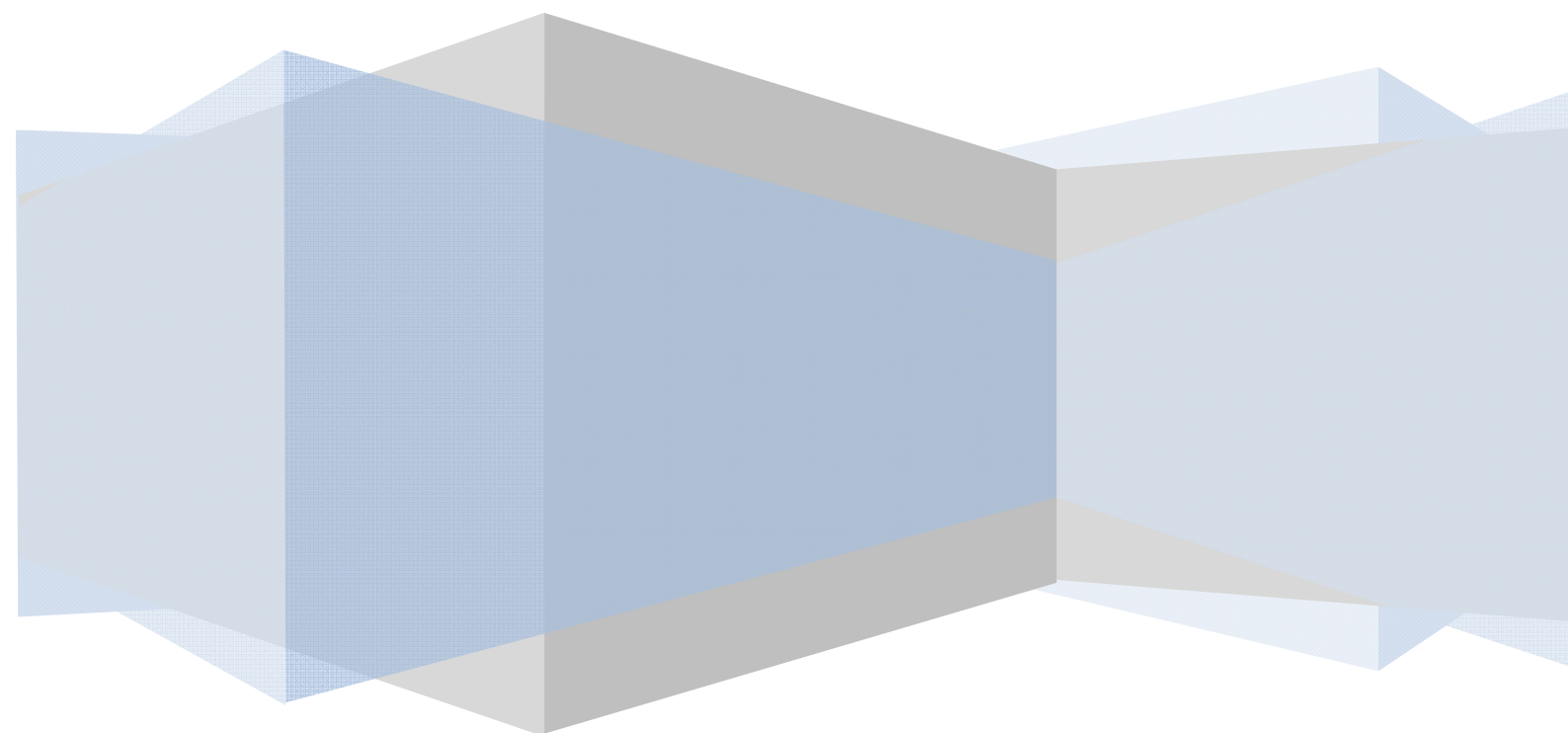




Statistical Report on Claims for Offsetting Severance Payment and Long Service Payment against MPF Accrued Benefits

(1 January 2014 – 31 December 2014)



