



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

(1 January 2015 – 31 December 2015)

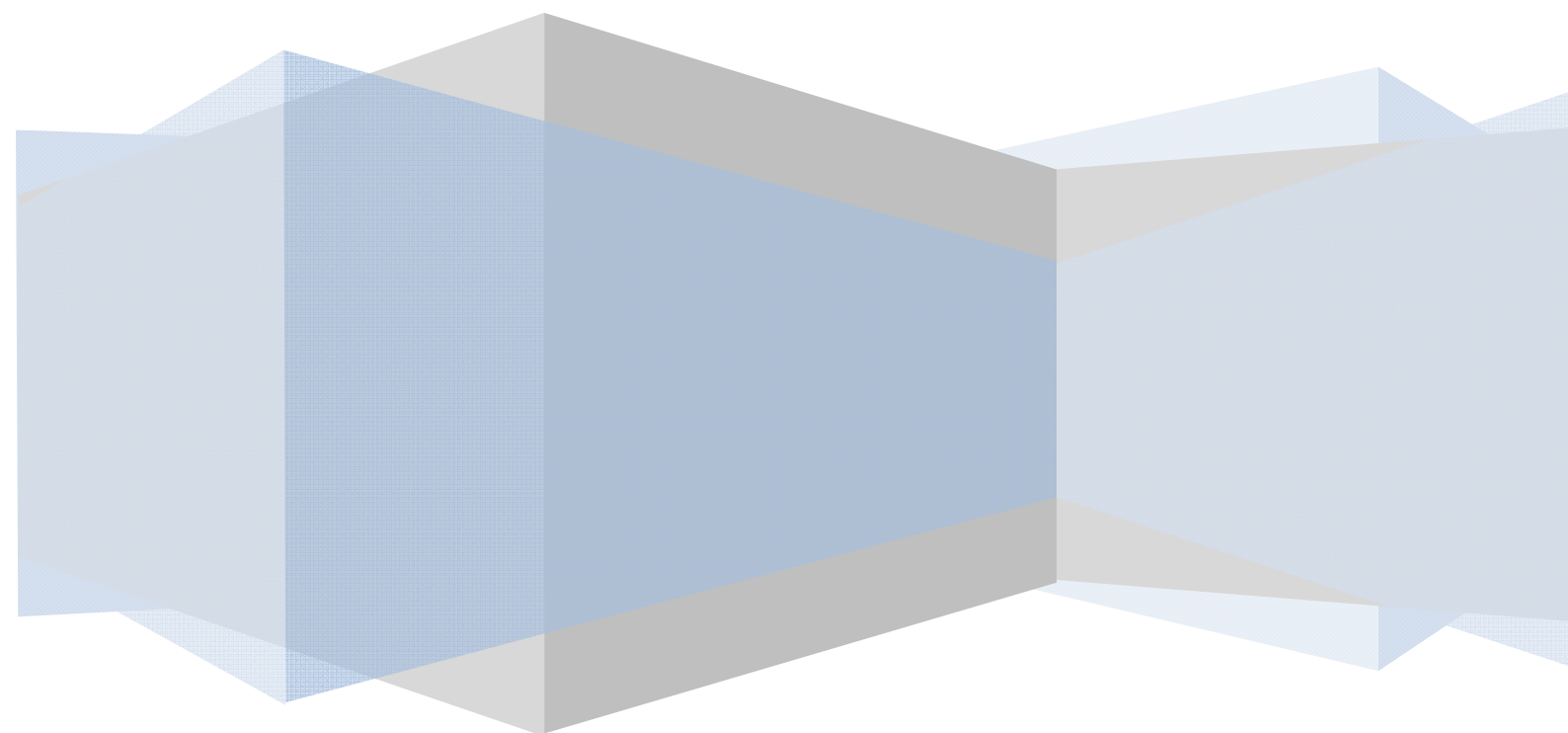


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I. BACKGROUND

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 these statistics from trustees, this report summarizes the major features of SP and LSP offsetting claims in 2015.
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 2015 – 31 DECEMBER 2015)

6. The statistics contained in this report are based on the SP/LSP offsetting claims processed by MPF trustees in 2015 and other relevant years. All statistics were provided by MPF trustees to the MPFA in accordance with relevant MPF guidelines.

