

# Abolition of MPF Offsetting Arrangement

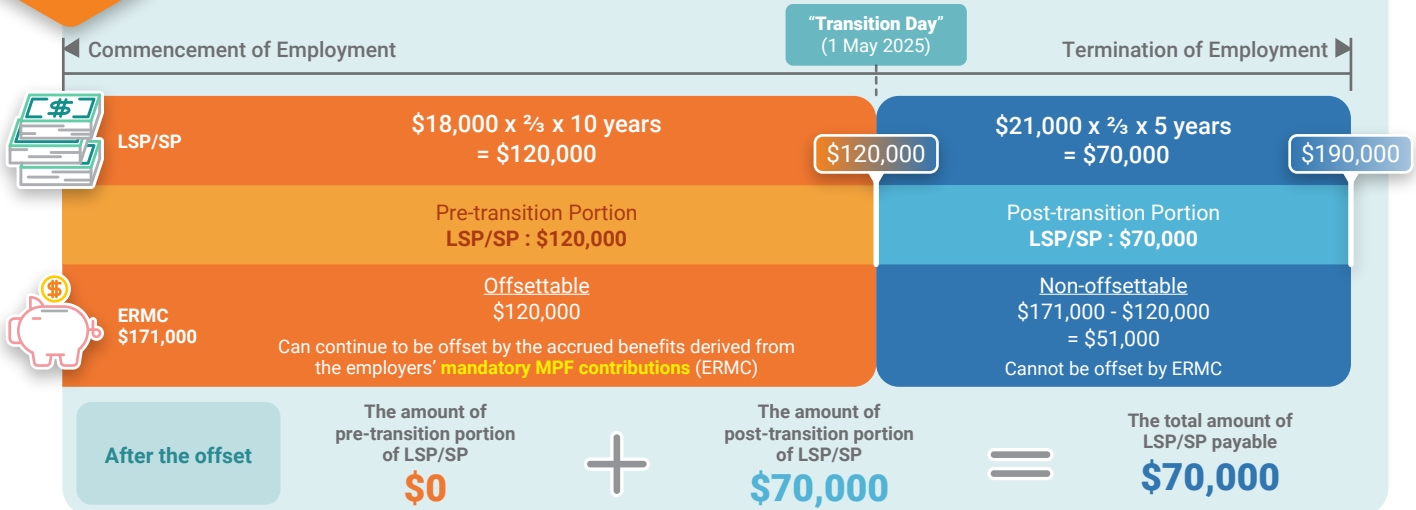


The Legislative Council passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 on 9 June 2022 to abolish the use of the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund (MPF) System to offset severance payment (SP) and long service payment (LSP). The Government has announced that the abolition will take effect on 1 May 2025 (the transition date).

## Example 1

### Not exceeding LSP/SP Cap Case

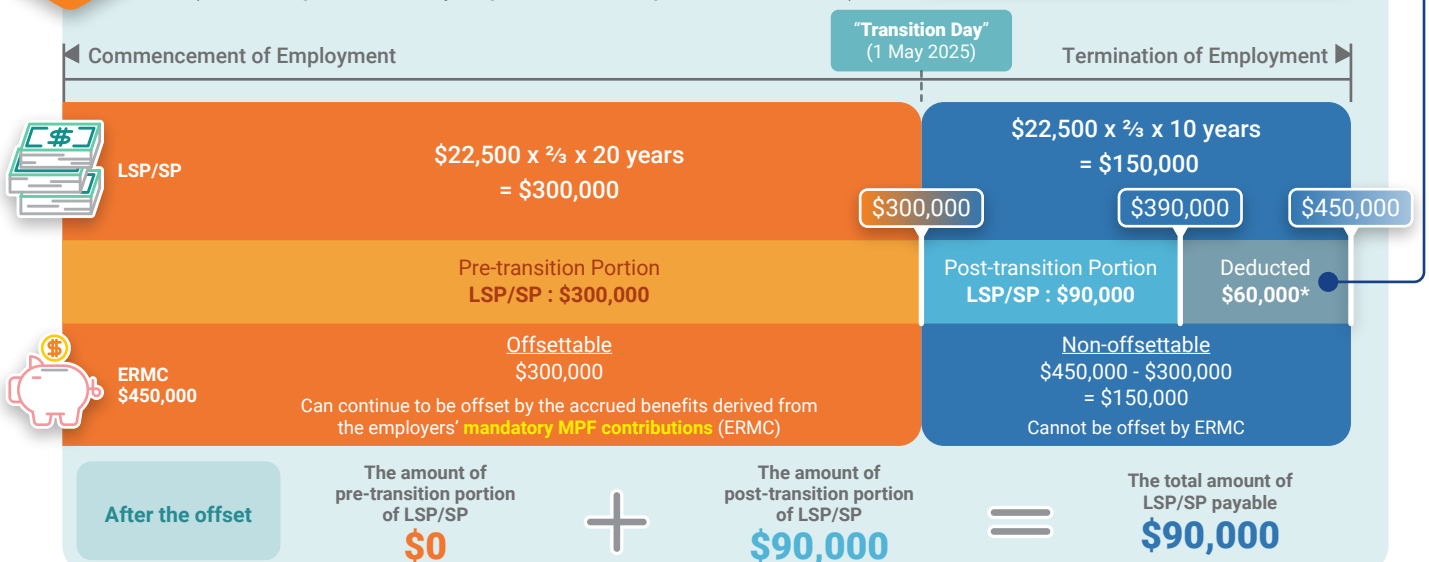
- Years of service before the transition date: 10 years
- Years of service starting from the transition date: 5 years
- Last month's wages immediately preceding the transition date: \$18,000
- Last month's wages before termination of employment: \$21,000



## Example 2

### Reaching LSP/SP Cap Case

- Years of service before the transition date: 20 years
- Years of service starting from the transition date: 10 years
- Last month's wages immediately preceding the transition date: \$22,500
- Last month's wages before termination of employment: \$30,000  
(\*The ceiling of the monthly wages for calculating LSP/SP is \$22,500.)



## Application of the Arrangements

The arrangements are not applicable to employees who are not covered by the MPF System or other statutory retirement schemes (including domestic helpers, and employees aged less than 18 or over 65). As employers are not required to make MPF mandatory contribution for such employees, these employees are not affected by the abolition of the offsetting arrangement. Their LSP/SP will continue to be calculated on the basis of the last month's wages or the average wages in the 12 months immediately preceding the termination of employment in accordance with the existing provisions under the Employment Ordinance.

**Our System is Ready to Cater!**

- LSP/SP Calculator
- Individual LSP/SP Calculation Report
- LSP/SP Provision Report