

## **Press release**

### **LCQ3: Severance payments and long service payments paid from accrued benefits of the mandatory provident fund schemes**

Wednesday, March 3, 2010

Following is a question by the Hon Lee Cheuk-yan and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 3):

Question:

Section 12A of the Mandatory Provident Fund Schemes Ordinance stipulates that certain amounts relating to severance payments and long service payments may be paid from accrued benefits of mandatory provident fund (MPF) schemes. In this connection, will the Government inform this Council:

- (a) whether it knows the total amounts of payments made by approved trustees of MPF schemes to employers and employees respectively in accordance with the aforesaid provision in each of the past three years;
- (b) whether it knows the total accumulative amount of payments made by approved trustees in accordance with the aforesaid provision from the implementation of MPF schemes to the end of 2009; and
- (c) given that an employer may, at present, make an application under the aforesaid provision to the approved trustee of the MPF scheme to withdraw the part of accrued benefits attributable to contributions made by the employer from his employee's MPF account, and use the money to pay severance payment or long service payment to that employee, whether the Government will review afresh the relevant arrangement?

Reply:

President,

(a) and (b) According to the data collected from approved trustees by the Mandatory Provident Fund Schemes Authority (MPFA), the total accumulative amount of severance payments or long service payments paid by approved trustees from Mandatory Provident Fund (MPF) accrued benefits in accordance with section 12A of the Mandatory Provident Fund Schemes Ordinance from July 1, 2001 to September 30, 2009 was HK\$12,073 million. MPFA does not have the breakdown of the amounts paid to employers and employees respectively by approved trustees.

(c) Before the MPF system came into operation, the Employment Ordinance already allowed employers to use the accrued benefits derived from their contributions to retirement schemes for offsetting severance payments or long service payments. It was only after extensive consultations and careful balancing of all relevant considerations that this long-established offsetting arrangement was extended to cover MPF Schemes. The offsetting arrangements involve considerations pertaining to overall employer-employee relationship. The Government has no plan to review the arrangements at present.

Ends