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I. BACKGROUND

1. Before the Mandatory Provident Fund (“MPF”) System came into operation in December 2000, the Employment Ordinance (Cap.57) (“EO”) already allowed employers to use provident fund payment to offset severance payment (“SP”) and long service payment (“LSP”). Under the EO, employers are required to make SP and LSP upon cessation of employment of employees in specified situations. An employee will only receive either SP or LSP, but not both. This long-established offsetting arrangement was extended to cover MPF schemes with the introduction of the MPF System.
2. Under the EO, if an employee becomes entitled to SP/LSP, and accrued benefits derived from employer’s contributions (“ER accrued benefits”) are held in an MPF scheme in respect of the employee, or has been paid to the employee, the SP/LSP can be offset against ER accrued benefits to the extent that they relate to the employee’s years of service for which the SP/LSP is payable. The Mandatory Provident Fund Schemes Ordinance sets out operational details of the SP/LSP offsetting arrangements.
3. Since the implementation of the MPF System in December 2000, there have been strong views expressed by different stakeholders on the issue of whether employers should be entitled to use provident fund payment to offset SP and LSP. Today, this remains an issue of debate. Data provided in this report is provided to facilitate informed discussion and debate of the topic.
4. Since July 2001, the Mandatory Provident Fund Schemes Authority (“MPFA”) has been collecting from trustees data about the amount of claims for offsetting SP and LSP against MPF accrued benefits every quarter. Subsequent to the revision of MPF guidelines in June 2013, trustees have been required to collect and provide additional statistics regarding SP/LSP offsetting claims. Based on the additional statistics from trustees, this report summarizes the major features of SP and LSP offsetting claims for 2014, the first full year that trustees reported detailed SP/LSP offsetting statistics to the MPFA.
5. In Part II, the report analyzes various aspects of SP/LSP offsetting claims. Section A of Part II sets out the number of SP/LSP offsetting claims and the number of employees and employers involved in SP/LSP offsetting claims. Section B gives an account of the amount of SP/LSP offsetting claims. Section C analyzes the offsetting claim amount as a percentage of the involved employees’ account balance. A review of the profile of employees involved in SP/LSP offsetting claims are provided in Section D (by the age of employees) and Section E (by the number of years of service of employees). The report then looks at the profile of employers involved in SP/LSP offsetting claims in Section F (by industry type) and Section G (by the size of employers).

II. SUMMARY OF CLAIMS FOR SP & LSP OFFSETTING (1 JANUARY 2014 – 31 DECEMBER 2014)

6. The statistics contained in this report are based on the SP/LSP offsetting claims processed by MPF trustees in 2014. All statistics were provided by MPF trustees to the MPFA in accordance with relevant MPF guidelines.

A. Number of Claims

7. In 2014, a total of 45 400 SP/LSP offsetting claims were processed by trustees. These claims involved a total of 15 600 unique employers and 43 500 unique employees.

8. SP offsetting claims accounted for 68% of the total number of claims and LSP offsetting claims accounted for 32% of the total.

Table 1 *Number of Claims, Number of Unique Employees and Employers Involved*

Type of Claim	Number of Claims ⁽¹⁾	Number of Unique Employers Involved ⁽²⁾	Number of Unique Employees Involved ⁽²⁾
SP	30 900	9 100	29 700
LSP	14 500	7 200	13 800
Overall	45 400	15 600	43 500

Notes:

- (1) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (2) The information on the number of unique employers involved and the number of unique employees involved is provided by trustees for each individual scheme. Therefore, the number of unique employers involved and the number of unique employees involved in the table are only the aggregate of the relevant figures of all schemes without taking into account any multiple claims involving the same employer/employee made in different schemes in the year.

B. Amount of Claims

9. In 2014, the total amount of SP/LSP offsetting claims was \$3,006 million. SP accounted for 55% of the total and LSP for 45%. From July 2001 to December 2014, the accumulated amount of SP/LSP offsetting claims was \$25 billion.

Table 2 Total Offsetting Amount by Type of Claim

(\$ million)

Year	SP ⁽¹⁾	LSP ⁽¹⁾	Overall
2012	NA	NA	2,270
2013	NA	NA	2,678
2014	1,656	1,351	3,006

Notes:

- (1) Before 1 July 2013, only the aggregate offsetting amount was available to the MPFA. Since then, the additional information of offsetting amount by type of claim has become available to the MPFA.
- (2) NA denotes not applicable.
- (3) Figures do not sum up to the overall figure due to rounding.
10. Under the SP/LSP offsetting arrangements, both ER accrued benefits derived from mandatory contributions and those derived from voluntary contributions can be used to offset against any amount the employer has paid for SP/LSP.
11. In 2014, around 89% of the total SP/LSP offsetting amount came from benefits derived from mandatory contributions and 11% of the SP/LSP offsetting amount came from those derived from voluntary contributions.

