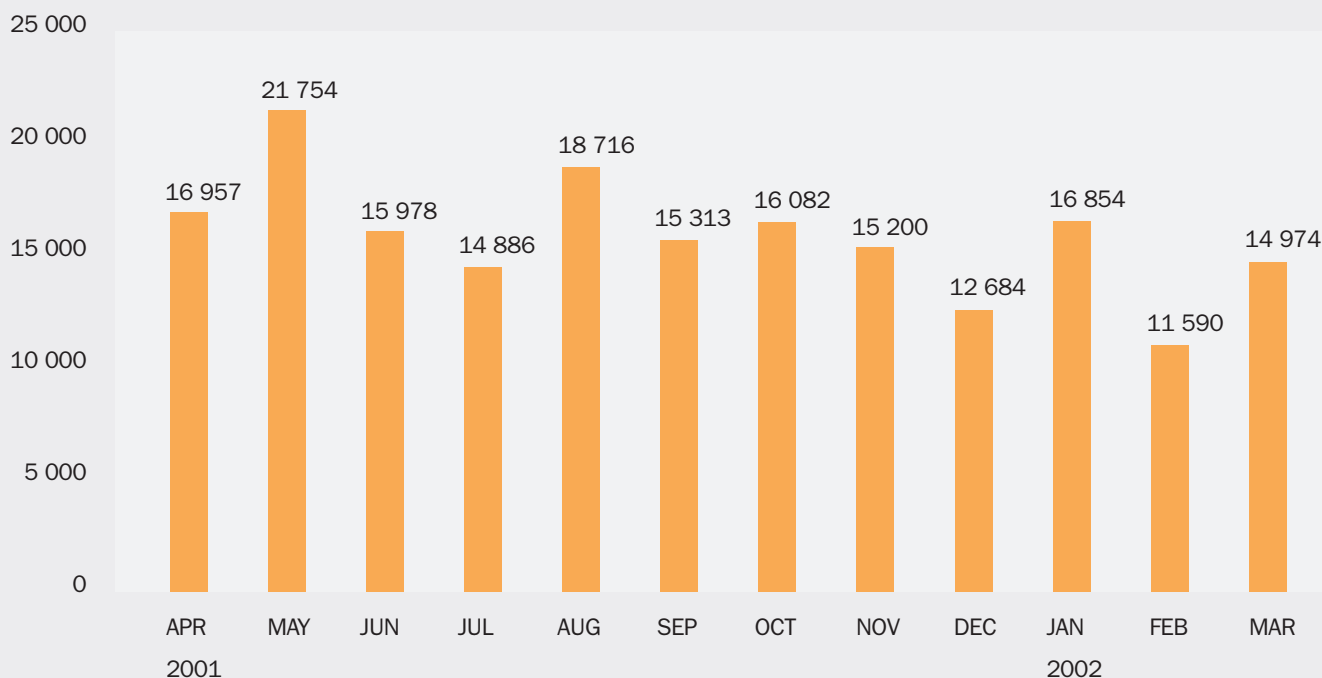


Asset Size: HK\$157,445 million

Source: The latest annual returns in respect of 7 316 ORSO registered schemes

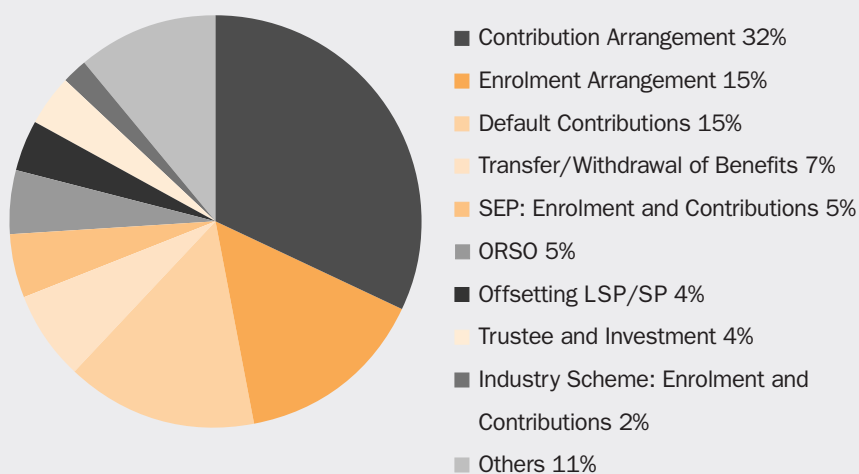
Part D: Enquiries and Complaints

1. Enquiries Received by Month I.4.2001-31.3.2002

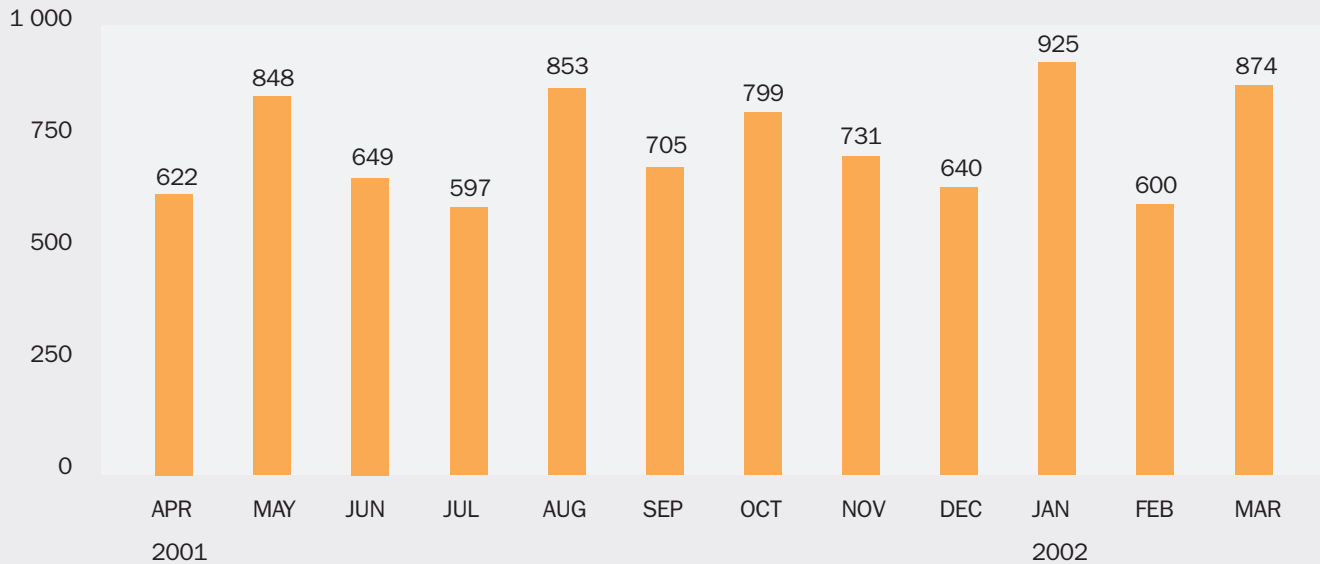


Mode of Enquiry	APR 2001	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2002	FEB	MAR	Total
Phone	16 738	21 506	15 729	14 681	18 476	15 131	15 852	14 970	12 517	16 667	11 432	14 777	188 467
Written	181	199	198	149	196	123	120	139	121	117	97	129	1 769
Walk-in	38	49	51	56	53	59	110	91	46	70	61	68	752
Total	16 957	21 754	15 978	14 886	18 716	15 313	16 082	15 200	12 684	16 854	11 590	14 974	190 988

