Subsidy Scheme for Abolition of MPF Offsetting Arrangement

Guidance Notes for Making Subsidy Applications for Shortfall in Aggregate Benefits

Channels for Enquiries

Members of the public can obtain more details about making applications for subsidy for shortfall in aggregate benefits received after abolition of the mandatory provident fund ("MPF") offsetting arrangement (here below referred to as "Shortfall Applications") through the following means:

- visit the TransitionEase Portal (www.offsettingsubsidy.gov.hk);
- call the Hotline of Service Centre for Subsidy Scheme for Abolition of MPF Offsetting Arrangement (here below referred to as "the Service Centre") at 2989 1001 during office hours;
- email the Service Centre at enquiry@ssasc.hk; or
- visit the Service Centre during office hours:

Address:	18/F, Tower A, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon	
Office hours:	Mondays to Fridays (excluding public holidays)	10:00 am to 1:00 pm and 2:00 pm to 7:00 pm

The Service Centre is operated by the processing agent ("PA") appointed by the Labour Department ("LD"). The PA is also responsible for processing the shortfall applications submitted under the Subsidy Scheme for Abolition of MPF Offsetting Arrangement (here below referred to as "the Subsidy Scheme").

1. Introduction

(a) Upon abolition of the MPF offsetting arrangement on 1 May 2025 (i.e. "transition date"), employers are no longer allowed to use the employer-funded (mandatory) MPF scheme benefits or the employer-funded (basic portion) exempt occupational retirement scheme ("ORS") benefits to offset an employee's severance payment ("SP")/long service payment ("LSP") in respect of the employee's employment period from 1 May 2025 onwards (i.e. "post-transition portion of SP/LSP").

(b) After abolition of the MPF offsetting arrangement, the SP/LSP entitlement for employees to whom the abolition applies[1] and whose employment straddles 1 May 2025 is divided into two portions, namely the pre-transition portion of SP/LSP (i.e. SP/LSP in respect of the employee's employment period before 1 May 2025) and the post-transition portion of SP/LSP. Due to the change in

[1] Employees to whom the abolition of the MPF offsetting arrangement applies refer to those whose employers are obliged to enrol them in an MPF scheme in accordance with the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong) and make contributions for them; or to make contributions to an employer-funded exempt occupational retirement scheme ("ORS") for them. An employer-funded exempt ORS refers to:
(i) an ORS that is granted exemption under MPFSO;
(ii) the provident fund schemes under the Grant Schools Provident Fund Rules (Chapter 279C of the Laws of Hong Kong) and the Subsidized Schools Provident Fund Rules (Chapter 279D of the Laws of Hong Kong); and
(iii) a provident, pension, retirement or superannuation scheme (however described) of a place outside Hong Kong to which an employer has made contributions for an employee (including an imported worker) and due to which, the employer is exempted from arranging the employee to enrol in an MPF scheme in Hong Kong.

calculation of the SP/LSP entitlement, some of these employees may receive less aggregate benefits than what they would have received if the MPF offsetting arrangement had not been abolished (here below referred to as "worse-off" employees). The Government has undertaken to make up for the shortfall in aggregate benefits of the "worse-off" employees.

(c) Applicants may submit their shortfall applications to the Service Centre in accordance with the guidelines set out in this Guidance Notes.

2. Eligibility for Making Shortfall Application

(a) Employees who consider submitting a shortfall application are advised to complete the "Preliminary Assessment Checklist" in Appendix 1 to preliminarily self-assess whether they are "worse-off" employees. For the provisions relating to SP/LSP under the Employment Ordinance ("EO") (Chapter 57 of the Laws of Hong Kong), please refer to the pamphlet "Extracts of Provisions in the Employment Ordinance Relating to Severance Payment and Long Service Payment".

(b) In case of LSP entitlement arising from the death of the employee during the employment, a person listed below who has received the deceased employee's LSP from the employer under section 31RA of EO (here below referred to as "the LSP beneficiary") may make the shortfall application if the deceased employee is a "worse-off" employee:

(i) the spouse of the employee, if the employee leaves a spouse; or

(ii) the child of the employee, if the employee leaves any child but no spouse; or

(iii) a parent of the employee, if the employee leaves neither a spouse nor child; or

(iv) the personal representative of the employee, if the employee does not leave any spouse, child nor parent.

3. Relevant Date of Termination of Employment

(a) Only employees whose relevant date of termination of employment falls on or after 1 May 2025 are eligible for making shortfall application, subject to the fulfilment of other conditions set out in the "Preliminary Assessment Checklist" in Appendix 1.

(b) The relevant date of termination of employment under EO means –

(i) where an employment contract is terminated by notice, the date on which that notice expires;

(ii) where an employment contract is terminated by payment in lieu of notice ("PILON"), the date up to which PILON is calculated;

(iii) where an employment contract is terminated partly by notice and by PILON for the remaining notice period, the date up to which PILON is calculated or the date on which the notice expires, whichever is later;

(iv) where an employee is employed under a fixed-term contract and that term expires, the date on which that term expires;

(v) where an employment contract specifies an age of retirement and the employee retires at that age, the date up to which the wages are calculated;

(vi) where an employee dies during employment, the date of his/her death;

(vii) where an employee terminates his/her employment contract without notice or PILON under circumstances specified in section 10 of EO, the date on which the termination takes effect;

(viii) where an employee terminates his/her employment contract on the ground of being certified as permanently unfit for the particular type of work for which he/she is employed by a registered medical practitioner or a registered Chinese medicine practitioner, the date on which the termination takes effect or the date up to which the wages are calculated, whichever is later;

(ix) where an employee terminates his/her employment contract in accordance with section 10A of EO due to non-/late payment of wages by the employer, the date up to which PILON is calculated;

(x) where an employee is taken to be laid off by virtue of section 31E of EO, the expiry date of any four consecutive weeks during which half of the total number of normal working days or any 26 consecutive weeks during which one-third of the total number of normal working days the employee is not provided with work and is not paid wages for such days; and

(xi) where an employment contract is terminated other than in accordance with the provisions of EO, the date on which the termination takes effect.

