立法會
Legislative Council

LC Paper No. CB(1) 461/01-02
(These minutes have been seen by the Administration)

Ref : CB1/PL/PS/1

Legislative Council
Panel on Public Service

Minutes of meeting
held on Monday, 18 June 2001 at 10:45 am
in the Chamber of the Legislative Council Building

Members present	**:**	Hon TAM Yiu-chung, GBS, JP (Chairman) Hon LI Fung-ying, JP (Deputy Chairman) Hon LEE Cheuk-yan Hon CHAN Kwok-keung Hon Michael MAK Kwok-fung Hon Albert CHAN Wai-yip Hon LEUNG Fu-wah, MH, JP
Members attending	**:**	Hon NG Leung-sing Hon CHAN Yuen-han Hon Tommy CHEUNG Yu-yan, JP
Members absent	**:**	Hon CHEUNG Man-kwong Hon HUI Cheung-ching Hon Andrew WONG Wang-fat, JP Hon Howard YOUNG, JP
Public officers attending	**:**	**Items III and IV** Mr Joseph W P WONG, GBS, JP Secretary for the Civil Service

Ms Anissa WONG, JP
Deputy Secretary for the Civil Service (1)

Mrs Jessie TING
Deputy Secretary for the Civil Service (2)

Item V

Ms Anissa WONG, JP
Deputy Secretary for the Civil Service (1)

Mrs Jessie TING
Deputy Secretary for the Civil Service (2)

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Mr S C TSANG
Senior Assistant Secretary (1)7

Action

I. Confirmation of minutes of meeting
(LC Paper No. CB(1)1487/00-01 — Minutes of meeting on 19 March 2001
LC Paper No. CB(1)1486/00-01(01) — List of follow-up actions)

The minutes of the meeting held on 19 March 2001 were confirmed.

2. Members noted the list of follow-up actions and the information provided by the Administration.

II. Draft Report of the Panel on Public Service for submission to the Legislative Council in July 2001
(LC Paper No. CB(1)1486/00-01(02))

3. The Chairman invited members' comments on the draft report of the Panel for submission to the Legislative Council on 4 July 2001.

4. Members endorsed the draft report. They also authorized the Clerk, in consultation with the Chairman, to incorporate into the report the Panel's major deliberations made at the meeting. The revised draft report would be circulated to members for endorsement.

(*Post-meeting note:* With the concurrence of the Chairman, the revised draft Panel report was circulated to members for endorsement via LC Paper No. CB(1) 1650/00-01 on 28 June 2001.)

III. Proposal on the Civil Service Provident Fund Scheme — Outcome of Consultation

(LC Paper No. CB(1)1486/00-01(03) — Paper provided by the Administration

LC Paper No. CB(1)1565/00-01(01) — Submission from the Hong Kong Chinese Civil Servants' Association)

Briefing by the Administration

5. At the invitation of the Chairman, Deputy Secretary for the Civil Service (1) (DSCS1) briefed members on the outcome of the consultation exercise on the proposed Civil Service Provident Fund (CSPF) Scheme as detailed in the Administration's paper. She highlighted that a vast majority of the submissions, including those from the staff and departmental management, business groups, academics and editorials, were either in support of or had no objection in principle to the proposed Scheme. The Administration would analyze and consider all the views and comments received during the consultation period with a view to addressing them in the development of the detailed design of the CSPF Scheme.

Discussion

Outcome of consultation

6. In response to Ms LI Fung-ying's enquiry on paragraph 4 of the Administration's paper, DSCS1 undertook to provide the Panel with the actual figure on the submissions received either in support of or had no objection in principle to the CSPF proposal.

(*Post-meeting note*: The Administration's response was circulated to members for reference vide LC Paper No. CB(1) 1780/00-01 on 16 July 2001.)

Retirement age

7. Referring to paragraph 7 of the Administration's paper, Mr LEUNG Fu-wah noted that under the proposed CSPF Scheme, the retirement ages would remain the same as those under NPS, i.e. 60 for the civilian grades and 55 for members of the Disciplined Services except those officers whose prescribed retirement age was 57. Mr LEUNG was concerned that these were different from the retirement age of 65 prescribed under the Mandatory Provident Fund Schemes Ordinance (MPFSO). DSCS1 advised that the Administration did not consider it appropriate to introduce changes to the normal retirement ages in the civil service at this stage, having regard to the possible implications on the staffing situation of the service. In fact, a number of private sector employees covered by the MPFSO would also retire before the age of 65. Under the MPFSO, the relevant employees attaining the age of 65 should be entitled as of right to have paid to them by the trustee of the registered scheme the entirety of their accrued benefits in the registered scheme in a lump sum. They might however withdraw their accrued benefits in respect of their voluntary contributions, if any, at their own retirement age before 65 in accordance with the terms of the retirement benefits scheme concerned.