2. Enquiries Received by Nature I.4.2001-31.3.2002

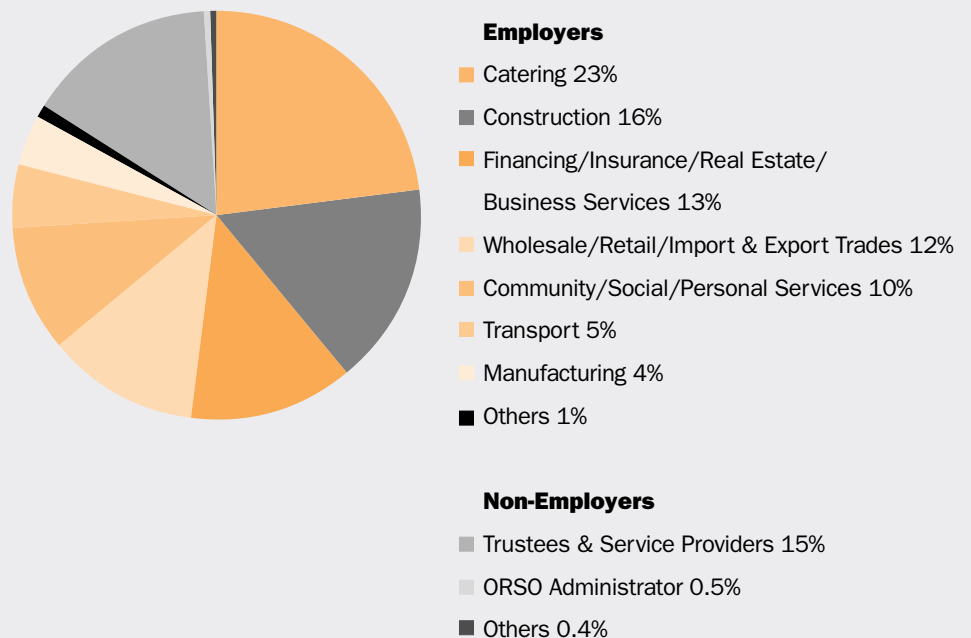


3. Complaints Received by Month I.4.2001-3I.3.2002

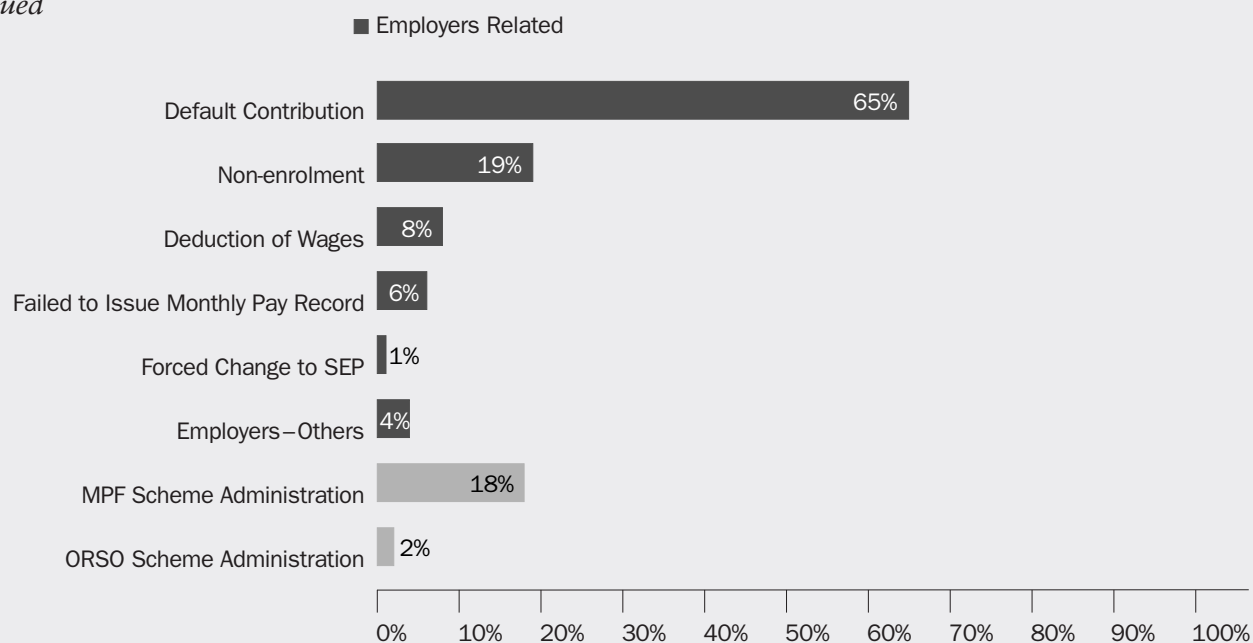


Mode of Complaint	APR 2001	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN 2002	FEB	MAR	Total
Phone	578	772	576	533	761	649	708	653	576	865	524	788	7 893
Written	14	38	39	28	42	26	25	24	25	29	15	28	333
Walk-in	30	38	34	36	50	30	66	54	39	31	61	58	527
Total	622	848	649	597	853	705	799	731	640	925	600	874	8 843

4. Complaints Received by Target I.4.2001-3I.3.2002



5. Complaints Received by Nature* I.4.2001-3I.3.2002



* Multiple selection of complaint categories allowed.

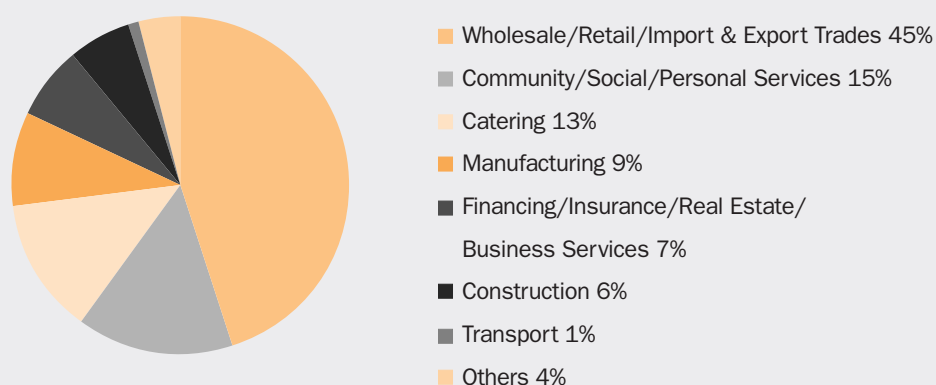
Part E: Enforcement

1. Proactive Inspection Carried out by District I.4.2001-3 I.3.2002

District	Number	%
Central & Western	189	5
Eastern	142	4
Islands	0	0
Kowloon City	34	1
Kwai Tsing	95	3
Kwun Tong	460	13
Northern	174	5
Sai Kung	133	4
Sha Tin	196	6
Sham Shui Po	415	12
Southern	75	2
Tai Po	309	9
Tsuen Wan	347	10
Tuen Mun	248	7
Wan Chai	38	1
Wong Tai Sin	77	2
Yau Tsim Mong	303	9
Yuen Long	321	9
Total	3 556	100

2. Proactive Inspections Carried out by Business Nature

I.4.2001-3 I.3.2002



3. Proactive Inspections Carried out by Results I.4.2001-3 I.3.2002

Inspection Results	Number	%
No further action required	3 115	87.6
Follow-up action required	441	12.4
<i>No further action required after investigation</i>	313	8.8
<i>Rectified</i>	36	1.0
<i>Investigation in progress</i>	92	2.6
Total	3 556	100.0

4. Number of Default Contribution Notices Issued

I.4.2001-3 I.3.2002

Month*	1st Notice @ 15% p.a.	2nd Notice @ 20% p.a.	Total
AUG 2001	9 495	0	9 495
SEP	7 899	2 134	10 033
OCT	9 599	7 338	16 937
NOV	17 619	5 132	22 751
DEC	6 771	6 771	13 542
JAN 2002	20 920	8 844	29 764
FEB	6 107	10 307	16 414
MAR	17 394	12 258	29 652
Total	95 804	52 784	148 588

* No default contribution notices were issued prior to Aug 2001.

5. Number of Investigation Cases by Type of Alleged Offences by Month I.4.2001-3 I.3.2002

Alleged Offences

Month	Reduction of Wages	Forced to change to SEP	Non- enrolment	Default contribution	Failed to issue Monthly Pay Record	Others	Total*
APR 2001	54	7	110	236	77	18	446
MAY	62	8	146	397	97	38	618
JUN	67	7	125	324	46	37	485
JUL	55	11	126	309	36	21	461
AUG	65	13	155	497	82	27	674
SEP	68	8	157	433	43	34	569
OCT	64	5	143	573	41	32	672
NOV	65	15	141	536	35	40	620
DEC	58	5	124	489	20	32	567
JAN 2002	50	2	176	710	18	32	779
FEB	33	2	118	487	10	29	531
MAR	49	1	170	775	14	28	822
Total	690	84	1 691	5 766	519	368	7 244

* As one case may be related to several types of alleged offences, figures may not sum up to the row total.

6. Number of Summons Applications Referred to the Police – by Nature of Offences Committed and by Results

1.4.2001–31.3.2002

Prosecution Status as at 31.3.2002

Nature of Offences	Guilty	Not Guilty	Not yet available	Withdrawn*	Total Number of Summonses Applied
Non-enrolment	48	1	19	7	75
<i>Employee/Self-employed Person dispute</i>	25	0	0	4	29
<i>Non-Enrolment of Employee</i>	23	1	19	3	46
Contributions in arrears	110	0	205	9	324
Making a false or misleading statement	7	0	0	1	8
Total	165	1	224	17	407

* Summonses could not be effectively served by Police or Bailiff, as defendants had moved away, closed, or became untraceable.

7. Number of Applications Lodged to Small Claims Tribunal and Liquidator 1.4.2001–31.3.2002*

	No.of Cases	Related no.of employees
Lodged to Small Claims Tribunal		
<i>Adjudicator ordered defendant to make payment and disbursement</i>	10	70
<i>Pending hearing</i>	11	40
Sub-total	21	110
Lodged to liquidator	22	538
Total	43	648

* The 1st application lodged to Small Claims Tribunal was on 18.10.2001 and the 1st application lodged to liquidator was on 20.11.2001.



Membership Lists of Boards and Committees as at 31 March 2002

Management Board

CHAIRMAN

The Hon Charles Lee Yeh-kwong, GBS, JP

DEPUTY CHAIRMAN

Mr Rafael Hui Si-yan, GBS, JP

MEMBERS

Dr the Hon David Li Kwok-po, GBS, JP

Dr the Hon Lui Ming-wah, JP

Mr Eddy Fong Ching, SBS, JP

Mr Lee Kai-ming, SBS, JP

Mr Robert Tang Ching, SC, JP

Ms Anna Wu Hung-yuk, SBS, JP

Mr Stephen S K Ip, GBS, JP

Mrs Fanny Law, JP

Mr Joseph Yam Chi-kwong, GBS, JP

Mr Alan Wong Chi-kong, JP
(until 30 June 2001)

Mrs Diana Chan Tong Chee-ching

Ms Hendena Yu

Mr Ernest Lee Shu-wing, BBS

Mr Darren McShane
(from 25 March 2002)

Mr Raymond Tam Wai-man

Mandatory Provident Fund Schemes Advisory Committee

CHAIRMAN

Prof Nelson Chow Wing-sun, SBS, JP

DEPUTY CHAIRMAN

Mr Rafael Hui Si-yan, GBS, JP

MEMBERS

The Hon David Chu Yu-lin, JP

The Hon Ng Leung-sing, JP

The Hon Chan Yuen-han, JP

The Hon Bernard Chan

The Hon Sin Chung-kai

Mr Desmond Chan Kwok-kit

Mr Ho Sai-chu, SBS, JP

Mr Victor Lo Chung-wing, GBS, JP
(until 29 September 2001)

Mr Danny Ngai Kam-fai
(from 30 September 2001)

Mr Poon Siu-ping, MH

Mr Peter Wong Hong-yuen, GBS, JP
(until 29 September 2001)

MPF Industry Schemes Committee

CHAIRMAN

Mr Lee Kai-ming, SBS, JP

MEMBERS

Mr Chan Chi-leung

Mr Chan Kay-cheung

Mr Chan Wai-lun

Mr Valiant Cheung Wai-lam

Mr Ho Sai-chu, SBS, JP

Mr Mok Kwok-wo

Mr Ngan Chun-hung

Mr Poon To-chuen, MH

Mr Stephen Siu Chi-fung
(until 1 January 2002)

Mr So Kim-hung

Mr Ernest Lee Shu-wing, BBS

Administration Committee

CHAIRMAN

Dr the Hon Lui Ming-wah, JP

MEMBERS

The Hon Charles Lee Yeh-kwong, GBS, JP

Mr Lee Kai-ming, SBS, JP

Mr Rafael Hui Si-yan, GBS, JP

Mr Alan Wong Chi-kong, JP
(until 30 June 2001)