(c) Please see Appendix 2 for illustration on how the relevant date of termination of employment is determined and affect an employee's eligibility for making a shortfall application.

4. Documents Required to be Submitted Together with a Shortfall Application

(a) Applicants should submit the following documents together with their applications:

(i) a completed Employee Application Form (Form No.: SSA_EE_AF1(E)(05/2025)), or a completed Deceased Employee's Long Service Payment Beneficiary Application Form (Form No.: SSA_EE_AF2(E)(05/2025)) for the LSP beneficiary; and

(ii) a copy of the supporting documents in Appendix 3.

(b) Where necessary, the Service Centre may request applicants to provide further information during application processing.

5. Channels to Submit Applications

(a) Applicants may submit applications to the Service Centre through the following channels:

- email: enquiry@ssasc.hk
- post, or submit in person:

The Service Centre

Address:	18/F, Tower A, Manulife Financial Centre, 223 Wai Yip Street, Kwun Tong, Kowloon	
Office hours:	Mondays to Fridays (excluding public holidays)	10:00 am to 1:00 pm and 2:00 pm to 7:00 pm

Drop Box of the Subsidy Scheme
Address: 22/F, Prince's Building, Central, Hong Kong

Collection hours: Mondays to Fridays 8:00 am to 7:00 pm
(excluding public holidays)

If the submission is sent by post, please affix sufficient postage and provide your return address at the back of the envelope. The Labour Department and the Service Centre will not accept underpaid mail items or be liable for any loss of the documents in transit.

- facsimile: 2989 1012

(b) Applicants will receive an acknowledgement receipt via post. If an applicant does not receive any acknowledgement receipt within seven working days after submission of application, please call the Service Centre's Hotline to follow up.

6. Deadline to Submit Applications

(a) Employees or their LSP beneficiaries must submit applications **within six months** from the date of receipt of SP/LSP payment.

(b) For employees who are defaulted payment of SP by their employers and are granted ex gratia payment of SP from the Protection of Wages on Insolvency Fund ("PWIF"), the applications must be submitted **within six months** from the date of receipt of the ex gratia payment.

(c) For employees who are defaulted payment of SP/LSP by their employers but are not eligible to apply to PWIF, the applications must be submitted **within six months** from either of the following two dates, whichever is later:

(i) the due date of payment as stated in the award/order of SP/LSP obtained from the Labour Tribunal/court in their favour; or

(ii) the date of the employer signing a statement of inability to pay.

(d) Late applications will **NOT be entertained**.

7. Processing of Applications

(a) The Service Centre will assess the applicant's eligibility for making a shortfall application and determine the amount of subsidy to be granted based on the information and supporting documents provided by the applicant (please see Appendix 3 for details) and obtained from relevant government bureaux/departments/organisations, where appropriate.

(b) Staff of the Service Centre and/or LD may approach the applicant by telephone, post and/or email to verify, clarify or seek supplementary information and documents, and may invite the applicant to attend interviews. If in doubt, applicants should contact the Service Centre or LD to verify the identity of the persons approaching them.

(c) Where necessary, applicants may be required to declare that the information given in the applications and documents submitted by them are true and correct.

(d) Applicants are advised to retain the originals of all supporting documents submitted with their applications for at least one year after receipt of the application results.

8. Notification of Application Result and Payment of Subsidy (if approved)

(a) Applicants will receive a Notification of Application Result via post.

(b) Where the application is approved with subsidy payable, the subsidy will be paid into the applicant's specified bank account provided in the Application Form.

(c) In general, applicants will be notified of the application result within 30 working days after the Service Centre has received all necessary information and documents pertaining to the applications. If the applicants have not received the subsidy payment for their approved applications after seven working days from the issue date of notification of application result, they may contact the Service Centre for assistance.

(d) Applicants may seek review of their applications once if not satisfied with the application result, and if still not satisfied with the review result, may submit an appeal request. The review/appeal request should be made with justifications and supporting documents. The decision of LD on the appeal request is final.

(e) The review request should be made **within four weeks** from the issue date of notification of application result. The appeal request should be made **within four weeks** from the issue date of notification of review result. Late requests would **NOT be entertained**.

9. Review of Applications by the Service Centre

The Service Centre and/or LD may select applications of which processing has been completed for review. Where necessary, applicants of the selected applications will be required to provide further information to substantiate their applications (e.g. proof showing the amount of wages received by the employee in the 12 months immediately preceding 1 May 2025 or the termination of employment, etc.). If applicants fail to provide the information required without reasonable excuse, they will be liable to repay in full any subsidy received to the Hong Kong Special Administrative Region ("HKSAR") Government.

10. Repayment of Overpaid Subsidy

If it is later found that an applicant is not eligible for subsidy or the amount of subsidy for which the applicant is eligible should be smaller than the amount paid to the applicant, due to but not limited to further verification/investigation, availability of new information and overpayment or payment by mistake for whatever reason, etc., the applicant shall repay in full to the HKSAR Government any overpaid subsidy received. The Service Centre and LD reserves the right to have the overpaid subsidy set off against part or all of the subsidy approved in any applications of the applicants concerned.

