

For information on  
23 February 2016

**Legislative Council  
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**

**The arrangement of offsetting Severance Payments and  
Long Service Payments against  
Mandatory Provident Fund accrued benefits**

**Purpose**

This paper briefs Members on the existing arrangement of offsetting Severance Payments (SP) and Long Service Payments (LSP) against Mandatory Provident Fund (MPF) accrued benefits arising from employers' contribution and the relevant background information.

**Background of Offsetting Arrangement**

2. At present, there are provisions under the Employment Ordinance (EO), Mandatory Provident Fund Schemes Ordinance (MPFSO) and Occupational Retirement Schemes Ordinance (ORSO) permitting employers to offset their SP or LSP payable against accrued benefits attributable to their contributions to MPF or ORSO schemes.

A. Severance Payment and Long Service Payment under the Employment Ordinance

a. Origin of Severance Payment and Long Service Payment

3. SP was introduced into EO in 1974 to provide compensation to employees dismissed by reason of redundancy so as to help alleviate their financial hardship upon loss of employment. As SP could only benefit employees dismissed by reason of redundancy, LSP was introduced into EO

in 1986 to provide compensation to older employees who after serving the same employer for a long period of time were dismissed by reason other than redundancy.

4. When LSP was first introduced, it was targeted at older employees who had served the same employer for many years. Because of this, younger employees had to have a longer service period in comparison with aged workers upon dismissal before they were entitled to LSP<sup>1</sup>. The amount of LSP payable to younger employees was also reduced in accordance with their age<sup>2</sup>. Subsequently a number of amendments were made to the LSP provisions, including extending its coverage in 1988 to employees who die in service, employees who are certified by medical practitioners as permanently unfit for the present job and resign on ground of ill health, and employees resigning after reaching the age of 65 so that the relevant employees may also be eligible for LSP if they meet the service requirements. Starting from 1991, the restrictions in the law regarding younger employees were removed gradually, viz all eligible employees who are dismissed after serving the same employer for not less than five years are entitled to LSP irrespective of their age. In 1998, the stipulation on a reduced LSP amount in relation to the employees' age was also removed.

*b. Eligibility for Severance Payment and Long Service Payment*

5. According to the existing EO, an employee who has been in continuous employment for not less than 24 months is eligible for SP under the following conditions –

- (a) the employee is dismissed by reason of redundancy ;
- (b) a fixed-term employment contract expires without being renewed by reason of redundancy ; or
- (c) the employee is laid off under the circumstances as stipulated in EO.

6. Subject to the following conditions, an employee is eligible for LSP if he/she has been in continuous employment for not less than five years –

---

<sup>1</sup> For example, to qualify for LSP, employees aged below 41 had to have at least 10 years' service with the same employer, whereas employees aged 45 or above were only required to work for the same employer for five years.

<sup>2</sup> For example, employees aged 36 to less than 40 could be entitled to 75% of the amount of LSP payable, whereas employees aged below 36 could only be entitled to 50% of that amount.

- (a) the employee is dismissed other than by reasons of redundancy or serious misconduct;
- (b) a fixed term employment contract expires without being renewed;
- (c) the employee resigns on ground of being permanently unfit for the present work due to ill health;
- (d) the employee resigns after reaching the age of 65; or
- (e) the employee dies.

c. Calculation of Severance Payment and Long Service Payment

7. At present, the amount of SP and LSP is calculated by according two-thirds of the last month's wages, or two-thirds of the average monthly wages in the last 12 months, for every year of service of an employee with the employer (service of an incomplete year should be calculated on a pro rata basis). The monthly wages for calculating SP or LSP is capped at \$22,500, whilst the maximum amount of SP or LSP payable to an employee is \$390,000. There is no limit on the number of reckonable years of service.

d. Severance Payment, Long Services Payment and employment protection under the Employment Ordinance

8. When LSP was introduced in 1986, the Government had already pointed out that LSP contained the element of according protection to employees against unfair dismissal. Given that an employer has to pay LSP to a dismissed employee based on his/her age and length of service, LSP would achieve more or less the same effect as an employee's entitlement to monetary compensation under unfair dismissal legislation in other places, whilst obviating the need for complex and expensive procedures to establish that the dismissal had been unreasonable in the circumstances.