Mrs Diana Chan Tong Chee-ching

Finance Committee

CHAIRMAN

Dr the Hon David Li Kwok-po, GBS, JP

MEMBERS

The Hon Charles Lee Yeh-kwong, GBS, JP

Mr Eddy Fong Ching, SBS, JP

Mr Joseph Yam Chi-kwong, GBS, JP

Mr Rafael Hui Si-yan, GBS, JP

Mr Alan Wong Chi-kong, JP
(until 30 June 2001)

Mrs Diana Chan Tong Chee-ching

Tender Board

CHAIRMAN

Ms Anna Wu Hung-yuk, SBS, JP

MEMBERS

Dr the Hon Lui Ming-wah, JP

Mr Lee Kai-ming, SBS, JP
(until August 2001)

Mrs Diana Chan Tong Chee-ching

Ms Henden Yu *

Mr Ernest Lee Shu-wing, BBS *

Mr Raymond Tam Wai-man *

* One of these executive directors
to attend relevant Tender Board meetings

Guidelines Committee

CHAIRMAN

Mr Robert Tang Ching, SC, JP

MEMBERS

Ms Anna Wu Hung-yuk, SBS, JP

Mr Duncan Abate

Mr Jonathan Hubbard

Mr Edward Lau Wan-kong

Mr Albert Li Kwok-ki

Mr Paul A Moore

Mr Douglas Naismith
(from 27 April 2001)

Ms Henden Yu

IMS Committee

(disbanded in March 2002)

CHAIRMAN

The Hon Charles Lee Yeh-kwong, GBS, JP

MEMBERS

Dr David Cheung Wai-lok

Mr Daniel Lai, JP

Mr Stephen Lau, JP

Mr Alan Wong Chi-kong, JP
(until 30 June 2001)

Mrs Diana Chan Tong Chee-ching

Ms Henden Yu

MPF Schemes Operation**Review Committee**

(established since August 2001)

CHAIRMAN

Mr Ronald Arculli, GBS, JP

EMPLOYEE REPRESENTATIVES

Mr Lee Kai-ming, SBS, JP

Mr Ting Kam Yuen

Ms Cheung Lai Ha

EMPLOYER REPRESENTATIVES

Ms Mary Tung Wai-mun

Mr Lai Kam Tong

MPF INDUSTRY

REPRESENTATIVES

Mr Nick Crouch

Mr Mark Bain

Mr Edward Lau Wan-kong

Mr Douglas Naismith

Mr Duncan Abate

HKSAR GOVERNMENT

Miss Susie Ho Suk-ye, JP

Mrs Jennie Chor Chan Chui-yuk, JP

MPFA

Mr Lee Kai-ming, SBS, JP

Mrs Diana Chan Tong Chee-ching

Mr Raymond Tam Wai-man

Mandatory Provident Fund Schemes**Appeal Board**

CHAIRMAN

Mr Patrick Fung Pak-tung, SC

DEPUTY CHAIRMAN

Mrs Angelina Lee Wong Pui-ling, JP

PANEL MEMBERS

Mr Edward Cheng Wai-sun

Prof Fan Yiu-kwan

Mr Joseph P Fok, SC

Mr Philip Hilliard

Dr Francis Lui Ting-ming

Mr So Wai-keung

Mr Anthony Tyen Kan-hee

Mr Roderick Woo Bun, JP

Occupational Retirement Schemes**Appeal Board**

CHAIRMAN

Mr Patrick Fung Pak-tung, SC

DEPUTY CHAIRMAN

Mrs Angelina Lee Wong Pui-ling, JP

PANEL MEMBERS

Mr Desmond Chan Kwok-kit

Mr Philip Hilliard

Mr Shiu Wai-kwok

Mr So Wai-keung

Mr Paul Tan Chuen-yan

Mr Anthony Tyen Kan-hee

Major Amendments Introduced in Mandatory Provident Fund Schemes (Amendment) Ordinance 2002

Enacted on 6 February 2002

A. Enhance protection for scheme members

- I. Clarify MPFA's power to impose additional conditions on approved trustees or amend existing conditions
- II. Clarify MPFA's power to impose or amend conditions for scheme registration
- III. Clarify MPFA's power to impose additional conditions for an approved pooled investment fund
- IV. Provide for a regulation making power to require the guarantor of an approved pooled investment fund to maintain adequate reserves so as to provide investment guarantee
- V. Clarify the meaning of the "six-month period" whereby payment of accrued benefits derived from voluntary contribution is allowed when the employer of an employee fails to make a required voluntary contribution
- VI. Allow flexibility for MPFA to issue further notices to the defaulting employer and self-employed person and levy contribution surcharge after the second payment period

B. Enhance MPFA's operation and regulation of the MPF System

- I. State MPFA's specific functions of (A) considering and proposing reforms of the law relating to occupational retirement schemes or provident fund schemes, and (B) promoting and encouraging the development of the retirement schemes industry in Hong Kong, including the adoption of a high standard of conduct and sound prudent business practices by trustees and other service providers
- II. Allow MPFA to borrow money temporarily
- III. Empower MPFA to de-register a registered scheme upon application from the relevant trustee, provided that the scheme has no scheme members, no scheme assets, and no liabilities
- IV. Provide an express power for MPFA to approve offering documents of MPF schemes and streamline the approval of participation agreements

C. Clarifications and removal of anomalies

- I. Amend the definition of "master trust scheme" and "employer sponsored scheme" such that their membership will be open to (A) a person who has benefits transferred from an ORSO scheme, and (B) an employee below the age of 18, or of or above the retirement age for the purpose of making voluntary contributions
- II. Amend the definition of the contribution day applicable to a casual employee in an industry scheme such that it means either the 10th day after the last day of the relevant contribution period, or the next working day (other than a Saturday) immediately subsequent to the payment of the relevant income
- III. Extend the exemption period for expatriates from 12 months to 13 months

D. Other technical amendments

- I. Expand the definition of "company" to include a "corporation"
- II. Specify that the "relevant time" for the purpose of determining when an employer/self-employed person should register his employee/himself as a member of a registered scheme should be the beginning of the date on which the employment (or self-employment) begins
- III. Clarify that self-employed persons who are less than 18 years of age or who have reached retirement age are not required to join MPF schemes or make mandatory contributions, but they can nevertheless join MPF schemes and make voluntary contributions
- IV. Clarify that an employer can enrol his employees who are less than 18 years of age or who have reached retirement age and make voluntary contributions for the employees. The employees can also make voluntary contributions for themselves

- v. Impose an obligation on the approved trustees to ensure that the contract of appointment appointing a custodian would prohibit a person who is not eligible to be a delegate of the custodian to assume such a position
- vi. Provide immunity from civil liability for MPFA and its directors and employees acting in good faith in the performance of any function under the MPFSO
- vii. Expand the definition of mandatory contributions to include minimum MPF benefits transferred from a MPF exempted ORSO registered scheme

3

Mandatory Provident Fund Schemes Ordinance and Subsidiary Legislation
as at 31 March 2002

LEGISLATION

REFERENCE

Ordinance

Mandatory Provident Fund Schemes Ordinance	Chapter 485
Provident Fund Schemes Legislation (Amendment) Ordinance 1998	Ordinance NO. 4 of 1998
Mandatory Provident Fund Schemes (Amendment) Ordinance 2002	Ordinance NO. 2 of 2002

Consequential Amendments to the MPFSO under:

Adaptation of Laws (NO. 12) Ordinance 1999	Ordinance NO. 31 of 1999
Statute Law (Miscellaneous Provisions) Ordinance	Ordinance NO. 32 of 2000
Companies (Amendment) Ordinance	Ordinance NO. 46 of 2000
Securities and Futures Ordinance	Ordinance NO. 5 of 2002

Subsidiary Legislation

Mandatory Provident Fund Schemes (General) Regulation	L.N. 201 of 1998
Mandatory Provident Fund Schemes (Exemption) Regulation	L.N. 203 of 1998
Mandatory Provident Fund Schemes (Fees) Regulation	L.N. 120 of 1999
Mandatory Provident Fund Schemes (General) (Amendment) Regulation 2000	L.N. 222 & 223 of 2000
Mandatory Provident Fund Schemes Rules	L.N. 226 & 227 of 2000
Mandatory Provident Fund Schemes (Compensation Claims) Rules	L.N. 342 of 2000
Mandatory Provident Fund Schemes (Winding Up) Rules	L.N. 343 of 2000

Related Notice/Order

Declaration of Change of Titles (General Adaptation) Notice 1997	L.N. 362 of 1997
Mandatory Provident Fund Schemes (Amendment of Schedule 6) Notice 1998	L.N. 205 of 1998
Mandatory Provident Fund Ordinance (Cap.485) (Commencement) Notice 1998	L.N. 292 of 1998
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1998	L.N. 293 of 1998
Mandatory Provident Fund Schemes (General) Regulation (L.N. 201 of 1998) (Commencement) Notice 1998	L.N. 294 of 1998
Mandatory Provident Fund Schemes Ordinance (80 of 1995) (Commencement) Notice 1999	L.N. 68 of 1999
Mandatory Provident Fund Schemes (General) Regulation (Cap.485 sub. leg.) (Commencement) Notice 1999	L.N. 69 of 1999
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 1999	L.N. 70 of 1999
Rectification of Errors Order 1999	L.N. 95 of 1999

LEGISLATION	REFERENCE
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) (NO.2) Notice 1999	L.N. 296 of 1999
Mandatory Provident Fund Schemes (Exemption) Regulation (Specification of Date Under Sections 5 and 16) Notice	L.N. 53 of 2000
Mandatory Provident Fund Schemes Ordinance (80 of 1995) (Commencement) Notice 2000	L.N. 119 of 2000
Provident Fund Schemes Legislation (Amendment) Ordinance 1998 (4 of 1998) (Commencement) Notice 2000	L.N. 120 of 2000
Mandatory Provident Fund Schemes (General) Regulation (Cap.485 sub. leg.)(Commencement) Notice 2000	L.N. 121 of 2000
Mandatory Provident Fund Schemes (Contributions for Casual Employees) Order	L.N. 179 of 2000
Mandatory Provident Fund Schemes (Specification of Permitted Periods) Notice	L.N. 180 of 2000
Mandatory Provident Fund Schemes Ordinance (Amendment of Schedule 1) Notice 2000	L.N. 224 & 225 of 2000