A. Number of Claims

7. In 2015, a total of 47 300 SP/LSP offsetting claims were processed by trustees, an increase of 1 900 claims from 2014. These claims involved a total of 14 400 unique employers and 45 300 unique employees.

8. SP offsetting claims accounted for 67% of the total number of claims and LSP offsetting claims accounted for 33% of the total.

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

Type of Claim	Number of Claims ⁽¹⁾		Number of Unique Employers Involved ⁽²⁾		Number of Unique Employees Involved ⁽²⁾	
	2014	2015	2014	2015	2014	2015
SP	30 900	31 500	9 100	8 200	29 700	30 400
LSP	14 500	15 800	7 200	6 900	13 800	14 900
Overall	45 400	47 300	15 600	14 400	43 500	45 300

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. The number of unique employers involved and the number of unique employees involved in the table are only the aggregate of relevant figures of all schemes without taking into account any multiple claims involving the same employer/employee made in different schemes in the year. In addition, since the number of unique employers involved and number of unique employees involved in some schemes were calculated by summing up the respective unique figures over the four quarters, there may be duplications arising from the multiple claims involving the same employer/employee made in different types of claims (i.e. SP/LSP) or different quarters.

B. Amount of Claims

9. In 2015, the total amount of SP/LSP offsetting claims was \$3,354 million, an increase of \$348 million from 2014. SP accounted for 53% of the total and LSP for 47%. From July 2001 to December 2015, the accumulated amount of SP/LSP offsetting claims was \$28 billion.

Table 2 Total Offsetting Amount by Type of Claim

(\$ million)

Year	SP ⁽¹⁾	LSP ⁽¹⁾	Overall
2013	NA	NA	2,678
2014	1,656	1,351	3,006
2015	1,780	1,575	3,354

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 2015, around 90% of the total SP/LSP offsetting amount came from benefits derived from mandatory contributions and around 10% 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	1,652	92.9%	1,358	86.2%	3,010	89.7%
Voluntary Contributions	127	7.1%	217	13.8%	344	10.3%
Total	1,780	100.0%	1,575	100.0%	3,354	100.0%

Note:

- (1) Figures or percentages may not sum up to the corresponding total or 100.0% due to rounding. Percentage figures are derived from unrounded figures.

12. SP/LSP offsetting was a major withdrawal ground of MPF benefits. SP/LSP offsetting amount accounted for 22.0% of the total benefit withdrawal from the MPF System in 2015. To put this in perspective, that is equivalent to 5.6% of the total amount of contributions received in the year and 0.6% of the total net asset value of MPF schemes as at 31 December 2015.

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⁾
2013	22.6%	5.3%	0.5%
2014	21.6%	5.5%	0.5%
2015	22.0%	5.6%	0.6%

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 \$70,900 in 2015, compared to \$66,200 in 2014. Relatively speaking, the average amount of LSP offsetting claims (\$99,800) was substantially higher than that of SP (\$56,400). More than half (51.9%) 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	20 300	64.4%	56,400
	\$50,000 - <\$100,000	6 200	19.6%	
	\$100,000 - <\$200,000	3 700	11.8%	
	\$200,000 - <\$300,000	1 100	3.4%	
	\$300,000 - <\$390,000	100	0.4%	
	\$390,000 ⁽²⁾	100	0.2%	
	Sub-Total	31 500	100.0%	
LSP	<\$50,000	4 200	26.9%	99,800
	\$50,000 - <\$100,000	5 500	34.9%	
	\$100,000 - <\$200,000	4 300	27.4%	
	\$200,000 - <\$300,000	1 300	8.4%	
	\$300,000 - <\$390,000	200	1.2%	
	\$390,000 ⁽²⁾	200	1.2%	
	Sub-Total	15 800	100.0%	
Overall	<\$50,000	24 600	51.9%	70,900
	\$50,000 - <\$100,000	11 700	24.7%	
	\$100,000 - <\$200,000	8 100	17.0%	
	\$200,000 - <\$300,000	2 400	5.1%	
	\$300,000 - <\$390,000	300	0.7%	
	\$390,000 ⁽²⁾	300	0.5%	
	Total	47 300	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. Percentage figures are derived from unrounded figures.