9. To deter employers from dismissing or varying the terms of the employment contract of their employees in order to extinguish or reduce their liabilities in respect of SP, LSP or other termination compensation to the employees, EO was amended in 1997 to strengthen the protection on employees' rights and benefits against dismissals or variation of employment terms. An employee may claim for remedies including terminal payments

(which may include SP and LSP) against his/her employer under the situation of unreasonable dismissal; unreasonable variation of the terms of the employment contract; or unreasonable and unlawful dismissal under EO. When an employee is dismissed or has his/her terms of employment contract varied unreasonably, even though he/she has not attained the statutory qualifying length of service required for the entitlements, the Labour Tribunal may order the employer to pay as terminal payments SP or LSP calculated according to his/her actual length of service.

## B. The offsetting arrangement

### a. Employment Ordinance

10. At the time when SP and LSP were first introduced, there was no mandatory retirement protection scheme. To encourage employers to voluntarily provide their employees with termination or retirement protection benefits, EO already allowed an employer to offset the gratuity based on the length of service paid to an employee or the contributions made to a provident fund against SP or LSP when SP and LSP were first introduced in 1974 and 1986 respectively.

### b. Occupational Retirement Schemes Ordinance

11. The offsetting provisions of SP and LSP under EO were also applicable when ORSO came into operation in 1993. An employer may use his/her contributions made voluntarily under the ORSO schemes to offset against SP and LSP payable under EO.

### c. Mandatory Provident Fund Schemes Ordinance

12. MPFSO and its subsidiary legislation were enacted in 1995 and 1998 respectively. To strike a balance between the interests of employers and employees, MPFSO passed by the Legislative Council in 1995 empowered the making of regulations to permit withdrawal of accrued benefits arising from an employer's contributions for the purpose of offsetting SP or LSP payable to an employee under EO. The arrangement was reflected in EO and MPFSO. Specifically, through subsequent amendments to sections 31I and 31Y of the EO, if an employee becomes entitled to SP or LSP and accrued benefits attributable to his/her employer's contribution are being held in an MPF scheme, his/her employer can offset the SP or LSP payable to him/her against the aforementioned accrued benefits. As for MPFSO, section 12A prescribes the procedures for paying accrued benefits under an MPF scheme to an employer (if the employer has already paid SP or LSP to

the employee) and the procedures for paying accrued benefits under an MPF scheme to an employee (if the employer has not yet paid SP or LSP to the employee).

13. Nevertheless, irrespective of any offsetting that may be made by his/her employers against their contribution, an employee's entitlements to SP or LSP under EO is not affected.

### **Current situation of offsetting**

14. According to the information provided by the Mandatory Provident Fund Schemes Authority (MPFA), between July 2001 and end-2014 MPF accrued benefits attributable to employers' contribution withdrawn for offsetting SP and LSP amounted to \$25 billion. In 2014, the relevant figure was \$3 billion. Of this amount, \$1.66 billion was for offsetting SP and \$1.35 billion for offsetting LSP, involving 15 600 employers (or 5.7% of all enrolled employers) and 43 500 employees (or 1.7% of all enrolled employees). The average offsetting amounts per employer and per employee were \$192,800 and \$69,200 respectively. For a detailed analysis please refer to the attached report published by the MPFA towards the end of 2015.

### **Concerns of employees and employers**

15. The MPF system has been in operation for over 15 years since its inception in 2000. The labour sector is in general concerned that the offsetting arrangement would result in a level of MPF accrued benefits that would not be sufficient for employees for their retirement protection. It strongly requests abolishing the offsetting mechanism so as to strengthen retirement protection for employees. For those 43 500 employees affected by offsetting in 2014, about 94% of the relevant employer's contributions were withdrawn for offsetting purposes. Employees earning less than \$7,100 a month who are not required to make their own contributions are most obviously affected.

16. On the other hand, employer groups in general consider that the offsetting mechanism was a consensus reached after extensive consultations in enacting the MPF legislation. Employer groups agreed to support the implementation of the MPF System on the understanding that the law would clearly permit the offsetting between MPF accrued benefits and SP/LSP so that employers would not need to pay twice. The employer groups in

general hold the view that abolition of the offsetting mechanism would not only amount to a breach of this consensus but would also increase employers' financial burden and impact significantly, in particular, on the business environment of the small and medium enterprises (“SMEs”). Besides, enterprises may need to make additional provisions to meet financial accounting requirements. They strongly object to the abolition of the offsetting mechanism.