Table 3 Offsetting Amount by Type of Contribution and Type of Claim

Type of Contribution	Type of Claim				Overall	
	SP		LSP			
	Offsetting Amount (\$ million)	%	Offsetting Amount (\$ million)	%	Offsetting Amount (\$ million)	%
Mandatory Contributions	1,516	91.6%	1,160	85.9%	2,674	89.0%
Voluntary Contributions	140	8.4%	191	14.1%	331	11.0%
Total	1,656	100.0%	1,351	100.0%	3,006	100.0%

Note:

- (1) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

12. SP/LSP offsetting was a major withdrawal ground of MPF benefits. SP/LSP offsetting amount accounted for 21.6% of the total benefit withdrawal from the MPF System in 2014. To put this in perspective, that is equivalent to 5.5% of the total amount of contributions received in the year and 0.5% of the total net asset value of MPF schemes as at 31 December 2014.

Table 4 Offsetting Amount as a Percentage of Benefits Paid, Contributions Received and Net Asset Value of MPF Schemes

Year	Offsetting Amount as a Percentage of Total Amount of Benefits Paid ⁽¹⁾	Offsetting Amount as a Percentage of Total Amount of Contributions Received ⁽²⁾	Offsetting Amount as a Percentage of Total Net Asset Value of MPF Schemes ⁽³⁾
2012	24.5%	5.0%	0.5%
2013	22.6%	5.3%	0.5%
2014	21.6%	5.5%	0.5%

Notes:

- (1) The amount of benefits paid includes the amount of benefits paid derived from mandatory contributions and/or voluntary contributions but excludes the amount of benefits paid derived from special voluntary contributions. Special voluntary contributions refer to voluntary contributions paid directly by a relevant employee to the trustee. Unlike general voluntary contributions, these contributions are non-employment related, i.e. contributions do not go through the employer, and withdrawal of accrued benefits is neither tied to employment nor subject to preservation requirements.
- (2) The amount of contributions received includes the amount of mandatory contributions received and the amount of voluntary contributions received but excludes the amount of special voluntary contributions received.
- (3) The total net asset value of MPF schemes as at end of the year.

13. The average amount of SP/LSP offsetting claims was \$66,200. Relatively speaking, the average amount of LSP offsetting claims (\$93,500) was substantially higher than that of SP (\$53,500). More than half (54.5%) of SP/LSP offsetting claims were less than \$50,000.

Table 5 Number, Percentage and Average Amount of Claims

Type of Claim	Offsetting Amount	Number of Claims ⁽¹⁾	%	Average Offsetting Amount Per Claim ⁽³⁾ (\$)
SP	<\$50,000	20 500	66.4%	53,500
	\$50,000 - <\$100,000	5 600	18.1%	
	\$100,000 - <\$200,000	3 700	12.0%	
	\$200,000 - <\$300,000	900	2.9%	
	\$300,000 - <\$390,000	100	0.4%	
	\$390,000 ⁽²⁾	100	0.2%	
	Sub-Total	30 900	100.0%	
LSP	<\$50,000	4 200	29.1%	93,500
	\$50,000 - <\$100,000	5 200	35.7%	
	\$100,000 - <\$200,000	3 900	27.1%	
	\$200,000 - <\$300,000	900	6.3%	
	\$300,000 - <\$390,000	100	1.0%	
	\$390,000 ⁽²⁾	100	0.9%	
	Sub-Total	14 500	100.0%	
Overall	<\$50,000	24 700	54.5%	66,200
	\$50,000 - <\$100,000	10 800	23.7%	
	\$100,000 - <\$200,000	7 600	16.8%	
	\$200,000 - <\$300,000	1 800	4.0%	
	\$300,000 - <\$390,000	300	0.6%	
	\$390,000 ⁽²⁾	200	0.4%	
	Total	45 400	100.0%	

Notes:

- (1) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (2) The maximum amount for offsetting SP or LSP is \$390,000.
- (3) The average offsetting amount is compiled on the basis of the total number of claims by the claimants but not the unique number of claim cases in the year.
- (4) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

14. According to the information submitted by trustees, an employee might be involved in more than one offsetting claim in the year.¹ As shown in Table 6, the average amount of SP/LSP offsetting claims per employee was \$69,200. Relatively speaking, the average amount of LSP offsetting claims per employee (\$98,000) was substantially higher than that of SP (\$55,800).
15. The average amount of SP/LSP offsetting claims per employer was \$192,800. The overall figure is higher than the average amount of SP or LSP offsetting claim as the same employers may be involved in both SP and LSP claim cases during the year.

