

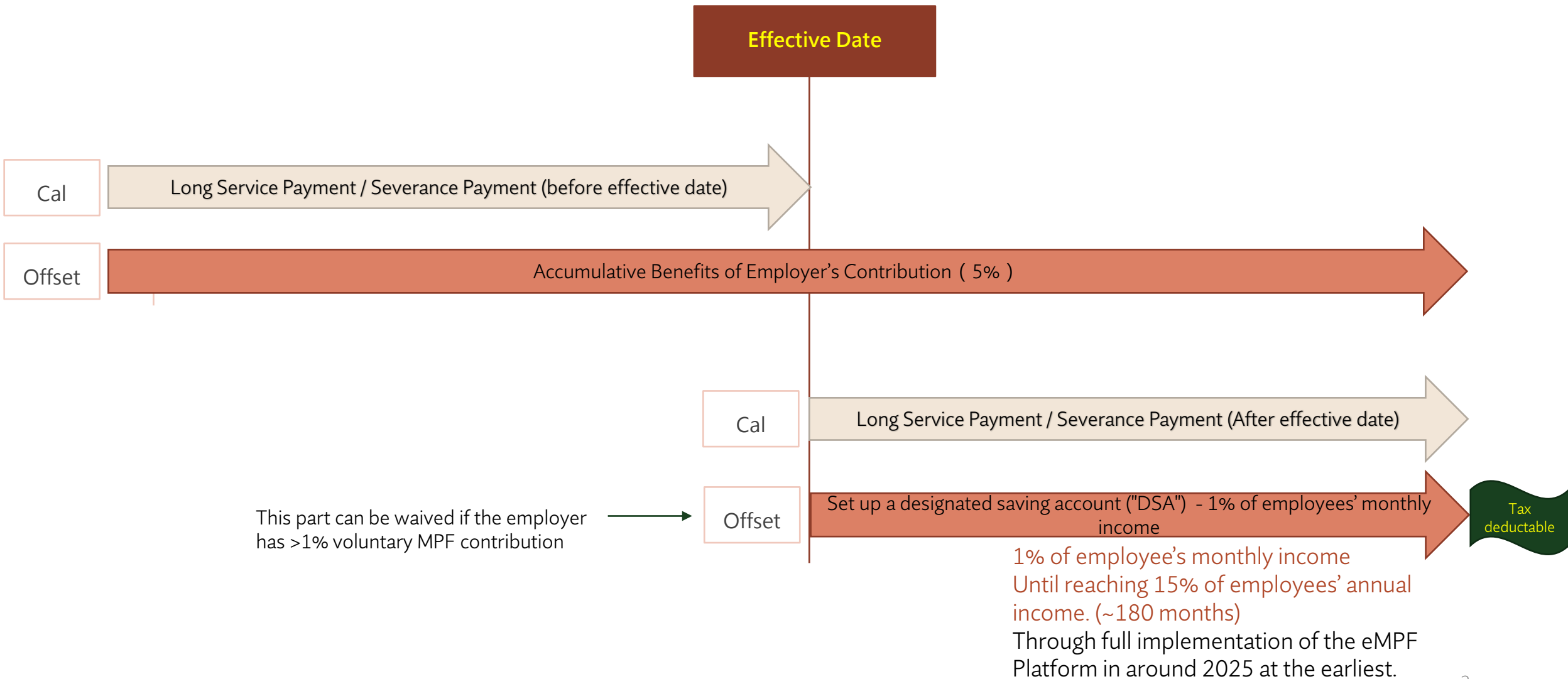


# MPF Offset Abolition

Stephanie Tse



# Abolition of MPF offsetting mechanism



# Government Subsidy Proposal

No. of year After Abolition	僱主就每名僱員負擔金額 (佔應支付的兩金比例)	
	Employer responsible amount within 500K	Employer responsible amount beyond 500K
1-3	50% , 上限 3000 元 *	50%
4	55% , 上限 2.5 萬元 *	55%
5	60% , 上限 2.5 萬元 *	60%
6	65% , 上限 2.5 萬元 *	65%
7	70% , 上限 5 萬元 *	70%
8	75% , 上限 5 萬元 *	75%
9	80% , 上限 5 萬元 *	80%
10	80%	85%
11	80%	90%
12	85%	95%
13	85%	100%
14-19	90%	100%
20-25	95%	100%

Whichever is lower

## Example:

- 15 service years before effective date – LSP \$300,000
- 5 service years after effective date – LSP \$116,000
- Calculation:  $\$390,000 - \$300,000 = 90,000$
- (Offset by MPF) (Offset by DSA)

## 5<sup>th</sup> year after effective date:

- $90,000 \times 60\% = \$54,000$
- Employer actual payment = \$25,000 (cap)
- Government subsidy = \$65,000

# Key Takeaway

## MPF performance and cost will be the key

There will be no retroactive period for the abolition - the long service payment/severance payment accumulated in the period of employment before the date of the legislative amendment can still be offset against the MPF derived from the employer's mandatory and voluntary contributions. As such, MPF performance and the cost charged by the MPF provider will be very important to employers.

## Budget Planning

1% of Designated Saving Account (DSA) on top of the 5% MPF contribution will be the additional overhead cost to employers. Employers may want to include this in the budget planning.