11. Provision of Information

Failure to provide complete or sufficient information in the application may cause delay in processing of the application or render the application disqualified for further processing. Applicants wishing to provide supplementary information or amend the information submitted should notify the Service Centre by email, post or facsimile.

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Appendix 1

Checklist for Employees to Preliminarily Assess Eligibility for Making Shortfall Application under Subsidy Scheme for Abolition of MPF Offsetting Arrangement ("Preliminary Assessment Checklist")

Please complete the questionnaire to help an employee preliminarily assess whether he/she is eligible for making a shortfall application under the Subsidy Scheme for Abolition of MPF Offsetting Arrangement.

Question		Please put a "✓" in the appropriate box:	
		Yes	**No**
1.	Did your employment commence **before** 1 May 2025?		
2.	Was your employment mentioned above terminated **on or after** 1 May 2025?		
3.	Were your monthly wages *(Remark 1)* immediately preceding 1 May 2025 **less than** $22,500?		
4.	Were the above monthly wages *(Remark 1)* **less than** your monthly wages immediately preceding the termination of employment?		
5.	Had you received severance payment ("SP")/long service payment ("LSP") from your employer? *(Remark 2)*		
6.	During your employment, was your employer obliged to enrol you in a **mandatory provident fund ("MPF") scheme** and make mandatory contributions to your MPF account? **Or** During your employment, were you covered by a **statutory pension or provident fund scheme** and your employer had made contributions to the scheme for you? **Or** During your employment, were you a member of an **occupational retirement scheme ("ORS")** which has been granted MPF exemption certificate *(Remark 3)* under the Mandatory Provident Fund Schemes Ordinance ("MPFSO") (Chapter 485 of the Laws of Hong Kong) and your employer had made contributions to the scheme for you?		
7.	If your answers to the six questions above are all "Yes", please use EasyCal in the Labour Department ("LD") website to calculate whether the amount of your aggregate benefits *(Remark 4)* is less than what you would have received if the MPF offsetting arrangement *(Remark 5)* had not been abolished. Aggregate benefits refer to the SP/LSP amount receivable from employer upon termination of employment plus - (a) the amount of MPF benefits (including the accrued benefits attributable to the MPF contributions made by your employer to your MPF account(s)) remaining in your MPF account(s), if any, after offsetting (if applicable) with the SP/LSP receivable; (b) if your employer had made contributions to an ORS, the remaining vested benefits of these employer-funded ORS contributions, if any, after offsetting (if applicable) with the SP/LSP receivable; and (c) if your employment contract had provided for the payment of contractual gratuities based on the length of service, the remaining amount of gratuities payable, if any, after offsetting (if applicable) with the SP/LSP receivable.	**Amount of shortfall in aggregate benefits as calculated by LD's EasyCal:** **$ _____**	

Remark 1 *If you are a non-monthly rated employee, the "monthly wages" referred to in Questions 3 and 4 are to be replaced by "18 days' wages chosen out of the last 30 normal working days immediately preceding 1 May 2025 or immediately preceding the termination of employment" respectively.*

Remark 2 *Employees who were defaulted payment of SP and were granted ex gratia payment of SP from the Protection of Wages on Insolvency Fund ("PWIF") may make application after receipt of the ex gratia payment. For employees who were defaulted payment of SP/LSP by their employers but are not eligible for PWIF, they may make a shortfall application after the due date of payment as stated in the award/order of SP/LSP obtained from the Labour Tribunal or a court in their favour, or after their employers have signed a Statement of Inability to Pay.*

Remark 3 *You may visit the Mandatory Provident Fund Schemes Authority's website at the following link to check if an ORS has been granted exemption certificate under MPFSO:*

https://www.mpfa.org.hk/en/info-centre/public-registers/mpf-exempted-orso-schemes

Remark 4 *You may make use of LD's EasyCal at the following link to calculate your aggregate benefits before and after the abolition of the MPF offsetting arrangement:*

https://www.offsettingsubsidy.gov.hk/en/calculator.html

If you have encountered any problems in using the EasyCal, please call the Service Centre for Subsidy Scheme for Abolition of MPF Offsetting Arrangement at 2989 1001.

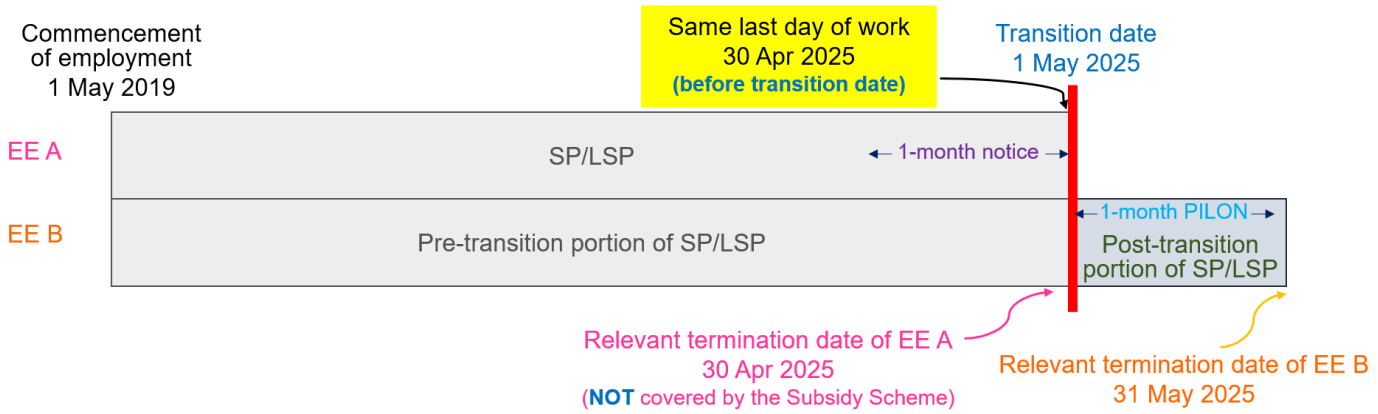
Remark 5 *The MPF offsetting arrangement refers to the use of the accrued benefits of employer's mandatory contributions to an employee's MPF account(s) to offset the employee's SP/LSP entitlement under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The abolition of the MPF offsetting arrangement is also applicable to (i) an ORS which has been granted MPF exemption certificate; (ii) the provident fund schemes under the Grant Schools Provident Fund Rules (Chapter 279C of the Laws of Hong Kong) and the Subsidized School Provident Fund Rules (Chapter 279D of the Laws of Hong Kong); and (iii) a provident, pension, retirement or superannuation scheme (however described) of a place outside Hong Kong to which an employer has made contributions for an employee (including an imported worker) and due to which, the employer is exempted from arranging the employee to enrol in an MPF scheme in Hong Kong.*

