

## INFORMATION NOTE

### Pension Schemes for Legislators in Some Overseas Countries: Overall Comparison

**Table 1 - Provision of Pension Schemes for Legislators in 2001**

Selected Countries	Pension Schemes for Legislators	
	Yes	No
Australia	✓	
India*	✓	
Japan*	✓	
Philippines*		✓
Singapore	✓	
South Korea*		✓
United Kingdom (UK)	✓	
United States of America (USA)	✓	

\* These countries are not studied due to resource constraints.

**Table 2 - Reasons and Legal Bases for Establishing Pension Schemes for Legislators**

Country	Reasons and Legal Bases
USA	<ul style="list-style-type: none"> <li>• "would contribute to independence of thought and action, [be] an inducement for retirement for those of retiring age or with other infirmities, [and] bring into the legislative service a larger number of younger Members with fresh energy and new viewpoints concerning the economic, social, and political problems of the Nation."</li> </ul> <p><i>Public Law 79-60 in 1946</i></p>
UK	<ul style="list-style-type: none"> <li>• "Service in the House of Commons is considered a pensionable occupation although it has no parallel among employments in industry or the professions. .... a pensions scheme was considered desirable and could be devised."</li> </ul> <p><i>Ministerial Salaries and Members' Pension Act 1965</i></p>
Australia	<ul style="list-style-type: none"> <li>• "Entering Parliament often meant forgoing potential superannuation payouts from previous employers due to leaving that employer prior to retirement age;</li> <li>• Electoral and parliamentary demands reduced members' chances to re-establish careers when their parliamentary term was over; and</li> <li>• The need to entice people to enter Parliament who would not otherwise come."</li> </ul> <p><i>Parliamentary Contributory Superannuation Act 1948</i></p>
Singapore	<ul style="list-style-type: none"> <li>• "[to provide] for pensions who render public service such as Members of Parliament ... in their latter years [when] they have devoted a considerable portion of their working lives to such service. ... We cannot expect to get future leaders of calibre on the cheap. ... Singaporeans ... must not believe they can continue to expect men of ability in future to suffer severe financial sacrifices in pursuit of a hazardous political career. ..."</li> </ul> <p><i>Parliamentary Pensions Act 1969</i></p>

**Table 3 - Contributions**

<b>Country Pension Schemes</b>	<b>Institution Responsible for Contributions</b>	<b>Member Contributions</b>	<b>Minimum Contribution Period Required</b>	<b>Tax Relief</b>	<b>Relationship with National Insurance/Social Security</b>
<b>USA</b> CSRS + Social Security*	<b>Congress</b> 8.0%	<b>Member of Congress</b> 8.0%	5 years	No	Co-ordinated
CSRS Offset*	8.0%	8.4%	5 years	No	Offset
FERS	11%	1.7%	5 years	No	Not applicable
Social Security only	0	6.2% of first US\$76,200	160 months	No	Equals Social Security
Thrift Savings Plan	5% for FERS-covered 0 for CSRS-covered	5% - 10%	5 years	No	Not applicable
<b>UK</b> Parliamentary Contributory Pension Fund (PCPF)	<b>The Exchequer</b> 7.5%	<b>MP#</b> 6%	2 years	Yes	<b>MPs#</b> pay a lower rate
<b>Australia</b> Parliamentary Contributory Superannuation Scheme (PCSS)	<b>Treasury</b> tops up pay-as-you-retain	<b>Member or Senator</b> 11 1/2% if service < 18 years; 5 3/4% if service 18 years	12 years or 4 "occasions" for voluntary retirement; 8 years or 3 "occasions" for involuntary retirement	No	No
<b>Singapore</b> Parliamentary Pensions^ CPF	<b>Government</b> pay-as-you-retain 3.5%-16% varying with age	<b>MP</b> 0 5%-20% varying with age	9 years Not applicable	No Partial	Not applicable Equals National Insurance

\* Only available to Members of Congress who were first elected before 1984.

# MP refers to Member of House of Commons.

^ Members first-elected or appointed on or after 1<sup>st</sup> January 1995 will not be eligible for a pension and will go on to CPF.

**Table 4 - Pension Benefits**

Country	Calculation of Annual Pension	Accrual Rate (per annum)	Adjustment	Minimum Retirement Age	Tax Treatment	Management
<b>USA</b> *CSRS	High-3 salary x years of service x 0.025	0.025	Based on Consumer Price Index for Urban Wage Earners	62	Taxable	US Office of Personnel Management
FERS	(High-3 x years of service through 20 x 0.017) + (High-3 salary x years of service over 20 x 0.01)	0.017		62	Taxable	
Social Security	a formula based on earnings in all covered employment	0.01	Not applicable	65	Information not available	
<b>UK</b> PCPF	Relevant terminal salary (A) x period of MP service x 1/50	0.02 capped at 2/3 of (A)	Index-linked to Retail Prices Index	65	Taxable	9 Managing Trustees (MPs) appointed by House of Commons
<b>Australia</b> PCSS	50% - 75% of backbench salary	Not applicable	Linked to public service pay level; protected from reduction if salaries were reduced	Nil	Taxable	Parliamentary Retiring Allowance Trust [Trustees: Minister of Finance + 4 parliamentarians]
<b>Singapore</b> Parliamentary Pensions	Annual salary (A) x years of MP service x 1/30	0.033 capped at 2/3 of (A)	Not applicable	50	Taxable	Government
CPF	Monthly income derived from investment in Retirement Account	Not applicable	Minimum 2.5% p.a.	62	Non-taxable	CPF Board