Table 6 Average Amount of Claims Per Employer and Per Employee

Type of Claim	Average Offsetting Amount Per Employer (\$)	Average Offsetting Amount Per Employee (\$)
SP	182,100	55,800
LSP	187,500	98,000
Overall	192,800	69,200

¹ An employee might be involved in more than one offsetting claim during the year under the following circumstances:

- a. Both the employer and the employee made offsetting claims for the same claim case to the same scheme during the period. In this scenario, the trustee would need to process two claims for one case. Since only one employee was actually involved, the trustee would report the number of unique employees involved as one.
- b. In some cases, an employee might be involved in two claim cases in the same scheme (e.g. claiming LSP offsetting on reaching age 65 and resigning on ground of old age in respect of two employments with both employers participating in the same scheme). As long as these claim cases were related to the same employee, the trustee would report the number of unique employee involved as one.

C. Claim Amount as a Percentage of the Involved Employees' Account Balance

16. On average, the amount of SP/LSP offsetting claims, regardless of the type of claim, accounted for 51% of the involved employees' account balance.² It should be noted that this statistic only relates to those employees who were involved in SP/LSP offsetting claims in 2014.

Table 7 Percentage of the Involved Employees' Account Balance Withdrawn for Offsetting

Type of Claim	Percentage of the Involved Employees' Account Balance Withdrawn for Offsetting	Number of Claims ⁽¹⁾	%	Average Percentage of the Involved Employees' Account Balance Withdrawn for Offsetting
SP	<20%	1 200	3.8%	51%
	20% - <40%	1 300	4.2%	
	40% - <60%	25 300	81.7%	
	60% - <80%	1 100	3.5%	
	80% - <100%	1 500	4.7%	
	100%	600	2.0%	
	Sub-Total	30 900	100.0%	
LSP	<20%	700	5.0%	51%
	20% - <40%	1 000	6.7%	
	40% - <60%	11 100	76.9%	
	60% - <80%	500	3.1%	
	80% - <100%	800	5.5%	
	100%	400	2.8%	
	Sub-Total	14 500	100.0%	
Overall	<20%	1 900	4.2%	51%
	20% - <40%	2 300	5.0%	
	40% - <60%	36 400	80.2%	
	60% - <80%	1 500	3.4%	
	80% - <100%	2 300	5.0%	
	100%	1 000	2.3%	
	Total	45 400	100.0%	

Notes:

- (1) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claim refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (2) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

² The "Employees' Account Balance" refers to the balance accrued in four sub-accounts of MPF contribution accounts of employees, namely, (i) the sub-account holding the benefits derived from employer mandatory contributions in respect of the employee's current employment, (ii) the sub-account holding the benefits derived from employer voluntary contributions in respect of the employee's current employment, (iii) the sub-account holding the benefits derived from employee mandatory contributions in respect of the employee's current employment and (iv) the sub-account holding the benefits derived from employee voluntary contributions in respect of the employee's current employment. The percentage of an employee's account balance withdrawn for offsetting may exceed 50%, for example, where the employee was not required to make mandatory contributions or the employer made voluntary contributions that exceeded the amount of voluntary contributions made by the employee.

17. On average, the amount of SP/LSP offsetting claims accounted for 94% of employer's portion of the involved employees' account balance.³ SP offsetting claims had a slightly higher percentage than those of LSP (95% vs. 92%). It should be noted that these statistics only relate to those employees who were involved in SP/LSP offsetting claims in 2014.