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 \$74,100. Relatively speaking, the average amount of LSP offsetting claims per employee (\$105,600) was substantially higher than that of SP (\$58,600).
15. The average amount of SP/LSP offsetting claims per employer was \$233,000. 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 ⁽¹⁾ (\$)	Average Offsetting Amount Per Employee ⁽²⁾ (\$)
SP	216,100	58,600
LSP	227,500	105,600
Overall	233,000	74,100

Notes:

- (1) The number of employers is based on the unique number of employers in Table 1.
(2) The number of employees is based on the unique number of employees in Table 1.

¹ An employee might be involved in more than one offsetting claim during the year, for example, under the following two 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 figure only relates to those employees who were involved in SP/LSP offsetting claims in 2015.

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%	1 100	3.4%	51%
	20% - <40%	1 600	5.0%	
	40% - <60%	25 200	79.9%	
	60% - <80%	1 400	4.4%	
	80% - <100%	1 700	5.5%	
	100%	600	1.9%	
	Sub-Total	31 500	100.0%	
LSP	<20%	800	5.1%	51%
	20% - <40%	1 200	7.5%	
	40% - <60%	11 800	74.7%	
	60% - <80%	600	3.7%	
	80% - <100%	900	6.0%	
	100%	500	3.1%	
	Sub-Total	15 800	100.0%	
Overall	<20%	1 900	4.0%	51%
	20% - <40%	2 800	5.8%	
	40% - <60%	37 000	78.2%	
	60% - <80%	2 000	4.1%	
	80% - <100%	2 700	5.6%	
	100%	1 100	2.3%	
	Total	47 300	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. Percentage figures are derived from unrounded figures.

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 93% of employer’s portion of the involved employees’ account balance.³ SP offsetting claims had a slightly higher percentage than those of LSP (94% vs. 92%). It should be noted that these statistics only relate to those employees who were involved in SP/LSP offsetting claims in 2015.

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%	500	1.6%	94%
	20% - <40%	300	0.9%	
	40% - <60%	500	1.5%	
	60% - <80%	1 300	4.0%	
	80% - <100%	8 100	25.6%	
	100%	20 900	66.3%	
	Sub-Total	31 500	100.0%	
LSP	<20%	400	2.3%	92%
	20% - <40%	300	1.8%	
	40% - <60%	400	2.4%	
	60% - <80%	900	5.8%	
	80% - <100%	3 500	22.3%	
	100%	10 300	65.4%	
	Sub-Total	15 800	100.0%	
Overall	<20%	900	1.8%	93%
	20% - <40%	600	1.2%	
	40% - <60%	900	1.8%	
	60% - <80%	2 200	4.6%	
	80% - <100%	11 600	24.5%	
	100%	31 200	66.0%	
	Total	47 300	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. Percentage figures are derived from unrounded figures.

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 2015 were related to employees aged 40 years and above. The average age of employees involved in SP/LSP offsetting claims was 49 years. Relatively speaking, employees involved in LSP offsetting claims were older (an average of 53 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	2 200	7.0%	47	48
	30-39	6 300	19.9%		
	40-49	8 700	27.7%		
	50-59	10 200	32.2%		
	60-64	3 600	11.4%		
	>64	600	1.8%		
	Sub-Total	31 500	100.0%		
LSP	18-29	300	1.8%	53	55
	30-39	2 000	12.7%		
	40-49	3 300	20.6%		
	50-59	4 100	25.8%		
	60-64	3 600	22.8%		
	>64	2 600	16.2%		
	Sub-Total	15 800	100.0%		
Overall	18-29	2 500	5.3%	49	50
	30-39	8 300	17.5%		
	40-49	12 000	25.3%		
	50-59	14 200	30.1%		
	60-64	7 200	15.2%		
	>64	3 100	6.6%		
	Total	47 300	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. Percentage figures are derived from unrounded figures.