### **Current consultation**

17. The Commission on Poverty (CoP) is now conducting a six-month public consultation on retirement protection. One of the core issues is how to properly address the offsetting arrangement. Purely from the perspective of retirement protection, the CoP considers that the offsetting arrangement will undoubtedly give rise to benefits leakage from the MPF system, weakening its retirement protection function. This notwithstanding, the CoP emphasises that in dealing with the offsetting issue, we should not simply resort to a choice between “keeping” or “abolishing” the arrangement. When reviewing the offsetting arrangement, we also need to consider ways to rationalise the relationship between SP/LSP and MPF.

18. The CoP also considers that the complexity of the offsetting issue should not be underestimated and is aware of the concern of employers about rising operating costs. If the Government considers it appropriate to abolish the offsetting arrangement progressively, the community should be allowed to fully discuss when and how to abolish the arrangement so that the impact on employers can be minimised. The CoP is of the view that the community should make good use of the opportunity offered by this consultation to conduct thorough and in-depth discussion on the impact of the feasible options for addressing the offsetting issue on employers and employees, as well as the role of the Government. The community should endeavour to find a way acceptable to both employers and employees. By so doing, we will be able to safeguard the interests of low-income earners and further strengthen the MPF pillar and the entire retirement protection system. The community should also consider ways to rationalise the relationship between SP/LSP and the MPF System, and discuss mitigation measures which can reduce the impact of any changes on the business sector (especially SMEs) and the labour market.

19. To facilitate the community in discussing this complicated issue, the CoP has in Annex 3 of its consultation document listed in chronological order the SP, LSP and the relevant offsetting provisions, as well as the

subsequent amendments made to the offsetting provisions.

## **Way Forward**

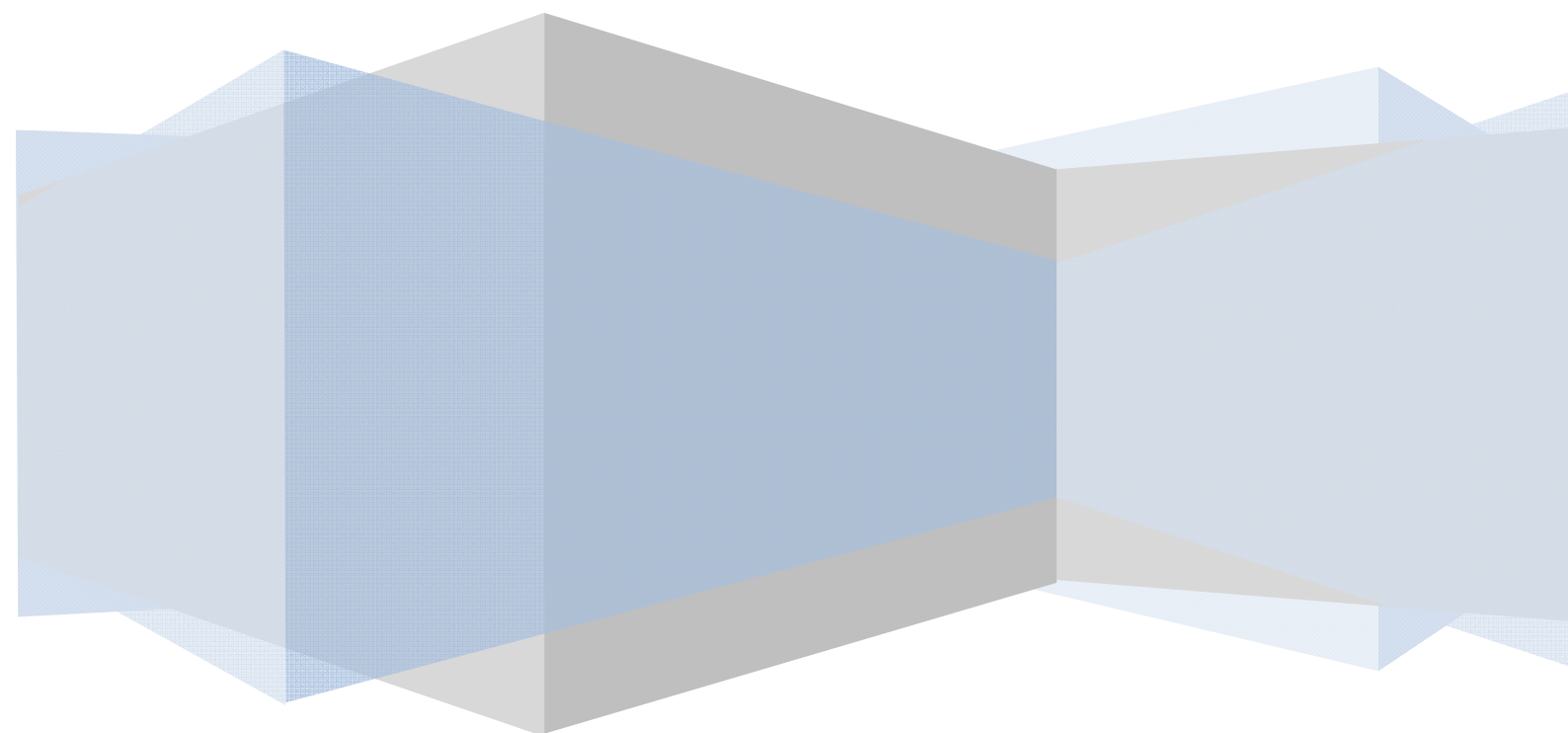
20. The offsetting of SP and LSP against the accrued benefits arising from employers' contribution to MPF involves the interests of various stakeholders. It is an issue of considerable concern to the community. The Government will continue to maintain an open mind and listen carefully to different views expressed by the community and will examine this issue holistically.