Table 8 Percentage of the Employer Portion of the Involved Employees' Account Balance Withdrawn for Offsetting

Type of Claim	Percentage of the Employer Portion of the Involved Employees' Account Balance Withdrawn for Offsetting	Number of Claims ⁽¹⁾	%	Average Percentage of the Employer Portion of the Involved Employees' Account Balance Withdrawn for Offsetting
SP	<20%	600	1.9%	95%
	20% - <40%	200	0.7%	
	40% - <60%	400	1.2%	
	60% - <80%	1 100	3.6%	
	80% - <100%	7 800	25.2%	
	100%	20 900	67.5%	
	Sub-Total	30 900	100.0%	
LSP	<20%	300	2.2%	92%
	20% - <40%	200	1.7%	
	40% - <60%	300	2.3%	
	60% - <80%	800	5.6%	
	80% - <100%	3 400	23.2%	
	100%	9 400	65.1%	
	Sub-Total	14 500	100.0%	
Overall	<20%	900	2.0%	94%
	20% - <40%	500	1.0%	
	40% - <60%	700	1.5%	
	60% - <80%	1 900	4.2%	
	80% - <100%	11 100	24.5%	
	100%	30 300	66.7%	
	Total	45 400	100.0%	

Notes:

- (1) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (2) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

³ The "Employer Portion of Employees' Account Balance" refers to the balance accrued in two sub-accounts of MPF contribution accounts of employees, namely (i) the sub-account holding the benefits derived from employer mandatory contributions in respect of the employee's current employment and (ii) the sub-account holding the benefits derived from employer voluntary contributions in respect of the employee's current employment.

D. Age of Employees

18. More than three quarters of the total SP/LSP offsetting claims in 2014 were related to employees aged 40 years and above. The average age of employees involved in SP/LSP offsetting claims was 48 years. Relatively speaking, employees involved in LSP offsetting claims were older (an average of 52 years) than those involved in SP offsetting claims (an average of 47 years).

Table 9 Number and Percentage of Claims and Average/Median Age of Employees

Type of Claim	Age Group	Number of Claims ⁽¹⁾	%	Average Age	Median Age
SP	18-29	2 400	7.7%	47	48
	30-39	6 100	19.7%		
	40-49	8 600	27.7%		
	50-59	9 900	31.9%		
	60-64	3 500	11.3%		
	>64	500	1.8%		
	Sub-Total	30 900	100.0%		
LSP	18-29	300	2.3%	52	54
	30-39	2 000	13.5%		
	40-49	3 200	22.1%		
	50-59	3 500	24.2%		
	60-64	3 200	22.2%		
	>64	2 300	15.7%		
	Sub-Total	14 500	100.0%		
Overall	18-29	2 700	6.0%	48	50
	30-39	8 000	17.7%		
	40-49	11 800	25.9%		
	50-59	13 400	29.4%		
	60-64	6 700	14.8%		
	>64	2 800	6.2%		
	Total	45 400	100.0%		

Notes:

- (1) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claims in the year.
- (2) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

E. Years of Service of Employees

19. On average, employees involved in SP/LSP offsetting claims had eight years' of service. The median service year was six years. Employees involved in LSP offsetting claims had a longer service period (an average of 12 years) than those involved in SP offsetting claims (an average of six years).

Table 10 Number and Percentage of Claims by Year of Service of Employees and Average/Median Service Year of Employees

Type of Claim	Year of Service	Number of Claims ⁽²⁾	%	Average Service Year	Median Service Year
SP	2	8 200	26.8%	6	4
	3-5	11 000	35.8%		
	6-8	4 300	14.2%		
	9-11	2 400	7.8%		
	12-14	1 700	5.4%		
	15-17	1 100	3.5%		
	18-20	800	2.7%		
	>20	1 200	3.8%		
	Sub-Total	30 600	100.0%		
	Not Available ⁽¹⁾	300	NA		
	Total	30 900	NA		
LSP	5	1 700	12.0%	12	10
	6-8	4 100	28.2%		
	9-11	2 600	18.3%		
	12-14	2 300	16.1%		
	15-17	1 300	9.3%		
	18-20	900	6.5%		
	>20	1 400	9.7%		
	Sub-Total	14 400	100.0%		
	Not Available ⁽¹⁾	#	NA		
	Total	14 500	NA		
Overall	2	8 200	18.2%	8	6
	3-5	12 700	28.2%		
	6-8	8 400	18.7%		
	9-11	5 000	11.1%		
	12-14	4 000	8.8%		
	15-17	2 400	5.3%		
	18-20	1 800	3.9%		
	>20	2 600	5.7%		
	Sub-Total	45 000	100.0%		
	Not Available ⁽¹⁾	400	NA		
	Total	45 400	NA		

Notes:

- (1) The information on employees who are casual employees in industry schemes is not available.
- (2) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (3) NA denotes not applicable.
- (4) # denotes less than 50.
- (5) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

F. Industry Type of Employers

20. According to the available information, the top five industry types of employers involved in SP/LSP offsetting claims were wholesale/retail/import & export trades, manufacturing, catering, community/social/personal services, and construction.