If your answers to the first six questions are all "yes" and there is a shortfall in your aggregate benefits as calculated by LD's EasyCal, you are preliminarily assessed to be eligible for making a shortfall application. **Whether you are eligible for any subsidy to make up for the shortfall will be further assessed by the Service Centre for Subsidy Scheme for Abolition of MPF Offsetting Arrangement after receiving your application.**

Labour Department
May 2025

How the Relevant Date of Termination of Employment Affects the Eligibility for Subsidy for Shortfall

Example - Two employees (i.e. EE A and EE B) had the same last day of work on 30 April 2025 but their employment contracts were terminated with notice period or by PILON respectively



For EE A, whose employment contract is terminated by 1-month notice ending on 30 April 2025, the relevant date of termination of employment falls on 30 April 2025. Given that the relevant date of termination of employment is before the transition date of 1 May 2025, the abolition of the MPF offsetting arrangement does not apply to EE A and thus **EE A is not eligible for making a shortfall application**.

For EE B, whose employment contract is terminated with 1-month PILON given on 30 April 2025, the relevant date of termination of employment falls on 31 May 2025 (i.e. the date up to which PILON is calculated). As the relevant date of termination of employment of EE B falls beyond the transition date of 1 May 2025, **EE B may be eligible for making a shortfall application subject to EE B's fulfilment of other conditions listed in the "Preliminary Assessment Checklist" for eligibility in Appendix 1**.

Detailed Requirements on the Documents to be Submitted by an Applicant when Making a Shortfall Application

1. Identity Documents of the Applicant

- The name shown on the identity document (e.g. the Hong Kong Identity Card ("HKID"), passport if not possessing HKID) must be the same as the name of the applicant.
- For an applicant who is a beneficiary of a deceased employee's LSP pursuant to section 31RA of EO, Form 2 of the Labour Relations Division of the Labour Department – "***Application for Long Service Payment by Family Members of a Deceased Employee" and other relevant supporting documents***:
  - Supporting documents on the relationship between the applicant and the deceased employee, e.g.:
    - marriage certificate
    - birth certificate
  - If there are more than one LSP beneficiary, a completed "Deceased Employee's Long Service Payment Beneficiary Supplementary Form" (Form No.: SSA_EE_SF(E)(05/2025)) should be provided together with the application.

2. Proof of Ownership of the Specified Bank Account for Receiving Subsidy Payment

- The specified bank account must be a Hong Kong Dollar savings or current account in a bank operating in Hong Kong.
- The name of the account holder must be the same as the name of the applicant or the applicant is one of the holders of the account.
- Proof of ownership of the specified bank account, e.g. monthly bank statement, bank certificate, automated teller machine ("ATM") card or bank book of the bank account bearing the account holder's English name and the account number.

3. Employment and Termination Proof

- The documents must show the employment information (e.g. the name and the post title of the employee, the commencement date and the date of termination of employment, the mode of termination) of the employee. Examples of the proof are:
  - employment contract
  - reference letter issued by the employer to the employee showing the employment period
  - termination notice/letter issued by the employer to the employee
  - notice/letter of resignation submitted by the employee to the employer
  - retirement notice/letter issued by the employer to the employee

4. Payment Proof of SP/LSP

- Applicants should provide third-party payment proof unless not available.
- Examples of third-party payment proof:
  - bank transaction records (e.g. ATM receipts)
  - bank statements (e.g. salary transfer statement bearing the names of the employer and the employee with payment details)
  - copy of cheque issued by the employer to the employee with relevant bank clearing record (e.g. bank statement)

- Examples of non-third-party payment proof:
  - the employee's acknowledgement receipt of payment specifying the calculation of the pre- and post-transition portions of SP/LSP, the amount of employer-funded MPF scheme benefits/ORS benefits/contractual gratuities (if any) used to offset the SP/LSP entitlement and the actual amount of the pre- and post-transition portions of SP/LSP paid by the employer to the employee
  - termination payment slip showing, amongst others, the amount of the pre- and post-transition portions of SP/LSP paid to the employee

5. Wage Record

- The documents must show the wages basis used for calculating SP/LSP. Examples of the proof are:
  - salary slip(s)
  - payment proof of wages (e.g. bank transaction records, bank statements, etc.)
- If the average monthly/daily wages in the 12 months immediately preceding 1 May 2025 and/or immediately preceding the termination of employment are used for calculating the pre- and/or the post-transition portions of SP/LSP, the wage records of these 12 months. If the average monthly/daily wages are used for calculating the pre-transition portion of SP/LSP but the employment period before 1 May 2025 is less than 12 months but not less than one month or 30 normal working days, the wage records of that shorter period.
- For non-monthly rated employees, if 18 days' wages chosen out of the last 30 normal working days immediately preceding 1 May 2025 and/or immediately preceding the termination of employment are used for calculating the pre- and/or the post-transition portions of SP/LSP, the wage records of these 18 normal working days.
- For monthly-rated employees, if the employment period before 1 May 2025 is less than one month, the wage records of his/her first full month after commencement of employment.
- For non-monthly rated employees, if the employment period before 1 May 2025 is less than 30 normal working days, the wage records of 18 normal working days chosen for calculating the pre-transition portion of SP/LSP from his/her first 30 normal working days after the commencement of employment.

