

Press release

**LCQ15: Offsetting of severance payments and long service payments with
the accrued benefits of mandatory provident fund schemes**

Wednesday, February 20, 2013

Following is a question by the Hon Tang Ka-piu and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (February 20):

Under the Mandatory Provident Fund Schemes Ordinance (Cap. 485), an employer may use the accrued benefits derived from the employer's contributions he made to a Mandatory Provident Fund (MPF) scheme for the employee to offset long service payments (LSP) or severance payments (SP) payable to the employee under the Employment Ordinance (Cap. 57) (the offsetting arrangement). In this connection, will the Government inform this Council whether it knows:

- (a) the respective numbers and percentages of MPF accounts from which accrued benefits were withdrawn for different reasons in each year from 2001 to 2012, and the amounts of money involved (set out in tables of the same format as Table 1 of Annex A);
- (b) the number of MPF accounts from which accrued benefits were withdrawn for the offsetting arrangement (i.e. to offset SP or LSP) in each year from 2001 to 2012 (set out in tables of the same format as Table 2 of Annex A);
- (c) a breakdown on the number of employees by the total number of times that the accrued benefits in the various MPF accounts held under the name of an employee were withdrawn for the offsetting arrangement from 2001 to 2012 (set out in Table 3 of Annex A);
- (d) a breakdown on the number of employees whose MPF accounts' accrued benefits were withdrawn for the offsetting arrangement in each year from 2001 to 2012, by (i) the age group to which the employees belong, (ii) the income range of employees, (iii) the industry sector to which the employees belong, and (iv) the amount of the balance of the accrued benefits derived from employer's contributions in the MPF account after the offsetting arrangement (set out separately in Tables 4 to 7 of Annex A); if the above information is unavailable, whether the authorities will consider setting up such database;

(e) the number of MPF accounts of government employees from which accrued benefits were withdrawn for the offsetting arrangement from 2001 to 2012, the number of employees involved, as well as the total amount of money and the government departments involved; and

(f) given that the Chief Executive has indicated in the 2013 Policy Address that "to further increase employees' autonomy in selecting their MPF schemes, the MPFA (Mandatory Provident Fund Schemes Authority) is studying the necessary measures for the implementation of Full Portability, such as studies on establishing a central database and arrangements for 'one-member-two-accounts'", whether the authorities have considered abolishing the offsetting arrangement as early as possible to tie in with the implementation of Full Portability; if they have, of the details and the implementation timetable; if not, the reasons for that?

Reply:

President,

(a) According to the information trustees submitted to the Mandatory Provident Fund Schemes Authority (MPFA) pursuant to the Mandatory Provident Fund Schemes Ordinance (the Ordinance), the amount of accrued benefits withdrawn by scheme members on the following reasons are set out in Table 1 of Annex B.

Regarding the number of claims for withdrawal of accrued benefits, the MPFA only has the figures on the number of claims for early withdrawal of accrued benefits on the reason of "permanent departure from Hong Kong", which have been included in the above table.

(b) According to the information obtained by the MPFA from trustees, the amounts of accrued benefits withdrawn from scheme members' accounts for offsetting SP or LSP under section 12A of the Ordinance are set out in Table 2 of Annex B.

The MPFA does not have the breakdowns of the amount used for offsetting SP and LSP and the respective numbers of accounts involved.

(c), (d) & (e) The information submitted by trustees to the MPFA pursuant to the Ordinance does not cover the requested data.

(f) Before the Mandatory Provident Fund (MPF) system came into operation, the

Employment Ordinance already allowed employers to use their contributions to the retirement schemes for offsetting SP or LSP. The decision to adopt this long-established offsetting arrangement when implementing the MPF system has been made after extensive consultation and consideration of all relevant factors. In view of the very diverse views on the offsetting arrangement among different quarters in the community, we must deal with the matter very cautiously.

Ends