4

Occupational Retirement Schemes Ordinance and Subsidiary Legislation
as at 31 March 2002

LEGISLATION

REFERENCE

Ordinance

Occupational Retirement Schemes Ordinance	Chapter 426
Occupational Retirement Schemes (Amendment) Ordinance 1995	Ordinance NO. 53 of 1995
Occupational Retirement Schemes (Amendment) Ordinance 1999	Ordinance NO. 52 of 1999

Consequential Amendments to the ORSO under:

Insurance Companies (Amendment) Ordinance 1993	Ordinance NO. 59 of 1993
Inland Revenue (Amendment) (NO. 5) Ordinance 1993	Ordinance NO. 76 of 1993
Provident Fund Schemes Legislation (Amendment) Ordinance 1998	Ordinance NO. 4 of 1998
Securities and Futures Ordinance	Ordinance NO. 5 of 2002

Subsidiary Legislation

Occupational Retirement Schemes (Authentication and Certification of Documents) Rules	L.N. 400 of 1993
Occupational Retirement Schemes (Consultative Committees) Rules	L.N. 401 of 1993
Occupational Retirement Schemes (Exemption from Audit) Rules	L.N. 402 of 1993
Occupational Retirement Schemes (Fees) Rules	L.N. 403 of 1993
Occupational Retirement Schemes (Insurance Arrangement) Rules	L.N. 404 of 1993
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) Rules	L.N. 405 of 1993
Occupational Retirement Schemes (Payment of Benefits) Rules	L.N. 406 of 1993
Occupational Retirement Schemes (Fees) (Amendment) Rules 1995	L.N. 55 of 1995
Occupational Retirement Schemes (Preparation of Actuarial Certificates) Rules	L.N. 41 of 1997
Occupational Retirement Schemes (Periodic Certification of Registered Defined Benefit Schemes) Rules	L.N. 42 of 1997
Occupational Retirement Schemes (Notices of Changes) Rules	L.N. 360 of 1998
Occupational Retirement Schemes (Authentication and Certification of Documents) (Amendment) Rules 1998	L.N. 361 of 1998
Occupational Retirement Schemes (Fees) (Amendment) Rules 1998	L.N. 362 of 1998
Occupational Retirement Schemes (Member's Request for Information on Scheme Assets) (Amendment) Rules 1999	L.N. 238 of 1999
Occupational Retirement Schemes (Recovery of Arrears) Rules	L.N. 285 of 2000

List of MPF Guidelines and Codes

as at 31 March 2002

GUIDELINE		VERSION
NO.	NAME	DATE

Part I Guidelines on Licensing

I.1	Guidelines on Application for Approval as Trustees	12.1998
I.2	Guidelines on Application for Registration of Provident Fund Schemes	12.1998
I.3	Guidelines on Custodians	1.2001
I.4	Guidelines on Eligible Insurers	12.1998
I.5	Guidelines on Application for Approval of Constituent Funds	12.1998
I.6	Guidelines on Application for Approval of Pooled Investment Funds	12.1998
I.7	Guidelines on Central Securities Depositories	5.1999
I.8	Guidelines on Custodial/Subcustodial Agreement	10.2000

Part II Guidelines on Reporting Requirements

II.1	Guidelines on Monthly Returns of Registered Schemes	7.2001
II.2	Guidelines on Monthly Returns of Approved Pooled Investment Funds being Capital Preservation Funds	7.2001
II.3	Guidelines on Quarterly Returns of Registered Schemes	7.2001
II.4	Guidelines on Annual Statements of Registered Schemes	7.2001
II.5	Guidelines on Annual Statements of Approved Pooled Investment Funds	7.2001
II.6	Guidelines on Internal Control Report for each Registered Scheme	5.1999
II.7	Guidelines on Quarterly Returns of Approved Pooled Investment Funds	4.2001
II.8	Guidelines on Monthly Statistical Returns of Registered Schemes	7.2001

Part III Guidelines on Investment

III.1	Guidelines on Debt Securities	10.2001
III.2	Guidelines on Other Securities	10.2001
III.3	Guidelines on Eligible Overseas Banks	1.2001
III.4	Guidelines on Recognized Exchanges	3.1999
III.5	Guidelines on Investment Managers	6.1999
III.6	Guidelines on Capital Preservation Funds	10.2001
III.7	Guidelines on Security Lending	3.1999
III.8	Guidelines on Repurchase Agreements	3.1999
III.9	Guidelines on Reserving Standards for Investment Guarantees	2.2001

Part IV Guidelines on Scheme Operations

IV.1	Guidelines on Disclosure of Annual Fees	3.2000
IV.2	Guidelines on Reports Relating to Payment of Mandatory Contributions	7.2001
IV.3	Guidelines on Election Forms for Transfer of Accrued Benefits	7.2001
IV.4	Guidelines on Payment of Accrued Benefits – Documents to be Submitted to Approved Trustees	6.2001

Part IV Guidelines on Scheme Operations *continued*

IV.5	Guidelines on Payment of Accrued Benefits – Permanent Departure from Hong Kong	4.1999
IV.6	Guidelines on Notice for Unclaimed Benefits	4.1999
IV.7	Guidelines on Fees for Portability	5.1999
IV.8	Guidelines on Enrolment and Contribution Arrangements for Relevant Employees other than Casual Employees	10.2000
IV.9	Guidelines on Enrolment and Contribution Arrangements for Casual Employees	10.2000
IV.10	Guidelines on Enrolment and Contribution Arrangements for Self-employed Persons	10.2000
IV.11	Guidelines on Contribution Period in respect of a Relevant Employee	7.2000
IV.12	Guidelines on Relevant Income in respect of a Relevant Employee	7.2000
IV.13	Guidelines on Compensation Fund	1.2001
IV.14	Guidelines on Remittance Statement	9.2000
IV.15	Guidelines on Person Exempt under section 4(3) of the Mandatory Provident Fund Schemes Ordinance	9.2000
IV.16	Guidelines on MPF Coverage on Employees Working Outside Hong Kong	9.2000
IV.17	Guidelines on Contribution Arrangement of a Self-employed Person	10.2000
IV.18	Guidelines on Contribution Arrangement of a Self-employed Person who Sustains a Loss	10.2000
IV.19	Guidelines on Minimum and Maximum Levels of Relevant Income of a Self-employed Person	10.2000
IV.20	Guidelines on Prepayment of Contributions	10.2000

Part V Guidelines on ORSO Interface

V.1	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Exempted Schemes	12.1999
V.2	Guidelines on MPF Exempted ORSO Schemes – Application for Exemption of ORSO Registered Schemes	12.1999
V.3	Guidelines on MPF Exempted ORSO Schemes – Treatment of Accrued Rights of Existing Members who join MPF Schemes	4.1999
V.4	Guidelines on MPF Exempted ORSO Schemes – Preservation of Benefits	4.1999
V.5	Guidelines on MPF Exempted ORSO Schemes – Illustrative Examples	5.1999
V.6	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Trustees	6.1999
V.7	Guidelines on MPF Exempted ORSO Schemes – Application for Approval of Appointment of Directors of Trustees	6.1999
V.8	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Exempted Scheme	5.2000

GUIDELINE		VERSION
NO.	NAME	DATE

V.9	Guidelines on MPF Exempted ORSO Schemes – Application for Withdrawal of Exemption Certificate of an ORSO Registered Scheme	5.2000
V.10	Guidelines on MPF Exempted ORSO Schemes – Filing of Annual Report	12.2000
V.11	Guidelines on MPF Exempted ORSO Schemes – Withdrawal of Minimum MPF Benefits	12.2000

Others

	Code of Conduct for MPF Intermediaries	10.2000
	Code on MPF Investment Funds	12.1999
	Erratum to the Code on MPF Investment Funds	5.2000
	Guide to Registration as MPF Intermediaries	10.2000
	Guide to Continuing Professional Development for MPF Intermediaries	10.2001



List of Circular Letters

1 April 2001 to 31 March 2002

DATE OF LETTER	ADDRESSEE	SUBJECT
3 APR 2001	Trustees	Default Contribution – Reporting Requirements
27 APR 2001	Trustees	First Batch of Default Contribution Notices
25 MAY 2001	Trustees	Severance/Long Service Payment (“SP/LSP”) Offset Against Mandatory Provident Fund (“MPF”) Scheme Benefits
19 JUL 2001	Trustees	Handling of Default Contributions reports after the adaptation period
20 JUL 2001	Trustees	Handling of complaints by employees against employers
27 AUG 2001	Trustees	Termination of Occupational Retirement Scheme (“ORSO Scheme”)
10 SEP 2001	Employers who operate an ORSO Scheme pending termination	Termination of ORSO Schemes
14 SEP 2001	Trustees	Transfer of accrued benefits amongst approved trustees
28 SEP 2001	Trustees	Compilation of ORSO Schemes Statistics
12 OCT 2001	Trustees	Forms MPF(s)–P(M) and MPF(s)–W
22 OCT 2001	Industry & Regulators	Continuing Professional Development (“CPD”) for MPF Intermediaries
22 OCT 2001	MPF Corporate Intermediaries	Continuing Professional Development (“CPD”) for MPF Intermediaries
23 OCT 2001	Trustees	Self-employed Persons (“SEPs”)
30 OCT 2001	MPF Corporate Intermediaries	Third Edition of Study Notes of the MPF Intermediaries Examination
13 NOV 2001	Trustees	Forms MPF(s)–P(M), MPF(s)–W and MPF(s)–P(E) (“Forms”)
19 NOV 2001	Trustees	Calculations of Mandatory Contribution and Contribution Surcharge
18 DEC 2001	Trustees	Requirements for Members’ Information
20 DEC 2001	MPF Corporate Intermediaries	Continuing Professional Development (“CPD”) for MPF Intermediaries
2 FEB 2002	Trustees	Calculation of Compensation Fund Levy
4 MAR 2002	Trustees	Requirements on Credit Rating
8 MAR 2002	Trustees	Outstanding Surcharge Period-Annual Benefit Statements



**List of Approved
MPF Trustees and
Their Background**
as at 31 March 2002

American International Assurance Company (Trustee) Limited

American International Assurance Company (Trustee) Limited is a member of the American International Group, Inc. (AIG). AIG is a US-based international insurance and financial services organization engaging in a wide range of general insurance and life insurance business as well as financial services, retirement savings and asset management.