6. Proof of MPF Scheme/ORS Benefits and Offsetting Items

(If the employer has offset the employee's SP/LSP with allowable offsetting items)

- Examples of the allowable offsetting items are:
  - employer-funded (mandatory) MPF scheme benefits/employer-funded (basic portion) ORS benefits (for offsetting the pre-transition portion of SP/LSP only)
  - employer-funded (voluntary) MPF scheme benefits
  - employer-funded (specified) ORS benefits
  - contractual gratuities based on employee's years of service

- Examples of proof are:
  - Payment proof of contractual gratuities (if any) showing the amount of gratuities used to offset SP/LSP, if applicable
  - MPF scheme/ORS benefits proof:

Scenario	Employee enrolled under	
	MPF scheme	**ORS**
Where employer paid SP/LSP in full to employee and sought refund of the offset amount from the employer-funded MPF scheme benefits in the employee's MPF account(s)/the vested employer-funded ORS benefits	1. SP/LSP offsetting statement issued by the eMPF Platform Company Limited showing the offset amount refunded to employer; 2. Transfer statement issued by the eMPF Platform Company Limited to employee showing the employer-funded MPF scheme benefits in the employee's MPF account(s) before the account balance was transferred to the employee's MPF personal account; and 3. Withdrawal statement(s) issued by the eMPF Platform Company Limited to employee if the employee has made withdrawal from the MPF account(s) before transfer of the account balance to the employee's MPF personal account.	Statement issued by the ORS administrator (e.g. SP/LSP offsetting statement) showing: (a) offset amount refunded to employer by ORS administrator; and (b) balance of vested employer-funded ORS benefits after offsetting (if any).
Where the amount of employer-funded MPF scheme benefits/vested ORS benefits exceeded or equalled the SP/LSP amount and employee agreed to receive SP/LSP from the employer-funded MPF scheme benefits/vested ORS benefits	1. SP/LSP offsetting statement issued by the eMPF Platform Company Limited showing the offset amount paid to employee; 2. Transfer statement issued by the eMPF Platform Company Limited to employee showing the employer-funded MPF scheme benefits in the employee's MPF account(s) before the account balance was transferred to the employee's MPF personal account; and 3. Withdrawal statement(s) issued by the eMPF Platform Company Limited to employee if the employee has made withdrawal from the MPF account(s) before transfer of the account balance to the employee's MPF personal account.	Statement issued by the ORS administrator (e.g. SP/LSP offsetting statement) showing: (a) the offset amount paid to employee by ORS administrator; and (b) balance of vested employer-funded ORS benefits after offsetting (if any).

Scenario	Employee enrolled under	
	MPF scheme	**ORS**
Where the amount of employer-funded MPF scheme benefits/vested ORS benefits were less than the SP/LSP amount and employer paid the amount of SP/LSP which could not be offset to employee	1. SP/LSP offsetting statement issued by the eMPF Platform Company Limited showing the offset amount paid to employee; 2. Transfer statement issued by the eMPF Platform Company Limited to employee showing the employer-funded MPF scheme benefits in the employee's MPF account(s) before the account balance was transferred to the employee's MPF personal account; and 3. Withdrawal statement(s) issued by the eMPF Platform Company Limited to employee if the employee has made withdrawal from the MPF account(s) before transfer of the account balance to the employee's MPF personal account.	Statement issued by the ORS administrator (e.g. SP/LSP offsetting statement) showing: (a) the offset amount paid to employee by ORS administrator; and (b) balance of vested employer-funded ORS benefits after offsetting (if any).
Where employer chose not to offset the MPF scheme benefits/vested ORS benefits with SP/LSP	1. Transfer statement issued by the eMPF Platform Company Limited to employee showing the employer-funded MPF scheme benefits in the employee's MPF account(s) before the account balance was transferred to the employee's MPF personal account; and 2. Withdrawal statement(s) issued by the eMPF Platform Company Limited to employee if the employee has made withdrawal from the MPF account(s) before transfer of the account balance to the employee's MPF personal account.	ORS benefits statement issued by the ORS administrator after cessation of employment showing the final amount of vested employer-funded ORS benefits.

Calculation of Subsidy Amount in Shortfall Applications

Subsidy is only payable to employees who receive less aggregate benefits after the abolition of the MPF offsetting arrangement than what they would have received if the MPF offsetting arrangement had not been abolished. Aggregate benefits of an employee after the abolition of the MPF offsetting arrangement mean:

Aggregate Benefits	=	**SP/LSP***	+	**After offsetting (if any) with SP/LSP -** • **Any employer-funded MPF scheme benefits remaining^; and/or** • **Any vested employer-funded ORS benefits remaining; and/or** • **net amount of gratuities receivable**

* *The amount refers to the SP/LSP amount received by an employee from his/her employer, or the amount calculated in accordance with EO after offsetting with the allowable offsetting item(s) (if any), whichever is higher.*

^ *Employer-funded MPF scheme benefits include both employer-funded (mandatory) MPF scheme benefits (here below referred to as "ERMC") and employer-funded (voluntary) MPF scheme benefits (here below referred to as "ERVC") (if any).*

Irrespective of whether the employer had used the employer-funded MPF scheme benefits/ORS benefits/contractual gratuities (if any) to offset an employee's SP/LSP after the abolition of the MPF offsetting arrangement, the Service Centre would use these benefits (if available) to offset the employee's SP/LSP to derive the employee's aggregate benefits under the "no-abolition" regime as illustrated in the examples below.

Examples

Examples 1 to 6 below assume that the employees (i.e. "EEs A, B, C, D and H") had been employed for 20 years before the transition date (i.e. 1 May 2025) and were dismissed after 25 years of service. Their monthly wages immediately preceding the transition date were $18,000 while the monthly wages immediately preceding the termination of employment were $21,000 as illustrated below:

The employees' SP/LSP if the MPF offsetting arrangement had not been abolished and after the abolition are calculated as follows:

	SP/LSP entitlement		
If there had been no abolition	$21,000 × 2/3 × 25 years of service		**$350,000**
After the abolition	**Pre-transition period**	**Post-transition period**	**Total: $310,000**
	$18,000 × 2/3 × 20 years of service	$21,000 × 2/3 × 5 years of service	
	= $240,000	= $70,000	

Example 1 – EE A had ERMC and employer used ERMC to offset SP/LSP

Assuming that the amount of ERMC of EE A at the time of dismissal was **$279,000**, EE A's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">ERMC+ available for offsetting with SP/LSP
(b)</th><th>Remaining ERMC after offsetting with SP/LSP
(c)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$279,000</td><td>$0*</td><td>$350,000
[(a) + (c)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$39,000%</td><td rowspan="2">$349,000
[(a1) + (a2) + (c)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$279,000</td><td>No offsetting by ERMC allowed</td></tr>
<tr><td colspan="6">Amount of shortfall in aggregate benefits</td><td>$1,000
(i.e. $350,000 − $349,000)</td></tr>
</table>

\+ *If the MPF offsetting arrangement had not been abolished, ERMC can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, ERMC can only be used to offset the pre-transition portion of SP/LSP****.*

* *The Service Centre would use all ERMC available ($279,000) to offset EE A's SP/LSP to derive EE A's aggregate benefits under the "no-abolition" regime.*

% *The employer had used part of the ERMC to offset the pre-transition portion of SP/LSP ($240,000). The remaining ERMC is $39,000 (i.e. $279,000 − $240,000).*

EE A is eligible for a subsidy of **$1,000** to make up for the shortfall in aggregate benefits.

Example 2 – EE B had ERMC but employer did not use ERMC to offset SP/LSP

Assuming that the amount of ERMC of EE B at the time of dismissal was **$279,000**, calculation of EE B's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">ERMC+ available for offsetting with SP/LSP
(b)</th><th>Remaining ERMC after offsetting SP/LSP
(c)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$279,000</td><td>$0*</td><td>$350,000
[(a) + (c)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$279,000^</td><td rowspan="2">$589,000
[(a1) + (a2) + (c)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$279,000</td><td>No offsetting by ERMC allowed</td></tr>
<tr><td colspan="6">Amount of shortfall in aggregate benefits</td><td>$0
(because $350,000 − $589,000 < $0)</td></tr>
</table>

\+ *If the MPF offsetting arrangement had not been abolished, ERMC can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, ERMC can only be used to offset the pre-transition portion of SP/LSP.***

* *The Service Centre would use all ERMC available ($279,000) to offset EE B's SP/LSP to derive EE B's aggregate benefits under the "no-abolition" regime.*

^ *The employer did not use ERMC to offset SP/LSP and the whole amount of ERMC ($279,000) remains in EE B's MPF account.*

EE B is NOT eligible for subsidy as there is **no shortfall** in aggregate benefits.

Example 3 – EE C had both ERMC and ERVC and employer used both types of benefits to offset SP/LSP

Assuming that the amounts of ERMC and ERVC of EE C at the time of dismissal were **$279,000** and **$150,000** respectively, calculation of EE C's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">ERMC+ available for offsetting with SP/LSP
(b)</th><th colspan="2">ERVC~ available for offsetting with SP/LSP
(c)</th><th>Remaining ERMC & ERVC after offsetting with SP/LSP
(d)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$279,000</td><td colspan="2">$150,000</td><td>$79,000*</td><td>$429,000
[(a) + (d)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$119,000^</td><td rowspan="2">$429,000
[(a1) + (a2) + (d)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$279,000</td><td>No offsetting by ERMC allowed</td><td colspan="2">$150,000</td></tr>
<tr><td colspan="8">Amount of shortfall in aggregate benefits</td><td>$0
(i.e. $429,000 - $429,000)</td></tr>
</table>

\+ *If the MPF offsetting arrangement had not been abolished, ERMC can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, ERMC can only be used to offset the pre-transition portion of SP/LSP.***

~ *ERVC can be used to offset the SP/LSP entitlement for the whole employment period.*

* *The Service Centre would use ERMC and ERVC available (i.e. $279,000 + $150,000 = $429,000) to offset SP/LSP. The remaining ERMC and ERVC are $79,000 (i.e. $429,000 − $350,000) in total after offsetting.*

^ *The employer offset the pre-transition portion of SP/LSP ($240,000) by ERMC and the post-transition portion of SP/LSP ($70,000) by ERVC. The remaining ERMC and ERVC are $39,000 and $80,000 respectively, totalling $119,000 [i.e. ($279,000 − $240,000) + ($150,000 − $70,000)].*

EE C is NOT eligible for subsidy as there is **no shortfall** in aggregate benefits.

Example 4 – EE D joined an employer-funded exempt ORS and employer used the vested employer-funded exempt ORS benefits to offset SP/LSP

For employees joining employer-funded exempt ORS, the employer's contributions to ORS are not differentiated into mandatory and voluntary contributions. For the purpose of offsetting with SP/LSP, the vested employer-funded exempt ORS benefits are divided into the "employer-funded (basic portion) exempt ORS benefit" (akin to ERMC under the MPF system) (here below referred to as "basic portion") and the "employer-funded (prescribed portion) exempt ORS benefit" (akin to ERVC under the MPF system) (here below referred to as "prescribed portion"), by the following formula:

Basic portion^	=	**Final average monthly relevant income***	×	**5%**	×	**12 months**	×	**Years of service with ORS benefits#**

Prescribed portion	=	**Vested employer-funded exempt ORS benefits**	−	**Basic portion**

^ *If the amount of the vested employer-funded exempt ORS benefits is less than or equal to the amount of the "basic portion" calculated using the above formula, the whole amount of vested employer-funded exempt ORS benefits should become the "basic portion".*

* *It means the employee's average monthly relevant income in the 12 months immediately preceding the termination of employment contract, subject to the maximum level of relevant income under MPFSO.*

\# *Only years of service on or after 1 December 2000 will count.*

Assuming that EE D's final average monthly relevant income was $21,000. The "basic portion" is $21,000 × 5% × 12 months × 25 years = $315,000. The "basic portion" can only be used to offset the pre-transition portion of SP/LSP while the remaining vested employer-funded exempt ORS benefits (i.e. the "prescribed portion"), if any, could be used to offset **both** the pre- and post-transition portions of SP/LSP.

Assuming that the actual vested employer-funded exempt ORS benefits of EE D at the time of dismissal were **$270,000**, which were smaller than the "basic portion" calculated using the above formula ($315,000), **the amount of the "basic portion" was $270,000** and there was **no "prescribed portion"**.

Calculation of EE D's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">Vested employer-funded exempt ORS benefits+ available for offsetting with SP/LSP
(b)</th><th>Remaining vested employer-funded exempt ORS benefits after offsetting SP/LSP
(c)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$270,000</td><td>$0*</td><td>$350,000
[(a) + (c)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$30,000^</td><td rowspan="2">$340,000
[(a1) + (a2) + (c)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$270,000</td><td>No offsetting by the "basic portion" allowed</td></tr>
<tr><td colspan="6">Amount of shortfall in aggregate benefits</td><td>$10,000
(i.e. $350,000 − $340,000)</td></tr>
</table>

\+ *If the MPF offsetting arrangement had not been abolished, all vested employer-funded exempt ORS benefits can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, the "basic portion" can only be used to offset the pre-transition portion of SP/LSP.***

* *The Service Centre would use all vested employer-funded exempt ORS benefits available ($270,000) to offset SP/LSP to derive EE D's aggregate benefits under the "no-abolition" regime.*

^ *The employer used the "basic portion" ($270,000) to offset the pre-transition portion of SP/LSP ($240,000). The remaining ORS benefits after offsetting were $30,000 (i.e. $270,000 − $240,000).*

EE D is eligible for a subsidy of **$10,000** to make up for the shortfall in aggregate benefits**.**

Example 5 - EE D joined an employer-funded exempt ORS and employer did not use the vested employer-funded exempt ORS benefits to offset SP/LSP

For EE D in Example 4, if the employer did not offset EE D's SP/LSP with the vested employer-funded exempt ORS benefits, calculation of EE D's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">Vested employer-funded exempt ORS benefits available for offsetting with SP/LSP
(b)</th><th>Remaining vested employer-funded exempt ORS benefits after offsetting SP/LSP
(c)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$270,000</td><td>$0*</td><td>$350,000
[(a) + (c)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$270,000^</td><td rowspan="2">$580,000
[(a1) + (a2) + (c)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$270,000</td><td>No offsetting by the “basic portion” allowed</td></tr>
<tr><td colspan="6">Amount of shortfall in aggregate benefits</td><td>$0
(because $350,000 − $580,000 < $0)</td></tr>
</table>

* *The Service Centre would use all vested employer-funded exempt ORS benefits available ($270,000) to offset SP/LSP to derive EE D's aggregate benefits under the "no-abolition" regime.*

^ *The employer did not use the vested employer-funded exempt ORS benefits to offset SP/LSP.*

EE D is NOT eligible for subsidy as there is **no shortfall** in aggregate benefits.

Example 6 – EE H had both ERMC and vested employer-funded non-exempt ORS benefits and employer used both types of benefits to offset SP/LSP

Assuming that the amounts of ERMC and the vested employer-funded non-exempt ORS benefits of EE H at the time of dismissal were **$279,000** and **$150,000** respectively, calculation of EE H's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

