

Guidelines for Processing Severance Payment and Long Service Payment

School Supervisors can release the payments of Severance Payment and Long Service Payment in all cases of meeting the eligibility criteria as stipulated in the Employment Ordinance.

1. In general, the criteria are –

(a) Severance Payment

In continuous employment for not less than 24 months prior to dismissal by reason of :

- (i) redundancy ; or
- (ii) not renewing an employment contract of a fixed term due to redundancy* ;
or
- (iii) lay-off.

(b) Long Service Payment

In continuous employment for not less than 5 years prior to termination of service by reason of :

- (i) dismissal for reasons other than redundancy or summary dismissal; or
- (ii) not renewing an employment contract of a fixed term *; or
- (iii) death; or
- (iv) resignation on ground of ill health **; or
- (v) resignation at the age of 65 or above on ground of old age.

** If not less than 7 days before the date of dismissal / expiry of the fixed term contract in case of severance payment, and not less than 7 days before the expiry of the fixed term contract in case of long service payment, the employer has offered in writing to renew the contract of employment or re-engage him / her under a new contract but the employee has unreasonably refused the offer, the employee is not eligible for the entitlements. An employee will NOT be simultaneously entitled to both long service payment and severance payment.*

*** The employee should be certified by a certificate in the form specified by the Commissioner for Labour and issued by a registered medical practitioner or a registered Chinese medicine practitioner as permanently unfit for the present job.*

2. The following should be noted in paying the Severance Payment or Long Service Payment to eligible staff from government funds:

- (a) the salaries must be fully subvented by the government;
- (b) the period of service counted in the calculation of Severance Payment or Long Service Payment must be covered by government subsidies;
- (c) any gratuity and/or employer's contribution together with interests / dividends in Provident Fund (PF) / Mandatory Provident Fund (MPF) Schemes must be set off from the total amount of Severance Payment or Long Service Payment entitlements; and

- (d) for non-teaching staff in special schools whose service was formerly fully subvented by government departments (Social Welfare Department, Department of Health), their period of service under government subsidies may also be counted in the calculation of Severance Payment or Long Service Payment.
3. Reference should be made to the Employment Ordinance for determination of an individual's eligibility of Severance Payment or Long Service Payment. In case of doubt, it is the responsibility of the Supervisor to consult the Commissioner for Labour. Replies from the Commissioner for Labour, if available, should be attached to claims for reimbursement of Severance Payment or Long Service Payment.
 4. Severance Payment shall be paid to the employee as soon as practicable and not later than two months from the receipt of a notice of claim made by the employee. Long Service Payment shall also be paid to the employee as soon as practicable but in any case not later than seven days after the day of termination.
 5. Separate subsidies are provided to aided primary, aided secondary and special schools to pay the Long Service Payment for non-teaching staff employed under the Administration Grant / Revised Administration Grant. Aided primary and special schools may also claim reimbursement of the Severance Payment for these staff following the prevailing procedures. As for aided secondary schools, the Severance Payment of the non-teaching staff should be paid through Administration Grant, which is not reimbursable.
 6. In all cases of meeting the payment of Severance Payment and Long Service Payment in whole or in part from government funds, School Supervisors should complete, in respect of each individual receiving such payment, the form at **Appendix** and submit it direct to the Recurrent Subventions Section of the Finance Division for record and reimbursement purposes.
 7. The methods of calculating Severance Payment/Long Service Payment
= (Last month wages x 2/3) [#] x reckonable years of service **offset by** the accrued benefit of employer's contribution to PF / MPF / Gratuity

#The sum should not exceed 2/3 of \$22,500. An employee may also elect to use his average wages in the last 12 months for the calculation.

8. The reckonable years of service and maximum amounts of payments are as follows:

Relevant Date of Termination of Employment	Fully Reckonable Years of Service	Maximum Amounts
20.1.1995 to 30.9.1995	25	\$210,000
1.10.1995 to 30.9.1996	27	\$230,000
1.10.1996 to 30.9.1997	29	\$250,000
1.10.1997 to 30.9.1998	31	\$270,000
1.10.1998 to 30.9.1999	33	\$290,000
1.10.1999 to 30.9.2000	35	\$310,000
1.10.2000 to 30.9.2001	37	\$330,000
1.10.2001 to 30.9.2002	39	\$350,000
1.10.2002 to 30.9.2003	41	\$370,000
1.10.2003 to 30.9.2004	43	\$390,000
1.10.2004 and after	All	\$390,000

Service of an incomplete year should be calculated on a pro rata basis.

Appendix

Standard Form for Severance Payment/Long Service Payment

Severance Payment/Long Service Payment⁺ for Mr/Mrs/Ms/Miss⁺ : _____

Rank : _____

Name of School : _____

School Code : _____

Fully aided with effect from : _____

Pursuant to Employment Ordinance, I certify that the⁺ above named staff of this school is entitled to a Severance Payment/Long Service Payment⁺ computed as follows :

a. Date of birth : _____

b. Date of appointment : _____

c. Date of leaving employment : _____

d. Reason for leaving employment[@] : _____

e. Reckonable years of service : _____

f. Years of service for calculation of Severance Payment/Long Service Payment⁺ : _____

g. Monthly salary : _____

h. Maximum Severance Payment/Long Service Payment⁺ : _____

i. Accrued benefit of employer's contribution to Provident Fund (PF)/Mandatory Provident Fund (MPF) Payment /Gratuity⁺ : _____

(Please attach a copy of PF Termination Benefit Statement/MPF Remittance Statement/Gratuity calculation sheet.)

j. Amount of Severance Payment/Long Service Payment⁺ (g x 2/3 x f) : _____

k. Adjusted[#] Severance Payment/Long Service Payment⁺ (h* or j* - i) : _____

I certify that the above information is correct and I undertake to repay the Government for any overpayment of Severance Payment/Long Service Payment⁺ to the staff concerned.

Signature of Supervisor _____

Name of Supervisor _____

Date _____

+ Please delete as appropriate.

@ Medical certificate in the form specified by the Commissioner for Labour and issued by a registered medical practitioner as permanently unfit for the present job should be provided in case of early retirement on ground of ill health.

This adjustment is applicable to PF/MPF contributors or those in receipt of gratuity payments.

* Whichever is the smaller.