AXA China Region Trustees Limited

AXA China Region Trustees Limited is a member of the AXA Group which is a provider in the fields of provident funds, life and non-life insurance, re-insurance, and other related financial services.

Bank Consortium Trust Company Limited

Bank Consortium Trust Company Limited is a wholly owned subsidiary of Bank Consortium Holding Limited, a company formed by a consortium of a group of licensed banks in Hong Kong; namely Asia Commercial Bank Limited; Chekiang First Bank Limited; Dah Sing Bank Limited; Liu Chong Hing Bank Limited; Shanghai Commercial Bank Limited; Wing Hang Bank Limited; Wing Lung Bank Limited; International Bank of Asia Limited and Industrial and Commercial Bank of China (Asia) Limited. All the shareholder banks' principal businesses focus on commercial banking, retail banking and other financial services.

Bank of Communications Trustee Limited

Bank of Communications Trustee Limited is a wholly owned subsidiary of the Bank of Communications which is engaged in a full range of retail banking business and corporate banking business focusing on exploring the international settlement business.

Bank of East Asia (Trustees) Limited

Bank of East Asia (Trustees) Limited is a wholly owned subsidiary of The Bank of East Asia, Limited which is one of the commercial banks in Hong Kong. The bank operates branches and representative offices worldwide and engages in a wide range of retail as well as wholesale banking services.

Bermuda Trust (Far East) Limited

Bermuda Trust (Far East) Limited is a wholly owned subsidiary of the Bank of Bermuda Limited. The Bank provides corporations and private clients with a range of trust, fund administration, custody, asset management and banking services.

BOCI-Prudential Trustee Limited

BOCI-Prudential Trustee Limited is a joint-venture company of the Bank of China Group and the Prudential Group. The Bank of China Group engages in investment and retail banking services, direct investment and fund management. The Prudential Group provides a broad range of financial and insurance products and fund management business.

Butterfield Trust (Hong Kong) Limited

Butterfield Trust (Hong Kong) Limited is a subsidiary of the Bank of Butterfield which provides trusts, fund administration and assets management services to individuals and financial institutions in addition to retail and corporate banking services.

China Life Trustees Limited

China Life Trustees Limited is a subsidiary of the China Life Insurance Company Limited which is a member of China Insurance Company Limited. The business activities of China Insurance Company Limited are principally general insurance operation, life insurance, provident fund, retirement scheme, reinsurance, and other related financial operations.

Cititrust Limited

Cititrust Limited is a member of Citigroup, Inc. Citigroup, Inc engages in a broad range of financial services, which includes retail banking, insurance services, corporate and investment banking, and asset management and private banking.

CMG Asia Trustee Company Limited

CMG Asia Trustee Company Limited is owned by CMG Asia Limited, a member of the Commonwealth Bank Group. The Commonwealth Bank Group provides integrated financial services including retail, business and institutional banking, funds management, insurance, investment banking, broking services and finance company activities.

HSBC Provident Fund Trustee (Hong Kong) Limited

HSBC Provident Fund Trustee (Hong Kong) Limited is a wholly owned subsidiary of the Hongkong and Shanghai Banking Corporation Limited, which is one of the commercial banks in Hong Kong. The HSBC Group is also an administrator of pooled ORSO Schemes.

ING Pension Trust Limited

ING Pension Trust Limited is a member of ING Group which is a global integrated financial services provider active in the fields of banking, insurance and asset management.

Manulife Provident Funds Trust Company Limited

Manulife Provident Funds Trust Company Limited is a member of the Manulife Financial Group of companies, which provide a range of financial protection products and wealth management services to individuals, families, businesses and groups in selected international markets.

MassMutual Trustees Limited

MassMutual Trustees Limited is a member of the MassMutual Financial Group which is a financial services organization offering a broad portfolio of insurance and financial products and services.

MLC Trustees (Hong Kong) Limited

MLC Trustees (Hong Kong) Limited is a subsidiary of the MLC Limited which is a member of the National Australia Bank Group. MLC Limited is engaged in the management of superannuation, investment management and trusts business and provision of life insurance products.

Pacific Century Trustees Limited

Pacific Century Trustees Limited is one of the wholly-owned subsidiaries of Pacific Century Insurance Holdings Limited which, together with its other subsidiaries, provides a range of whole life, endowment and term life insurance products to individuals in Hong Kong as well as engages in group retirement scheme management and asset management.

Principal Trust Company (Asia) Limited

Principal Trust Company (Asia) Limited is a member of the Principal Financial Group. The Principal Financial Group provides integrated financial services including life, disability and health insurance, mutual funds, residential mortgages, investment management and pension plans.

Royal Bank of Canada Trust Company (Asia) Limited

Royal Bank of Canada Trust Company (Asia) Limited is a wholly owned subsidiary of Royal Bank of Canada which provides a range of corporate and private financial services, ranging from banking to investment management, treasury, global custody and fiduciary services.

The Tai Ping Trustees (H.K.) Limited

The Tai Ping Trustees (H.K.) Limited is wholly owned by The Tai Ping Life Insurance Company Limited, which is a member of China Insurance Company, Limited. The Tai Ping Life Insurance Company Limited provides a wide range of individual insurance, employee benefits and retirement plans.

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List of Registered MPF Schemes and Constituent Funds

as at 31 March 2002

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
AIA-JF Comprehensive Retirement Benefit MPF Scheme	Capital Preservation Portfolio Guaranteed Portfolio
AIA-JF Mandatory Provident Fund Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
AIA-JF Premium MPF Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio European Equity Fund Growth Portfolio Guaranteed Portfolio Hong Kong Equity Fund Japan Equity Fund North American Equity Fund
Bank Consortium Industry Plan	BCT Balanced Fund BCT Capital Preservation Fund BCT Growth Fund BCT Stable Fund
Bank Consortium MPF Plan	Bank Consortium Balanced Fund Bank Consortium Capital Preservation Fund Bank Consortium Growth Fund Bank Consortium Stable Fund
BCOM Joyful Retirement MPF Scheme	BCOM Guaranteed (CF) Fund BCOM Joyful Capital Preservation (CF) Fund
BCOM Prosperous Retirement MPF Scheme	BCOM Balanced (CF) Fund BCOM Prosperous Capital Preservation (CF) Fund BCOM Stable Growth (CF) Fund
BEA (MPF) Industry Scheme	BEA (Industry Scheme) Balanced Fund BEA (Industry Scheme) Capital Preservation Fund BEA (Industry Scheme) Growth Fund BEA (Industry Scheme) Stable Fund
BEA (MPF) Master Trust Scheme	BEA (MPF) Balanced Fund BEA (MPF) Capital Preservation Fund BEA (MPF) Growth Fund BEA (MPF) Long Term Guaranteed Fund BEA (MPF) Stable Fund
BOC-Prudential Easy-Choice Mandatory Provident Fund Scheme	BOC-Prudential Balanced Fund BOC-Prudential Capital Preservation Fund BOC-Prudential Growth Fund BOC-Prudential Stable Fund
BOC-Prudential Flexible Mandatory Provident Fund Scheme	BOC-Prudential Bond Fund BOC-Prudential Capital Preservation Fund BOC-Prudential Global Equity Fund BOC-Prudential Hong Kong Equity Fund

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
Chamber CMG Choice	CMG Balanced Portfolio Fund CMG Capital Preservation Fund CMG Fixed Income Fund with Guarantee CMG Hong Kong Equity Fund CMG Progressive Growth Fund CMG Stable Income Fund
China Life MPF Master Trust Scheme	China Life Balanced Fund China Life Capital Preservation Fund China Life Growth Fund China Life Guaranteed Return Fund
CMG Rainbow 65	CMG Balanced Portfolio Fund CMG Capital Preservation Fund CMG Fixed Income Fund with Guarantee CMG Hong Kong Equity Fund CMG Progressive Growth Fund CMG Stable Income Fund
Dao Heng MPF Master Trust Plan	Aggressive Growth Fund Balanced Growth Fund Capital Preservation Fund Guaranteed Fund Stable Growth Fund
DBS– Kwong On Bank MPF Master Trust Scheme	DBS–KOB Balanced Fund DBS–KOB Capital Preservation Fund DBS–KOB Conservative Fund DBS–KOB Growth Fund DBS–KOB Guaranteed Fund
Double Easy Mandatory Provident Fund	Double Easy Balanced Fund Double Easy Capital Preservation Fund Double Easy Cash Fund Double Easy Growth Fund Double Easy Guaranteed Fund Double Easy Stable Fund Double Easy Top Select Fund
Dresdner RCM MPF Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Stable Growth Fund
Dresdner RCM MPF Plan	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Stable Growth Fund
Eagle Star MPF Scheme– Advance Planner	Eagle Star Accumulation Fund Eagle Star Capital Preservation Fund Eagle Star Global Growth Fund Eagle Star Guarantee Fund Eagle Star HK Dollar Savings Fund

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
Eagle Star MPF Scheme– Security Planner	Eagle Star Capital Preservation Fund Eagle Star Guarantee Fund Eagle Star HK Dollar Savings Fund
Fidelity Retirement Master Trust	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Hong Kong Equity Fund Stable Growth Fund
Hang Seng Mandatory Provident Fund–SuperTrust	Balanced Fund Capital Preservation Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund
Hang Seng Mandatory Provident Fund–SuperTrust Plus	Asian Equity Fund Balanced Fund Capital Preservation Fund European Equity Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund Hong Kong Equity Fund North American Equity Fund Stable Growth Fund
HSBC Mandatory Provident Fund–SuperTrust	Balanced Fund Capital Preservation Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund
HSBC Mandatory Provident Fund– SuperTrust Plus	Asian Equity Fund Balanced Fund Capital Preservation Fund European Equity Fund Growth Fund Guaranteed Fund Hang Seng Index Tracking Fund Hong Kong Equity Fund North American Equity Fund Stable Growth Fund
ING MPF Master Trust Basic Scheme	ING MPF Basic Scheme Balanced Growth Portfolio ING MPF Basic Scheme Capital Guaranteed Portfolio ING MPF Basic Scheme Capital Preservation Portfolio ING MPF Basic Scheme Hong Kong Equity Portfolio ING MPF Basic Scheme International Equity Portfolio ING MPF Basic Scheme Stable Growth Portfolio

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
ING MPF Master Trust Comprehensive Scheme	ING MPF Comprehensive Scheme Asian Equity Portfolio ING MPF Comprehensive Scheme Balanced Growth Portfolio ING MPF Comprehensive Scheme Capital Guaranteed Portfolio ING MPF Comprehensive Scheme Capital Preservation Portfolio ING MPF Comprehensive Scheme Growth Portfolio ING MPF Comprehensive Scheme Hong Kong Equity Portfolio ING MPF Comprehensive Scheme International Equity Portfolio ING MPF Comprehensive Scheme Stable Growth Portfolio ING MPF Comprehensive Scheme Stable Portfolio
INVESCO Strategic MPF Scheme	Balanced Fund Capital Preservation Fund Capital Stable Fund Growth Fund Guaranteed Fund
Jones Lang LaSalle Property Management Division Mandatory Provident Fund Scheme	Jones Lang LaSalle Capital Preservation Fund Jones Lang LaSalle Guarantee Fund
Kingsway MPF Master Trust	Kingsway Asia Pacific (excluding HK) Fund Kingsway Capital Preservation Fund Kingsway Global Diversification Fund Kingsway Hong Kong SAR Fund Kingsway Korea Fund
Manager Elite Master Trust	AXA Balanced Fund BNP Capital Preservation Fund Dresdner RCM Balanced Fund Fidelity Balanced Fund INVESCO Balanced Fund Managed Capital Stable Fund Managed Growth Fund Managed Stable Growth Fund Schroder Balanced Fund
Manulife Global Select (MPF) Scheme	Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF European Equity Fund Manulife MPF Growth Fund Manulife MPF Hong Kong Bond Fund Manulife MPF Hong Kong Equity Fund Manulife MPF Interest Fund Manulife MPF International Bond Fund Manulife MPF International Equity Fund Manulife MPF Japan Equity Fund Manulife MPF North American Equity Fund Manulife MPF Pacific Asia Equity Fund Manulife MPF Stable Fund

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
Manu-Lifestyle (MPF) Scheme	Manulife MPF Aggressive Fund Manulife MPF Capital Preservation Fund Manulife MPF Growth Fund Manulife MPF Interest Fund Manulife MPF Stable Fund
Mass Mandatory Provident Fund Scheme	Capital Preservation Fund Global Growth Fund Global Stable Fund Guaranteed Growth Fund
MLC MPF Master Trust Scheme	Balanced Fund Capital Preservation Fund Growth Fund Templeton Global Equity Fund
New-Alliance Mandatory Provident Fund Scheme	Capital Growth Fund Capital Preservation Fund Global Balanced Fund Income Fund
PCI Master Trust MPF Scheme	PCI Capital Preservation Fund PCI Fixed Income Fund PCI Global Balanced Fund PCI Hong Kong Fund
Principal MPF Scheme Series 100	Principal Capital Preservation Fund
Principal MPF Scheme Series 200	Principal Capital Preservation Fund Principal HK Dollar Savings Fund Principal Long Term Guaranteed Fund
Principal MPF Scheme Series 600	Principal Capital Preservation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal Long Term Accumulation Fund Principal Long Term Guaranteed Fund
Principal MPF Scheme Series 800	Principal Asian Equity Fund Principal Capital Guaranteed Fund Principal Capital Preservation Fund Principal Global Growth Fund Principal HK Dollar Savings Fund Principal International Bond Fund Principal International Equity Fund Principal Long Term Accumulation Fund Principal Long Term Guaranteed Fund Principal Stable Yield Fund Principal US Dollar Savings Fund Principal US Equity Fund
RBC MPF Master Trust	RBC Balanced Portfolio Fund RBC Capital Preservation Fund RBC Fixed Income Fund with Guarantee RBC Hong Kong Equity Fund RBC Progressive Growth Fund RBC Stable Income Fund

MPF SCHEMES	UNDERLYING CONSTITUENT FUNDS
Schroder MPF Master Trust	Schroder MPF Asian Portfolio Schroder MPF Balanced Investment Portfolio Schroder MPF Capital Guaranteed Portfolio Schroder MPF Capital Preservation Portfolio Schroder MPF Capital Stable Portfolio Schroder MPF Growth Portfolio Schroder MPF HK Dollar Fixed Income Portfolio Schroder MPF Hong Kong Portfolio Schroder MPF International Portfolio Schroder MPF Stable Growth Portfolio
SHKP MPF Employer Sponsored Scheme	Dresdner Stable Growth Fund Fidelity Balanced Fund Fidelity Stable Growth Fund HSBC Capital Stable Fund New-Alliance Global Balanced Fund SHKP MPF Fund Standard Chartered Capital Preservation Fund–SHKP Standard Chartered Career Average Guaranteed Fund–SHKP
Standard Chartered MPF Plan–Advanced	Citi Balanced Fund Citi Conservative Fund Citi Hong Kong Equities Fund Dresdner RCM Balanced Fund Dresdner RCM Capital Stable Fund Dresdner RCM Growth Fund Fidelity Global Investment Fund–Balanced Fund Fidelity Global Investment Fund–Capital Stable Fund Fidelity Global Investment Fund–Growth Fund HSBC MPF “A”–Balanced Fund HSBC MPF “A”–Hong Kong Equity Fund HSBC MPF “A”–Stable Fund INVESCO Global Balanced Fund INVESCO Global Equities Fund INVESCO MPF Bond Fund Mercury Hong Kong Strategy Trust–Flexible BalancedPlus Fund Mercury Hong Kong Strategy Trust–Flexible BondPlus Fund Mercury Hong Kong Strategy Trust–Flexible EquityPlus Fund Schroder MPF Asian Fund Schroder MPF Balanced Investment Fund Schroder MPF HK Dollar Fixed Income Fund Standard Chartered Balanced Fund–Advanced Standard Chartered Capital Preservation Fund–Advanced Standard Chartered Career Average Guaranteed Fund–Advanced Standard Chartered Growth Fund–Advanced Standard Chartered Stable Fund–Advanced Templeton MPF Asian Balanced Fund Templeton MPF Global Bond Fund Templeton MPF Global Equity Fund

MPF S C H E M E S	U N D E R L Y I N G C O N S T I T U E N T F U N D S
Standard Chartered MPF Plan–Basic	Standard Chartered Balanced Fund–Basic Standard Chartered Capital Preservation Fund–Basic Standard Chartered Career Average Guaranteed Fund–Basic Standard Chartered Growth Fund–Basic Standard Chartered Stable Fund–Basic
Tai Ping Retire-Easy MPF Master Trust Scheme	Tai Ping Retire-Easy Balanced Fund Tai Ping Retire-Easy Capital Preservation Fund Tai Ping Retire-Easy Capital Stable Fund Tai Ping Retire-Easy Growth Fund Tai Ping Retire-Easy Guarantee Fund
The Smart MPF Master Trust Scheme	Balanced Portfolio Capital Preservation Portfolio Conservative Portfolio Growth Portfolio Guaranteed Portfolio
Zurich-Chinese Bank MPF Scheme–Premier	Zurich-Chinese Bank Capital Preservation Fund Zurich-Chinese Bank Guarantee Fund Zurich-Chinese Bank HK Dollar Savings Fund
Zurich-Chinese Bank MPF Scheme–PremierDELUXE	Zurich-Chinese Bank Accumulation Fund Zurich-Chinese Bank Asian Equity Fund Zurich-Chinese Bank Capital Guarantee Fund Zurich-Chinese Bank Capital Preservation Fund Zurich-Chinese Bank Global Growth Fund Zurich-Chinese Bank Guarantee Fund Zurich-Chinese Bank HK Dollar Savings Fund Zurich-Chinese Bank International Bond Fund Zurich-Chinese Bank International Equity Fund Zurich-Chinese Bank Stable Yield Fund Zurich-Chinese Bank US Dollar Savings Fund Zurich-Chinese Bank US Equity Fund



**List of Corporate
Administrators who
Administer
Pooling Agreements for
ORSO Schemes**

as at 31 March 2002

Authorized Insurers

American International Assurance Company (Bermuda) Limited
American International Assurance Company, Limited
China Life Insurance Company, Limited
CIGNA Worldwide Insurance Company
CMG Asia Limited
Hang Seng Life Limited
HSBC Life (International) Limited
ING Life Insurance Company (Bermuda) Limited
Manufacturers Life Insurance Company–The
Manulife (International) Limited
Pacific Century Insurance Company Limited
Principal Insurance Company (Hong Kong) Limited
Prudential Assurance Company Limited–The

Corporate Trust Companies

AIA Pension And Trustee Co. Ltd.
AXA China Region (Bermuda) Limited
AXA China Region Trustees Limited
Bank Consortium Trust Company Limited
Bank of Communications Trustee Limited
Bermuda Trust (Far East) Limited
BOC Group Trustee Company Limited
BTM Trustee (HK) Limited
Butterfield Trust (Hong Kong) Limited
China Life Trustees Limited
CMG Asia Trustee Company Limited
HSBC International Trustee Limited
HSBC Trustee (Hong Kong) Limited
ING Pension Trust Limited
Manulife Provident Funds Trust Company Limited
MassMutual Trustees Limited
MLC Trustees (Hong Kong) Limited
Principal Trust Company (Asia) Limited
Royal Bank of Canada Trust Company (Cayman) Limited
Shanghai Commercial Bank Trustee Limited



List of Major Public Education and Publicity Activities

April 2001 to March 2002

April 2001 onwards

Investment Education Campaign—to educate the public on MPF investment

1 APR 2001	The MPFA published a leaflet “Simple Guide to MPF Fund Investment”.
27–28 APR 2001	Investment seminar for The HK Confederation of Trade Unions.
1 MAY 2001	The MPFA and the Securities and Futures Commission jointly published a booklet “Getting started in Funds and MPF”.
11 MAY 2001	The MPFA and the Commercial Radio jointly organized an episode of radio drama “Flat C, 18/F” on MPF fund investment.
25 MAY 2001	The MPFA produced an educational video on fund investment and flow of MPF contribution for screening at MTR roving exhibitions and other channels.
22 MAY–22 JUL 2001	A series of MTR roving exhibitions held at 12 stations.
14–27 MAY 2001	Radio promotions carrying MPF investment messages by investment experts.
25–27 MAY 2001	The MPFA participated in the MoneyWorld Asia-Hong Kong 2001 to promote MPF investment.
19 MAY–16 JUN 2001	A 5-episode TV programme on MPF investment was produced for broadcast on TVB.
28 MAY–1 JUN 2001	A series of 5-episode, 1-minute segment on MPF investment was produced for broadcast on Commercial Radio.
4–8 JUN 2001	A series of 5-episode Q&As segment on MPF investment was produced for broadcast on Commercial Radio.
10 JUL–7 AUG 2001	A 5-episode TV programme on MPF investment was produced for broadcast on ATV.
19 JUL–29 OCT 2001	Print advertisement on regional investment seminars in newspapers and magazines.
22 OCT 2001–23 MAR 2002	The MPFA participated in the 2nd Hong Kong Investment Competition.
27 & 29 NOV 2001	The MPFA participated in HKIFA’s investment programme for broadcast on ATV.
20 DEC 2001–3 FEB 2002	Website promotion on 36.com.
FEB 2002	Advertorial on “Cup Magazine”.