Labour and Welfare Bureau  
Financial Services and the Treasury Bureau  
Labour Department  
February 2016



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

**(1 January 2014 – 31 December 2014)**





© Mandatory Provident Fund Schemes Authority 2015

Published by  
**Mandatory Provident Fund Schemes Authority**  
Level 16, International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong  
Tel : 2918 0102  
Fax : 2259 8806  
Email : [mpfa@mpfa.org.hk](mailto:mpfa@mpfa.org.hk)  
Website : [www.mpfa.org.hk](http://www.mpfa.org.hk)

## Table of Contents

I. BACKGROUND.....	1
II. SUMMARY OF CLAIMS FOR SP & LSP OFFSETTING (1 JANUARY 2014 – 31 DECEMBER 2014).....	2
A. Number of Claims.....	2
B. Amount of Claims.....	3
C. Claim Amount as a Percentage of the Involved Employees’ Account Balance.....	7
D. Age of Employees.....	9
E. Years of Service of Employees .....	10
F. Industry Type of Employers.....	11
G. Size of Employers .....	12

## 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 <sup>(1)</sup>	Number of Unique Employers Involved <sup>(2)</sup>	Number of Unique Employees Involved <sup>(2)</sup>
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 <sup>(1)</sup>	LSP <sup>(1)</sup>	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 <sup>(1)</sup>	Offsetting Amount as a Percentage of Total Amount of Contributions Received <sup>(2)</sup>	Offsetting Amount as a Percentage of Total Net Asset Value of MPF Schemes <sup>(3)</sup>
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 <sup>(1)</sup>	%	Average Offsetting Amount Per Claim <sup>(3)</sup> (\$)
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 <sup>(2)</sup>	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 <sup>(2)</sup>	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 <sup>(2)</sup>	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.<sup>1</sup> 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

---

<sup>1</sup> 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.<sup>2</sup> 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 <sup>(1)</sup>	%	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.

<sup>2</sup> 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.<sup>3</sup> 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 <sup>(1)</sup>	%	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.

<sup>3</sup> 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 <sup>(1)</sup>	%	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 <sup>(2)</sup>	%	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 <sup>(1)</sup>	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 <sup>(1)</sup>	#	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 <sup>(1)</sup>	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 <sup>(1)</sup>	Type of Claim						Overall		
	SP			LSP					
	Number of Claims <sup>(2)</sup>	%	Offsetting Amount (\$ million)	Number of Claims <sup>(2)</sup>	%	Offsetting Amount (\$ million)	Number of Claims <sup>(2)</sup>	%	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 <sup>(1)</sup>	Type of Claim				Overall	
	SP		LSP			
	Number of Claims <sup>(2)</sup>	%	Number of Claims <sup>(2)</sup>	%	Number of Claims <sup>(2)</sup>	%
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> <sup>(3)</sup>	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.