



Labour Department (Headquarters)

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27 May 2016

Clerk to Joint Subcommittee to Study the Arrangement of
Offsetting Severance Payments and Long Service Payments
against Mandatory Provident Fund Accrued Benefits
Legislative Council
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong
(Attn: Ms Betty Ma)

Dear Ms Ma,

Panel on Manpower and Panel on Financial Affairs

**Joint Subcommittee to Study the Arrangement of
Offsetting Severance Payments and Long Service Payments
against Mandatory Provident Fund Accrued Benefits**

Information requested at the meeting of 23 February 2016

At the meeting of the Joint Subcommittee to Study the Arrangement of Offsetting Severance Payments (SP) and Long Service Payments (LSP) against Mandatory Provident Fund (MPF) Accrued Benefits on 23 February 2016, some Members requested additional information from the Government. Having consulted the concerned bureaux and office, we provide a consolidated reply as follows:

- (a) Information on the total number and amount of claims for offsetting SP and LSP against MPF accrued benefits of employees of government outsourced contractors and non-civil service contract staff

The Financial Services and the Treasury Bureau does not have information on the total number and amount of claims for offsetting SP and LSP against MPF accrued benefits of employees of government outsourced contractors whose contractual relationship with the government is managed by different bureaux / departments. The Bureau is hence unable to provide such information.

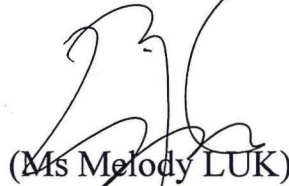
As for non-civil service contract (NCSC) staff, under NCSC Staff Scheme, Heads of Departments have to account for the employment and management of as well as funding for engaging their NCSC staff. These include the calculation and disbursement of SP and LSP; and the arrangement for offsetting SP or LSP against the accrued benefits derived from the contributions made to the MPF schemes for employees. The Civil Service Bureau has not collected information on the number and amount of claims made by individual bureaux/departments for offsetting SP and LSP against MPF accrued benefits of NCSC staff in the past.

- (b) Information supporting the statement in paragraph 5.22 of the consultation document "Retirement Protection Forging Ahead" issued by the Commission on Poverty that "If the 'offsetting' arrangement is abolished, enterprises will need to make additional reserve to meet financial accounting requirements"

Para. 5.22 of the consultation document on retirement protection, including the sentence in question, summarises some employers' concerns should the "offsetting" arrangement be abolished. There are views that as the existing legislation allows the expenditure of SP or LSP to be offset by the employers' contribution under MPF, most enterprises do not need to make provision for the two employees' benefit items in their financial statements. However, if "offsetting" is to be abolished and that SP and LSP continue to exist in their present forms, employers

will have to make additional provision so as to meet the financial reporting requirements. This view has been endorsed by professional accountant bodies.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Ms Melody LUK', written over the typed name.

for Commissioner for Labour

C.C.

Secretary for Labour and Welfare (Attn: AA/SLW)

Secretary for Financial Services and the Treasury

Secretary for the Civil Service

Chief Secretary for Administration's Private Office