April 2001 onwards

Outreach Campaign—to disseminate MPF messages at the community level

21 APR 2001	A launch ceremony was organized to kick off a series of “Meet-the-Public” sessions, where MPFA in conjunction with major political parties, established proactive contact with the public and answer public enquiries. MPFA’s Non-executive Director, Mr Lee Kai-ming, and six LegCo members officiated at the launching.
29 APR 2001	The MPFA, together with three LegCo members representing the labour sector and six members from the Labour Advisory Board, jointly organized a “Trade Union Annual Gathering” with MPF as the theme of the event. Financial Secretary Mr Donald Tsang officiated at the ceremony.

28 JUL–30 DEC 2001	A series of “MPF Roadshow” was held at 7 shopping complexes of the Hong Kong Housing Authority to disseminate MPF messages to the local community.
28 JUL 2001	The MPFA organized a kick-off ceremony to launch the series of roadshows. Non-executive Director Mr Lee Kai-ming and Chief Operating Officer (Corporate Affairs) Mrs Diana Chan officiated at the ceremony.
26 NOV–20 DEC 2001	Roving exhibitions held at 13 district councillors’ offices of the Democratic Party to disseminate MPF messages.
21–24 FEB 2002	The MPFA participated in the Education & Careers Expo 2002 to disseminate the message of “Know your MPF rights”.
24 FEB 2002	The MPFA participated in the “Lantern Festival Fun Fair” organized by the Democratic Alliance for Betterment of Hong Kong to promote MPF messages.
11 MAR 2002	Print advertisement with the message of “Guide to employees on MPF benefit transfer” was placed in the bi-monthly publication of the Federation of Hong Kong & Kowloon Labour Unions.
8 MAR 2002	Advertorial on MPF FAQs in the publication of the Democratic Alliance for Betterment of Hong Kong.
APR 2001–MAR 2002	A total of 390 talks was delivered to labour unions, community groups, education institutions, technical institutions and secondary schools throughout Hong Kong.
APR 2001–MAR 2002	The MPFA attended the Area Committee Meetings to brief the committee members on the latest development of the MPF System.

May 2001 – January 2002 Enforcement Campaign – to remind employers to make MPF contributions on time

30 JUL–19 AUG 2001	Advertisement on making timely MPF Contributions on TV, radio and newspapers.
30 JUL 2001	Media workshop on making timely MPF Contributions and surcharge calculation.

April 2001 onwards MPF Info Station Campaign – to promote the “MPF Info Station” service

APR 2001 onwards	Promotional posters at all info stations to publicize the service.
2 DEC 2001	The MPFA organized a launching ceremony to promote the service. Chairman of the MPF Schemes Advisory Committee, Professor Nelson Chow Wing-sun, officiated at the ceremony. Artiste Mr Jerry Lamb was appointed “MPF Star” to help promote the service.
3–20 DEC 2001	Advertisement with the message of “fixed times, fixed venues” on TV, radio and newspapers.
28 FEB–28 MAY 2002	Outdoor banner displays at 6 info stations.



List of Campaign Media

April 2001 to March 2002

CAMPAIGN PERIOD	CAMPAIGN	CAMPAIGN MEDIA	CAMPAIGN MEDIA ACTIVITIES
APR 2001 onwards	Investment Education Campaign	Advertising	Newspapers, magazines, posters and website (36.com)
		Exhibition	MoneyWorld Asia-Hong Kong 2001 MTR roving exhibitions at 12 stations
		TV and radio programme	3 TV programmes and 3 radio programmes
		Investment seminar	4 regional investment seminars
		Article contribution	MPF columns in newspapers (Apple Daily, Hong Kong Economic Journal, Sing Pao and Hong Kong Daily News) and magazine (Hong Kong Institute of Investor)
		Magazine advertorial	Cup Magazine
APR 2001 onwards	Outreach Campaign	Advertising	Radio and posters
		Outdoor banner	Outdoor banners and signboard displays at various districts
		Meet-the-public session	85 sessions
MAY 2001–JAN 2002	Enforcement Campaign	Advertising	TV, radio and newspapers
APR 2001 onwards	MPF Info Station Campaign	Advertising	TV, radio, newspapers and posters
		Outdoor banner	Displays at Government offices (Mongkok and Kwun Tong) and community centres (King Lam, Wong Tai Sin, Yue Wan and Tin Shui)
		Info Station session	393 sessions

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List of Articles Contributed
to Newspaper Columns*April 2001 to March 2002*

DATE OF PUBLICATION	HEADING
Apple Daily	
4 APR 2001	僱員宜定期查供款情況
11 APR 2001	轉基金不須另收費
18 APR 2001	強積金供款可扣稅
25 APR 2001	件工以日均收入計供款
2 MAY 2001	轉基金組合須負擔差價
9 MAY 2001	飲食建築宜採行業計劃
16 MAY 2001	自僱須以「有關入息」供積金
23 MAY 2001	強積金客戶投資四要訣
30 MAY 2001	暑期工滿60日亦享強積金
6 JUN 2001	強積金計劃選擇須知
13 JUN 2001	飲食員工可向受託人查供款
22 JUN 2001	試用期內僱主須供強積金
27 JUN 2001	積金不可指定受益人
6 JUL 2001	供款外應毋須另繳費用
11 JUL 2001	的士車主供積金可扣支出
18 JUL 2001	提早取回積金五條件
25 JUL 2001	僱員隨僱主轉強積金計劃
1 AUG 2001	逾12萬存款始扣行政費
8 AUG 2001	強積金可用作抵銷長服金
15 AUG 2001	移民可提早取回強積金
24 AUG 2001	海外僱員受僱逾一年須參加
29 AUG 2001	僱員離職須通知受託人
5 SEP 2001	參加積金不影響年資
12 SEP 2001	逾65歲工作仍可供積金
19 SEP 2001	僱主供款即時歸僱員
26 SEP 2001	離職可全數取回公積金
3 OCT 2001	僱同住家人毋須供積金
10 OCT 2001	月入四千以下毋須供積金
17 OCT 2001	調任海外仍須供積金
24 OCT 2001	實報實銷津貼不計積金
31 OCT 2001	僱員不能擅轉積金受託人
7 NOV 2001	意外身故強積金按遺產處理
14 NOV 2001	同註冊兩公司可一併供款
21 NOV 2001	積金結算表應核對無誤
28 NOV 2001	建造業散工可參加行業計劃
5 DEC 2001	僱主清盤拖欠怎辦
12 DEC 2001	強積金投資表現每月刊登
19 DEC 2001	自僱人士虧損可停供款
26 DEC 2001	何謂「平均成本法」
2 JAN 2002	選擇強積金投資方法
9 JAN 2002	認識兩種保證基金
16 JAN 2002	細閱積金周年權益報表
23 JAN 2002	轉換強積金計劃須知
30 JAN 2002	轉換強積金基金免費
6 FEB 2002	退休可留積金戶口
14 FEB 2002	受託人投資有嚴格限制
20 FEB 2002	轉投資組合或收行政費
27 FEB 2002	迫員工轉自僱 僱主難避供款
6 MAR 2002	僱主拖欠供款可遭檢控
13 MAR 2002	僱傭合約改名目避供積金
20 MAR 2002	短約避強積金 僱員應早舉報
27 MAR 2002	扣薪作僱主供款屬違法

DATE OF PUBLICATION	HEADING
Hong Kong Economic Journal	
APR 2001	強積金基金運作
MAY 2001	符合法例要求履行僱主責任
Sing Pao	
5 JUN 2001	如何處理轉職後強積金?
12 JUN 2001	僱主供款部分不可卸責
19 JUN 2001	暑期工要否供強積金?
26 JUN 2001	自僱人士須供強積金
3 JUL 2001	僱用同住家人毋須供強積金
10 JUL 2001	調任海外強積金要照供
17 JUL 2001	失業人士可提前動用強積金
24 JUL 2001	六十歲提早退休可提取強積金
7 AUG 2001	佣金謀生如何計算強積金
14 AUG 2001	僱員不能自行轉換強積金受託人
21 AUG 2001	強積金無懼短期波動
29 AUG 2001	僱主拖欠強積金供款須繳附加費
8 SEP 2001	強積金基金表現何處看?
10 SEP 2001	意外身故,強積金如何處理?
17 SEP 2001	實報實銷交通津貼不須供強積金
8 OCT 2001	相同僱主可參加同一強積金
5 NOV 2001	如何轉換強積金基金
19 NOV 2001	僱主破產拖欠強積金怎辦
10 DEC 2001	建造業散工可參加行業計劃
17 DEC 2001	自僱人士須每年申報有關入息
14 JAN 2002	強積金客戶如何選擇股票基金
28 JAN 2002	強積金長供長有拉低成本
18 FEB 2002	息率與債券基金此消彼長
11 MAR 2002	均衡基金並不「均衡」
25 MAR 2002	留意保證基金附帶條款
Hong Kong Daily News	
31 DEC 2001	強積金如何運作?
7 JAN 2002	定期定額供款有效用
14 JAN 2002	強積金投資有嚴格規管
21 JAN 2002	年滿65毋須即取強積金
28 JAN 2002	保本基金的回報
4 FEB 2002	保證基金之附帶條款
11 FEB 2002	股票基金特色
18 FEB 2002	強積金計劃中的債券基金
25 FEB 2002	認識均衡基金
4 MAR 2002	轉換強積金基金須知
11 MAR 2002	強積金計劃之收費
18 MAR 2002	轉換強積金受託人
25 MAR 2002	閱讀強積金周年權益報表