Table 11 Number and Percentage of Claims and Offsetting Amount by Industry Type of Employer

Industry Type of Employer ⁽¹⁾	Type of Claim						Overall		
	SP			LSP					
	Number of Claims ⁽²⁾	%	Offsetting Amount (\$ million)	Number of Claims ⁽²⁾	%	Offsetting Amount (\$ million)	Number of Claims ⁽²⁾	%	Offsetting Amount (\$ million)
Wholesale/Retail/Import & Export Trades	4 500	18.7%	299	2 000	21.4%	191	6 500	19.5%	491
Manufacturing	2 800	11.9%	237	1 400	15.0%	165	4 300	12.8%	402
Catering	3 100	13.0%	93	1 100	11.4%	69	4 200	12.5%	162
Community/Social/Personal Services	2 500	10.6%	76	900	9.3%	81	3 400	10.2%	157
Construction	2 600	11.0%	96	400	4.1%	36	3 000	9.0%	132
Transport	1 500	6.3%	88	700	7.0%	68	2 200	6.5%	156
Financing/Insurance/Real Estate/Business Services	1 400	5.8%	57	700	7.8%	62	2 100	6.4%	119
Cleaning	500	2.2%	6	100	0.7%	3	600	1.8%	9
Security Guard	100	0.4%	2	300	2.8%	18	400	1.1%	20
Hairdressing and Beauty	#	0.0%	##	#	0.0%	##	#	0.0%	##
Others	4 800	20.1%	282	1 900	20.5%	187	6 700	20.2%	469
Sub-Total	23 800	100.0%	1,237	9 400	100.0%	879	33 200	100.0%	2,116
Unknown	7 100	NA	419	5 000	NA	471	12 200	NA	890
Total	30 900	NA	1,656	14 500	NA	1,351	45 400	NA	3,006

Notes:

- (1) A standardized industry type for classification of employers was provided to trustees by MPFA in April 2007 and has been in use since then. The industry type of "Others" refers to the industries other than the 10 standard industries listed in the table. The industry type of "Unknown" applies to some employers enrolled before April 2007, the industry type of which was not known to trustees.
- (2) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (3) # denotes less than 50.
- (4) ## denotes less than \$500,000.
- (5) 0.0% denotes less than 0.05%.
- (6) NA denotes not applicable.
- (7) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.

G. Size of Employers

21. In 2014, 55.1% of total claims were related to employers with 50 employees or less. Some larger employers, such as those with more than 1 000 employees, accounted for 16.1% of total claims.

Table 12 Number and Percentage of Claims by Number of Employees Employed by the Employers Involved

Number of Employees of Employers ⁽¹⁾	Type of Claim				Overall	
	SP		LSP			
	Number of Claims ⁽²⁾	%	Number of Claims ⁽²⁾	%	Number of Claims ⁽²⁾	%
1-50	17 400	57.0%	7 400	51.0%	24 800	55.1%
51-100	3 100	10.2%	1 400	9.6%	4 500	10.0%
101-200	2 200	7.2%	1 000	7.2%	3 300	7.2%
201-500	2 300	7.4%	1 000	7.2%	3 300	7.3%
501-1 000	1 200	4.1%	700	5.0%	2 000	4.4%
> 1 000	4 300	14.2%	2 900	20.0%	7 200	16.1%
Sub-Total	30 600	100.0%	14 400	100.0%	45 000	100.0%
<i>Casual Employees</i> ⁽³⁾	300	NA	#	NA	400	NA
Total	30 900	NA	14 500	NA	45 400	NA

Notes:

- (1) Including the account holders whose MPF accrued benefits were used for offsetting SP/LSP.
- (2) Since a claim case may involve more than one claimant (e.g. both the employer and the employee can make claims with trustee(s) for the same claim case), the number of claims refers to the number of claims made by the claimants but not the unique number of claim cases in the year.
- (3) The information on the casual employees in industry schemes is not available.
- (4) NA denotes not applicable.
- (5) # denotes less than 50.
- (6) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding.