

# Corporate Commercial Updates

## Employment & Pensions

9 June 2023

### Recent updates on MPF and pensions: What employers need to know

Cynthia Chung and Bernie Ng

There have been some important updates in the past few weeks concerning MPF and pensions in Hong Kong which employers should take note of:

- **Abolition of the MPF offsetting arrangement to take effect on 1 May 2025**

The Chief Executive has announced that, with effect from **1 May 2025**, employers will no longer be entitled to use employer's mandatory contribution ("ERMC") balances in MPF schemes (or a portion of benefits akin to ERMC in MPF-exempted ORSO schemes) to offset such part of the severance payment ("SP") and long service payment ("LSP") accrued in respect of their employees' service from 1 May 2025. Employers however will still be able to offset SP and LSP accrued in respect of employees' service on or before 30 April 2025. The calculation of SP and LSP will also be updated (please refer to our [previous article](#) for details). Employers' right to use employer's MPF voluntary contribution balances and gratuities based on employees' years of service to offset severance payment and long service payment will not be affected.

- **Government reconsiders Designated Savings Accounts scheme**

The Secretary for Labour and Welfare said in a recent television interview that the Government has commissioned a consultant to look into whether the Designated Saving Accounts scheme (a compulsory saving scheme to assist employers to save up to meet future severance payment and long service payment obligations) previously introduced will be implemented amidst the current economic climate. It is expected that the decision will be announced in the latter half of this year.

- **Sources: Maximum relevant income level may increase significantly**

Recent press reports suggest that the Mandatory Provident Fund Schemes Authority will soon be conducting review of the minimum and maximum levels of relevant income for the purpose of calculating mandatory MPF contributions. The current minimum and maximum levels of relevant income are, respectively, HK\$7,100 and HK\$30,000. As the minimum and maximum levels of relevant income have not been adjusted since 2013, it is expected that the review will result in a significant increase in these contribution thresholds.

**What it means for employers**

To ensure ongoing compliance and to keep up with market standards, employers should make sure that:

1. All employment documentation is up-to-date;
2. Proper HR system is put in place to facilitate the new calculations; and
3. HR personnel fully understands all related legal updates.

**How we can help**

We have extensive experience advising on employment and pensions matters, including on hot topics such as the abolition of MPF offsetting arrangement. We are also highly experienced in advising on drafting of documentation, including employment contracts, handbooks, rules of occupational retirement schemes and MPF documentation etc. Please feel free to reach out if you wish to know more.

**Want to know more?**

**Cynthia Chung**  
Partner  
cynthia.chung@deacons.com  
+852 2825 9297

The information contained herein is for general guidance only and should not be relied upon as, or treated as a substitute for, specific advice. Deacons accepts no responsibility for any loss which may arise from reliance on any of the information contained in these materials. No representation or warranty, express or implied, is given as to the accuracy, validity, timeliness or completeness of any such information. All proprietary rights in relation to the contents herein are hereby fully reserved.  
0623 © Deacons 2023