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	8 000	25.6%	6	4
	3-5	11 900	38.0%		
	6-8	4 200	13.5%		
	9-11	2 600	8.3%		
	12-14	1 600	5.1%		
	15-17	1 100	3.4%		
	18-20	700	2.4%		
	>20	1 100	3.7%		
	Sub-Total	31 200	100.0%		
	Not Available ⁽¹⁾	300	NA		
	Total	31 500	NA		
LSP	5	1 900	12.0%	12	10
	6-8	4 200	26.7%		
	9-11	3 100	19.4%		
	12-14	2 300	14.4%		
	15-17	1 500	9.7%		
	18-20	1 100	6.9%		
	>20	1 700	10.9%		
	Sub-Total	15 800	100.0%		
	Not Available ⁽¹⁾	#	NA		
	Total	15 800	NA		
Overall	2	8 000	17.0%	8	6
	3-5	13 700	29.3%		
	6-8	8 400	17.9%		
	9-11	5 700	12.0%		
	12-14	3 900	8.2%		
	15-17	2 600	5.5%		
	18-20	1 800	3.9%		
	>20	2 900	6.1%		
	Sub-Total	47 000	100.0%		
	Not Available ⁽¹⁾	400	NA		
	Total	47 300	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. Percentage figures are derived from unrounded figures.

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, catering, manufacturing, construction, and community/social/personal services.

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	5 000	20.4%	336	2 300	22.0%	247	7 300	20.9%	583
Catering	3 200	13.4%	101	1 100	9.9%	71	4 300	12.3%	172
Manufacturing	2 700	11.1%	242	1 500	13.7%	185	4 100	11.9%	427
Construction	3 300	13.5%	139	600	5.9%	60	3 900	11.2%	199
Community/Social/Personal Services	1 800	7.6%	66	1 000	9.6%	96	2 800	8.2%	162
Financing/Insurance/Real Estate/Business Services	1 400	5.6%	60	800	7.1%	70	2 100	6.0%	130
Transport	1 100	4.5%	66	800	7.7%	92	1 900	5.5%	158
Security Guard	600	2.5%	10	300	2.6%	17	900	2.5%	27
Cleaning	200	1.0%	3	100	0.7%	3	300	0.9%	7
Hairdressing and Beauty	#	0.1%	1	0	0.0%	0	#	0.1%	1
Others	5 000	20.4%	288	2 200	20.9%	222	7 200	20.6%	510
Sub-Total	24 300	100.0%	1,312	10 600	100.0%	1,064	34 900	100.0%	2,376
Unknown	7 300	NA	468	5 200	NA	512	12 500	NA	979
Total	31 500	NA	1,780	15 800	NA	1,575	47 300	NA	3,354

Notes:

- (1) The information on the industry type of employers is based on the information provided to trustees by employers largely at the time of enrolling in schemes. 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) 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. Percentage figures are derived from unrounded figures.

G. Size of Employers

21. In 2015, 55.0% 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	17 700	56.8%	8 100	51.6%	25 900	55.0%
51-100	3 300	10.6%	1 600	9.9%	4 900	10.3%
101-200	2 400	7.6%	1 100	7.0%	3 500	7.4%
201-500	1 700	5.4%	1 300	8.2%	3 000	6.3%
501-1 000	1 500	4.8%	800	5.0%	2 300	4.8%
>1 000	4 600	14.9%	2 900	18.4%	7 500	16.1%
Sub-Total	31 200	100.0%	15 800	100.0%	47 000	100.0%
<i>Casual Employees</i> ⁽³⁾	300	NA	#	NA	400	NA
Total	31 500	NA	15 800	NA	47 300	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. Percentage figures are derived from unrounded figures.