

# LCQ13: Abolition of the “offsetting arrangement” under the Mandatory Provident Fund System

Following is a question by the Hon Luk Chung-hung and a written reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (January 26):

Question:

At present, an employer may use the accrued benefits of the contributions he made for an employee to a Mandatory Provident Fund scheme to offset the statutory severance payment or long service payment payable by him to that employee (the offsetting arrangement). In this connection, will the Government inform this Council:

(1) whether it knows the annual amounts of claims related to the offsetting arrangement since 2001;

(2) of the progress of the work on the abolition of the offsetting arrangement (including the confirmed date for presenting the relevant bills to this Council) and the expected date for the new provisions to come into operation; and

(3) whether it has plans to explain to various stakeholders in detail the proposals for the abolition of the offsetting arrangement, so as to help them clearly understand the details of the new provisions, thereby reducing disputes and misunderstanding that may arise in the future; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the Financial Services and the Treasury Bureau, my consolidated response to the Member's question is set out below:

(1) According to the information obtained by the Mandatory Provident Fund Schemes Authority (MPFA) from Mandatory Provident Fund (MPF) trustees, the amounts of accrued benefits withdrawn from MPF scheme members' accounts for offsetting severance payment (SP) or long service payment (LSP) are set out in the table below:

Year	Amount of accrued benefits withdrawn from MPF scheme members' accounts for offsetting SP/LSP (\$ million)
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2001 (From July 1) (Note)	166
2002	750
2003	1,174
2004	1,268
2005	1,429
2006	1,634
2007	1,743
2008	1,876
2009	2,587
2010	2,103
2011	2,332
2012	2,270
2013	2,678
2014	3,006
2015	3,354
2016	3,855
2017	4,302
2018	4,395
2019	4,677
2020	5,718
2021 (As at September 30)	5,423

Note: The MPF trustees started to provide the amount of accrued benefits withdrawn from MPF scheme members' accounts for offsetting SP or LSP to the MPFA in July 2001.

(2) Since the Chief Executive announced in October 2018 the enhanced arrangements for abolishing the "offsetting" arrangement, the Government has been taking forward at full steam the preparatory work, including drafting of legislation and formulating the supporting measures. It is necessary to make amendments to eight pieces of ordinance/subsidiary legislation, including the Employment Ordinance, Mandatory Provident Fund Schemes Ordinance, etc., which currently provide for the "offsetting" arrangement or contain provisions that need to be consequentially amended upon the abolition of the "offsetting" arrangement. As regards the supporting measures, a new piece of legislation is needed to be drafted to provide for the implementation of the Designated Savings Accounts (DSA) Scheme. We are also working closely with the MPFA in building the functionalities on the eMPF Platform to support the DSA Scheme and developing a back-end information technology system to support the daily operations of the DSA, etc. Besides, the Government also announced in October 2021 the refined Government subsidy scheme, which provides greater support to employers, in particular the micro, small and medium-sized enterprises, to assist them to adapt to the policy change. The refined subsidy scheme is well received by the business sector and the community.

The Government has now completed the drafting of the bill for the abolition of the "offsetting" arrangement. We plan to brief the Panel on Manpower of the Legislative Council (LegCo) on the content of the bill in early February this year and then introduce the bill into LegCo in the same month. As regards the DSA Scheme, we will consult key stakeholders upon finalising the legislative proposal before introducing the bill into the LegCo. We will implement the abolition of the "offsetting" arrangement after enactment of the relevant legislation by the LegCo and upon the full implementation of the eMPF Platform. It is anticipated that the eMPF Platform would come into full operation in 2025 at the earliest.

(3) Following the Government's announcement of the policy direction for abolishing the "offsetting" arrangement, the Labour and Welfare Bureau/Labour Department met with major business chambers, employers' associations, labour groups, etc. to explain the enhanced proposal. We briefed the Labour Advisory Board (LAB) and the LegCo Panel on Manpower in October and November 2018 respectively, and on the further details of the abolition of the "offsetting" arrangement in April 2021. Upon the announcement of refinement of the Government subsidy scheme in October 2021, we met with and explained the refined scheme to stakeholders including the LAB, LegCo Panel on Manpower, employers' associations, labour unions and political parties to foster their understanding. We will brief the LegCo Panel on Manpower on the bill for the abolition of the "offsetting" arrangement in February 2022, and will consult key stakeholders (including the LegCo Panel on Manpower) on the implementation details of the DSA Scheme later on.