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**Table 5 - Other Provisions**

Country/Pension Scheme	Commutation to Lump Sum	Early Retirement	Retirement due to Ill Health
<b>USA</b> CSRS*	Available at early retirement	Yes, at age 50 with 10 years of service or 9 Congresses	Not covered by pension scheme.
FERS	Ditto	Yes, at any age with 25 years of service	
Social Security	Not applicable	Yes, at age 62	
<b>UK</b> PCPF	Yes, if 20 years service, maximum is 1.5 times annual terminal salary	Yes, at age 60 with 20 years of service	Yes, reckonable service will be enhanced to age 65.
<b>Australia</b> PCSS	Yes, up to 50% of pension	Not applicable since there is no retirement age requirement	Yes, invalidity benefits of up to 50% of backbench salary in the case of 100% incapacity.
<b>Singapore</b> Parliamentary Pensions Scheme	175.14 times the amount of monthly pension	No	Yes, reckonable service will be enhanced to age 50.
CPF	Yes, after setting aside Minimum Sum in Retirement Account	No	Yes, in the case of permanent disability or mental incapacity, after setting aside Minimum Sum in Retirement Account.

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**Table 6 - Benefits for Surviving Spouses and Children**

<b>Country/Pension Scheme</b>	<b>Surviving Spouses</b>	<b>Orphan Children</b>
<b>USA</b> CSRS* FERS Social Security	Not covered by pension scheme.	Not covered by pension scheme.
<b>UK</b> PCPF	Yes, at 5/8 of Members' of House Commons pension.	Yes, 1/4 of Members' of House Commons pension if one child; total 3/8 of Members of House Commons pension for two or more children.
<b>Australia</b> PCSS	Yes, on the death in service of Senator or Member. Marital or cohabitation relationship must have commenced before retirement from Parliament. Spouse's pension is 5/6 of former member's pension.	Yes, if Member is not survived by a spouse who is the natural or adoptive parent of the child. The child must be under 16, or under 25 if a full-time student.
<b>Singapore</b> Parliamentary Pension CPF	Yes, same as for MP's pension. Only one category of "Surviving Dependants". CPF savings will be distributed to the beneficiaries nominated by MP before his death.	Yes, same as for MP's pension. Only one category of "Surviving Dependants". Same as for Surviving Spouse.

\* Only available to Members of Congress who were first elected before 1984.

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## Reference for Hong Kong

1. The reasons for establishing pension schemes for legislators in USA, UK, Australia, Singapore are summarized below:
  - to attract the ablest and the best to enter Parliament;
  - to contribute to independence of thought and action;
  - to ensure commitment to legislative service by making it a pensionable occupation;
  - to compensate legislators for leaving previous employment prior to retirement age; and
  - to compensate legislators for the unique nature of parliamentary life which has a high degree of uncertainty and which impose demands on members' time so much so that it would reduce members' chances to re-establish careers when their parliamentary term is over.
  
2. If a pension scheme were to be established for Legislative Council Members in Hong Kong, the following questions would need to be addressed:
  - Should membership of the scheme be compulsory or should Members be given a choice as to other pension schemes they may prefer to join?
  - Should reckonable service be measured in terms of years of service (tenure)? Should retirement benefits be allowed to be withdrawn once a Legislative Council Member qualifies in terms of tenure? Or should the benefits be preserved until the Member reaches a general retirement age?
  - In view of the uncertainty of re-election success, should another form of "severance pay" or "resettlement benefit", instead of retirement benefit, be given for those Legislative Council Members who fail to be re-elected and who may not yet retire?

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- There are obvious questions of pension rates, contribution rates, tax relief for contributions and tax liability for benefits, form of pension (lump sum or regular payment), availability of pension to spouses and orphan children, and the co-ordination of the LegCo Member pension scheme (if established) with other pension schemes of which a LegCo Member may be a member.
  - There are questions about management of the retirement fund, such as whether or not to establish a Trust and whether or not it is to be run by the Government Treasury or by an independent fund manager.
  - There is a question of establishing an appeal mechanism for review of decisions.
  - Tenure was one of the eligibility requirements in the Australian PCSS. The Australian experience has shown that the average tenure of legislators may change over the years and some legislators may not qualify to receive pension benefits because the electorate have changed their preferences more quickly than when these legislators attain the required tenure. If a similar scheme with a tenure requirement were to be set up for LegCo Members in Hong Kong, consideration should be given to establishing a mechanism in the scheme to review the qualifying tenure periodically.

3. In all those countries which have pension schemes for legislators, the contribution rates and benefit levels are higher than those in the rest of the community to compensate for the unique nature of parliamentary life.

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