

**Subcommittee on
Members' Remuneration and Operating Expenses Reimbursement**

**Mechanism of Annual Adjustment to the Levels of Members'
Remuneration and Operating Expenses Reimbursement**

Purpose

This note outlines the background to the existing mechanism for adjusting annually the monthly remuneration and allowances for reimbursable expenses to Members of the Legislative Council (LegCo).

Mechanism of Annual Adjustment

2. In 1994, the Commission on Remuneration for Members of the Legislative Council (the Commission) recommended that there should be a system of automatic adjustments so that the level of Members' remuneration and their monthly expenses allowances were adjusted on an annual basis. The aim of the adjustment should be to ensure that these payments would not be eroded by inflation. It was therefore recommended that the adjustment should be made by reference to movement of the Hang Seng Consumer Price Index (which was renamed Consumer Price Index (C) in 1999). To simplify procedures, the Commission further recommended that the Financial Secretary be given the delegated authority to make the annual adjustments so that it would not be necessary to make a submission to the Finance Committee for the purpose every year.

3. The Finance Committee of the LegCo endorsed the recommendation of the Commission in 1995 and approved the proposal to delegate to the Secretary for the Treasury (instead of the Financial Secretary) the authority to approve future adjustments to the remuneration and allowances of the LegCo President and Members in accordance with the annual movement in the Hang Seng Consumer Price Index.

Application of the Adjustment Mechanism

4. The Secretary for the Treasury has since then exercised the delegated authority and approved an **increase** of 7.4%, 6.1% and 5% in 1996, 1997 and 1998; and a **decrease** of 2% and 5.1% in 1999 and 2000 accordingly.

Observation

5. Annual adjustment on the basis of movement of CPI(C) is adopted with regard to other remuneration and payments by the Government. Notable examples are the honoraria of the non-official Members of the Executive Council and the honoraria and accountable allowances of Members of District Council. The read across effect of any modification to the adjustment mechanism for LegCo Members' remuneration and reimbursement package would need to be carefully considered.

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Chief Secretary for Administration's Office
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