<table>
<tr><th></th><th colspan="2">SP/LSP entitlement
(a)</th><th colspan="2">ERMC+ available for offsetting with SP/LSP
(b)</th><th colspan="2">Vested employer-funded non-exempt ORS benefits~ available for offsetting with SP/LSP
(c)</th><th>Remaining ERMC & vested employer-funded non-exempt ORS benefits after offsetting with SP/LSP
(d)</th><th>Aggregate benefits</th></tr>
<tr><td>If there had been no abolition</td><td colspan="2">$350,000</td><td colspan="2">$279,000</td><td colspan="2">$150,000</td><td>$79,000*</td><td>$429,000
[(a) + (d)]</td></tr>
<tr><td rowspan="2">After the abolition</td><td>Pre-transition period (a1)</td><td>Post-transition period (a2)</td><td>Pre-transition period</td><td>Post-transition period</td><td>Pre-transition period</td><td>Post-transition period</td><td rowspan="2">$119,000^</td><td rowspan="2">$429,000
[(a1) + (a2) + (d)]</td></tr>
<tr><td>$240,000</td><td>$70,000</td><td>$279,000</td><td>No offsetting by ERMC allowed</td><td colspan="2">$150,000</td></tr>
<tr><td colspan="8">Amount of shortfall</td><td>$0
(i.e. $429,000 - $429,000)</td></tr>
</table>

\+ *If the MPF offsetting arrangement had not been abolished, ERMC can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, ERMC can only be used to offset the pre-transition portion of SP/LSP.***

~ *Vested employer-funded non-exempt ORS benefits can be used to offset the SP/LSP entitlement for the whole employment period.*

* *The Service Centre would use ERMC and vested employer-funded non-exempt ORS benefits available (i.e. $279,000 + $150,000 = $429,000) to offset the SP/LSP. The remaining ERMC and vested employer-funded non-exempt ORS benefits are $79,000 (i.e. $429,000 − $350,000) in total after offsetting.*

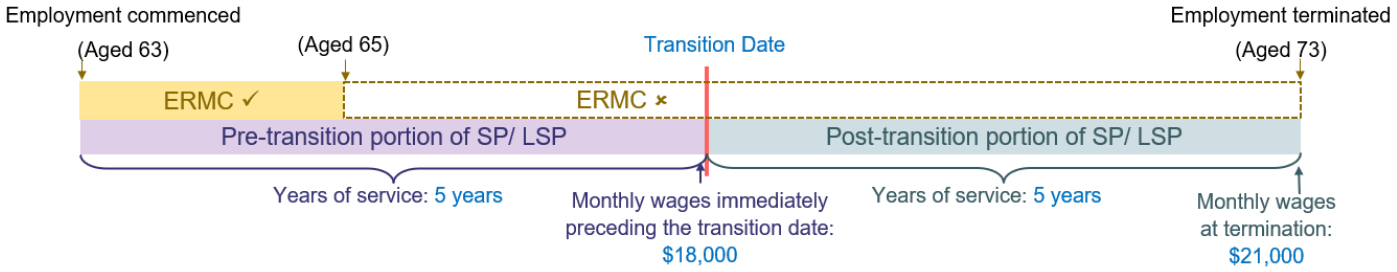
^ *The employer used ERMC to offset the pre-transition portion of SP/LSP ($240,000) and the vested employer-funded non-exempt ORS benefits to offset the post-transition portion of SP/LSP ($70,000). The remaining ERMC and vested employer-funded non-exempt ORS benefits after offsetting were $119,000 [i.e. ($279,000 − $240,000) + ($150,000 − $70,000)] in total.*

EE H is NOT eligible for subsidy as there is **no shortfall** in aggregate benefits.

Example 7 – Employer was obliged to make ERMC for EE Y in part of the employment period and employer used ERMC to offset SP/LSP

Under MPFSO, employers are not obliged to enrol employees aged under 18 or aged at 65 or above in an MPF scheme and make mandatory contributions for them.

Assuming that EE Y was employed at age 63 and dismissed at age 73. EE Y's pre- and post-transition employment periods were five years respectively. His/her monthly wages immediately preceding the transition date (i.e. 1 May 2025) were $18,000 while the monthly wages immediately preceding the termination of employment were $21,000 as illustrated below:



EE Y's SP/LSP if the MPF offsetting arrangement had not been abolished and after the abolition are calculated as follows:

	SP/LSP entitlement		
If there had been no abolition	$21,000 × 2/3 × 10 years of service		**$140,000**
After the abolition	**Pre-transition period**	**Post-transition period**	**Total: $130,000**
	$18,000 × 2/3 × 5 years of service	$21,000 × 2/3 × 5 years of service	
	= $60,000	= $70,000	

Assuming that the amount of ERMC of EE Y was **$30,000**, calculation of EE Y's aggregate benefits if the MPF offsetting arrangement had not been abolished and after the abolition are set out as follows:

	SP/LSP entitlement (a)		**ERMC⁺ available for offsetting with SP/LSP** (b)		**Remaining ERMC after offsetting SP/LSP** (c)	**Aggregate benefits**
If there had been no abolition	$140,000		$30,000		$0*	**$140,000** [(a) + (c)]
After the abolition	*Pre-transition period (a1)*	*Post-transition period (a2)*	*Pre-transition period*	*Post-transition period*	$0^	**$130,000** [(a1) + (a2) + (c)]
	$60,000	$70,000	$30,000	No offsetting by ERMC allowed		
Amount of shortfall in aggregate benefits						**$10,000 (i.e. $140,000 – $130,000)**

\+ *If the MPF offsetting arrangement had not been abolished, ERMC can be used to offset the SP/LSP entitlement for the whole employment period.* ***After the abolition of the MPF offsetting arrangement, ERMC can only be used to offset the pre-transition portion of SP/LSP.***

* *The Service Centre would use all ERMC available ($30,000) to offset SP/LSP to derive EE Y's aggregate benefits under the "no-abolition" regime.*

^ *The employer used the whole amount of ERMC ($30,000) to offset SP/LSP.*

EE Y is eligible for a subsidy of **$10,000** to make up for the shortfall in aggregate benefits**.**