I3

**List of Major Staff Training
Classes and Workshops**

TYPE OF TRAINING	TOPICS	NO. OF CLASSES	ATTENDANCE
New staff orientation programme and core training programme	Understanding the MPF System, MPF legislation and the MPFA	15	359
Skills training workshop	Filing service, staff appraisal review, presentation skills, information technology skills, first aid	19	257
Management development programme	Strategic planning, corporate planning and team building	5	59
Business knowledge training programme	Sharing of MPFA work-related issues	11	530
Business skills for enforcement staff	Court procedures, interactive management, stress management, communication/ customer service skills	24	337

I4

Definition of Terms

A. Occupational Retirement Schemes

Defined benefit scheme	Means an occupational retirement scheme which is not a defined contribution scheme.
Defined contribution scheme	Means an occupational retirement scheme which provides that the amount of a benefit under the scheme is to be an amount determined solely by reference to: <p>A. the contributions to the scheme's funds by or in respect of the member concerned and any declared return in respect of such contributions (where such return may be subject to a minimum guaranteed rate but is otherwise unascertainable before it is declared); and</p> <p>B. where appropriate, the qualifying service and age of the employee.</p>
Insurance arrangement	Means an agreement or arrangement: <p>A. made in respect of an occupational retirement scheme with an authorized insurer under which the insurer is responsible for managing the scheme; and</p> <p>B. which is of a class or description specified in rules made by the Registrar of Occupational Retirement Schemes.</p>
Member	Includes, in relation to an occupational retirement scheme, an individual who is entitled or prospectively entitled to benefits under the scheme by virtue of: <p>A. his employment by the relevant employer (whether past or present) of the scheme; or</p> <p>B. an agreement made between the relevant employer of the first-mentioned scheme and the relevant employer of another occupational retirement scheme of which such individual was formerly a member, whether or not such individual is a party to the agreement, and where appropriate, "member" also includes the estate of a deceased member.</p>
MPF exempted ORSO scheme	Means an occupational retirement scheme in respect of which an exemption has been granted under section 5 of MPFSO. Members of this ORSO scheme are exempted from the MPFSO.
Occupational retirement scheme	Means subject to subsection (6) of section 2 of the ORSO any scheme, not being a contract of insurance under which benefits are payable only upon the death or disability of the insured, which: <p>A. is comprised in one or more instruments or agreements; and</p> <p>B. has or is capable of having effect in relation to one or more descriptions or categories of employment so as to provide benefits, in the form of pensions, allowances, gratuities or other payments, payable on termination of service, death or retirement, to or in respect of persons gainfully employed (whether in Hong Kong or elsewhere) under a contract of service in any employment, and includes, where the context admits, a proposed such scheme.</p>
ORSO exempted scheme	Means an occupational retirement scheme for which the Registrar has issued an exemption certificate under section 7 of ORSO.
ORSO registered scheme	Means an occupational retirement scheme which has been registered under section 18 of ORSO.

ORSO scheme administrator	<p>Means:</p> <p>A. in the case of a scheme or pooling agreement governed by a trust, the trustee concerned;</p> <p>B. in the case of a scheme or pooling agreement which is the subject of or regulated by an insurance arrangement, the insurer concerned;</p> <p>C. in any other case, the person who is principally responsible for the management of the scheme and its assets otherwise than as a person who is solely concerned with the investment or custody of the assets.</p>
Pooling agreement	<p>Means an agreement or arrangement:</p> <p>A. which is:</p> <p>(i) governed by a single trust; or</p> <p>(ii) the subject of or regulated by an insurance arrangement including a series of insurance arrangements which are of the same class or description;</p> <p>B. which applies to 2 or more individual occupational retirement schemes each of which is:</p> <p>(i) governed by such trust; or</p> <p>(ii) (where appropriate) the subject of or regulated by such insurance arrangement, by virtue of such application;</p> <p>C. under which, in the case of an agreement or arrangement governed by such trust, the assets of its participating schemes are vested with the administrator of the agreement or arrangement, as the case may be;</p> <p>D. which is managed, in the case of an agreement or arrangement governed by such trust, by a registered trust company;</p> <p>E. in relation to which, and its participating schemes, proper accounts and records are kept; and</p> <p>F. under which the value of the assets attributable to, and the liabilities of, each of its participating schemes are readily determinable from such accounts and records.</p>
Relevant employer	Means, in relation to an occupational retirement scheme, the employer who provides the employment which entitles or enables the employee to be a member of the scheme.
Top-up scheme	Means an occupational retirement scheme restructured to supplement the minimum benefits provided under an MPF scheme.

B. MPF Schemes

Accrued benefits	In relation to a registered scheme, means the amount of each scheme member's beneficial interest in the registered scheme at any time, including sums derived from the contributions made by or in respect of that scheme member, together with the income or profits arising from any investments thereof, but taking into account any losses in respect thereof.
Approved pooled investment fund	<p>An investment fund which is an insurance policy, authorized unit trust or authorized mutual fund that</p> <p>A. complies with the requirements set out in section 17(2) of Schedule 1 to the General Regulation; and</p> <p>B. is approved by the MPFA.</p>

Approved trustee	Means a company or a natural person approved by the MPFA as a trustee in accordance with section 20 of the MPFSO.
Casual employee	Means a relevant employee who is declared by an order made under section 2(2) of the MPFSO to be a casual employee for the purposes of the MPFSO. Section 2(2) of the MPFSO provides that if relevant employees: <p>A. are engaged in an industry for which a provident fund scheme is registered as an industry scheme; and</p> <p>B. employed in that industry by an employer on a day to day basis or for a fixed period of less than 60 days,</p> the MPFA may, by order published in the Gazette, declare those employees to be casual employees for the purposes of the MPFSO.
Constituent fund	In relation to a registered scheme, means the fund that constitutes a registered scheme, or a fund that forms part of the scheme, and complies with the requirements set out in section 36 of the General Regulation.
Employer-sponsored scheme	Means a registered scheme membership of which is: <p>A. in the case of an employer who is not a company, open only to the employees of that employer; or</p> <p>B. in the case of an employer that is a company, open only to the employees of that company or an associated company.</p>
Industry scheme	Means a provident fund scheme registered under section 21A of the MPFSO as an industry scheme. Such a scheme may be for the persons engaged (whether as employees or as self-employed persons) in a particular industry or a particular class of industries or in two or more industries or classes of industries.
Mandatory contribution	Means <p>A. an amount that is required to be paid as a contribution to a registered scheme under section 7A or 7C of the MPFSO; or</p> <p>B. minimum MPF benefits transferred from an MPF exempted ORSO registered scheme.</p>
Master trust scheme	Means a registered scheme membership of which is open to: <p>A. the employees of more than one employer; and</p> <p>B. self-employed persons; and</p> <p>C. persons who, having accrued benefits in another registered scheme, wish to have those benefits transferred to the first-mentioned scheme; and</p> <p>D. persons who, having benefits in an ORSO exempted scheme or an ORSO registered scheme, wish to have those benefits transferred to the first-mentioned scheme,</p> but does not include an industry scheme.
Provident fund scheme	Means a scheme governed by a trust: <p>A. the terms of which are set out in one or more documents; and</p> <p>B. that:</p> <p>(i) provides for the payment of pecuniary benefits to the members of the scheme when they reach the retirement age, or any other prescribed event occurs in relation to them; or</p>

Provident fund scheme <i>continued</i>	(ii) in the case of members who die before reaching that age or before the occurrence of such an event, provides for the payment of those benefits to the personal representatives or beneficiaries of the estates of those members, and includes a proposed provident fund scheme.
Registered scheme	Means a provident fund scheme registered under section 21 of the MPFSO as an employer sponsored scheme or a master trust scheme or registered under section 21A of the MPFSO as an industry scheme.
Relevant employee	Means an employee of 18 years of age or over and below retirement age.
Relevant income	Means: A. in the case of a relevant employee, any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance (other than a housing allowance or other housing benefit), expressed in monetary terms, paid or payable by an employer (directly or indirectly) to that relevant employee in consideration of his employment under that contract, but does not include severance payments or long service payments under the Employment Ordinance (Cap.57); B. in the case of a self-employed person, income of that person as ascertained in accordance with the regulations made under section 46 of the MPFSO.
Scheme member	In relation to a registered scheme, means a person who has a beneficial interest in the registered scheme.
Self-employed person	Means a person whose relevant income (otherwise than in the capacity as an employee) derives from his production (in whole or in part) of goods or services in Hong Kong, or his trade in goods or services in or from Hong Kong.
Service provider	In relation to a provident fund scheme, means an investment manager, custodian of scheme assets or other person appointed or engaged by the trustee of the scheme to provide services for the purposes of the scheme, and includes a person to whom the provision of those services is delegated by such a manager, custodian or other person, but does not include a person appointed or so engaged as an auditor, solicitor or actuary.
Voluntary contribution	Means a contribution paid to a registered scheme in accordance with section 11 of the MPFSO.

C. Abbreviations

	STANDS FOR
General Regulation	Mandatory Provident Fund Schemes (General) Regulation
HKMA	Hong Kong Monetary Authority
IA	Insurance Authority
IMS	Information Management System
ISC	Industry Schemes Committee
MPF	Mandatory Provident Fund
MPFA	Mandatory Provident Fund Schemes Authority
MPFSAC	Mandatory Provident Fund Schemes Advisory Committee
MPFSO	Mandatory Provident Fund Schemes Ordinance
ORSO	Occupational Retirement Schemes Ordinance
Review Committee	MPF Schemes Operation Review Committee
RORS	Registrar of Occupational Retirement Schemes
SEP	Self-employed person
SFC	Securities and Futures Commission

HK\$100

A Chinese version of this report is available

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