Financial considerations

8. While the proposed CSPF Scheme was designed to provide retirement benefits to new recruits to the civil service on permanent terms, Mr Albert CHAN was concerned that the contribution requirement would increase the financial burden of the civil servants of the low-income group. He queried whether the Government's ultimate intention was to achieve savings in Government resources by replacing the existing pension schemes with the proposed CSPF Scheme. DSCS1 advised that the employees' mandatory contribution to be made by relevant new recruits was the same as that made by other employees covered by the MPFSO, i.e. 5% of their relevant income or $1, 000 per month, whichever was the less. Additional contribution would entirely be on a voluntary basis.

9. Referring to paragraph 8(a) of the Administration's paper, Mr LEUNG Fu-wah noted that one of the options considered by the consultants on contribution rates to be made by the Government as the employer was a uniform contribution rate at 17% of basic salary for all staff irrespective of their rank and length of service. As the contribution rate at 17% was higher than the statutory requirement of 10% (5% from employer and 5% from employee), Mr LEUNG suggested that the new recruits covered by the CSPF Scheme, in particular those of the low-income group, be allowed to choose whether to make the 5% employee's mandatory contribution. DSCS1 advised that the new recruits covered by the CSPF Scheme, same as other relevant employees covered by the MPFSO, were required to make their mandatory contributions.

10. In response to Mr Albert CHAN's request for a comparison on the Government's financial commitments under the existing New Pension Scheme (NPS) and the proposed CSPF Scheme, DSCS1 said that the two Schemes were expected to

have an estimated long-term on-cost of 22% and 18% of the basic salary respectively. Secretary for the Civil Service (SCS) pointed out that any long-term saving in Government resources from the implementation of the proposed CSPF Scheme would benefit the tax-payers. He also said that in designing the proposed CSPF Scheme, the consultants had studied the retirement schemes of 50 organizations in both the public and private sectors in Hong Kong. On the whole, defined contribution schemes were more common than defined benefits schemes. The proposed CSPF Scheme was among the best of the local retirement schemes.

11. At Mr CHAN Kwok-keung's request, DSCS1 undertook to provide the Panel with a comparison on the retirement benefits that could be accrued under the existing pension schemes and the proposed CSPF Scheme.

(*Post-meeting note*: The Administration's response was circulated to members vide LC Paper No. CB(1) 1780/00-01 on 16 July 2001.)

Application of contribution rates schedule

12. Mr LEE Cheuk-yan considered that an officer's services on probationary or agreement terms should be given recognition and that the Government should make retrospective contributions in respect of such services once a recruit was appointed on permanent terms and joined the CSPF Scheme. DSCS1 advised that the consultants' proposal on the progressive contribution rates option assumed that Government's contribution rate for an officer would be based on his continuous years of service in the Government since his first appointment on civil service terms. This meant that all staff, whether disciplined or non-disciplined, would have their years of service on civil service terms recognized once they progressed onto permanent terms of appointment, which was normally after three years of probation for disciplined staff and after six years (three-year probation and three-year agreement) for most civilian staff. In other words, once an officer was confirmed on permanent terms, the Government's contribution rate was the rate applicable for the fourth year or the seventh year, whichever the case might be. DSCS1 said that the Administration would further study the consultant's proposal in working out the detailed design of the CSPF Scheme.

Implications on stability and integrity of the civil service

13. Mr Albert CHAN expressed concern that the implementation of the proposed CSPF Scheme might affect the stability and integrity of the civil service. In response, SCS appreciated the need to maintain a stable workforce and pointed out that for this purpose, the consultant had recommended 100% vesting of the Government's voluntary contributions after 10 completed years of service. To help maintain a high standard of integrity and probity in the civil service, the consultants had also recommended that provisions dealing with withholding, forfeiture, cancellation or reduction of benefits attributable to Government's voluntary contributions on disciplinary grounds should be included in the CSPF Scheme. The Chairman

emphasized the need for a clear definition of "misconduct" since withholding, forfeiture, cancellation or reduction of benefits under the proposed CSPF Scheme might impose a double penalty on the staff concerned who had already been subject to criminal sanctions. SCS said that in the design of the CSPF Scheme, the Administration would balance the need for maintaining a high standard of integrity in the civil service and the interests of civil servants.

Transfer from existing pension schemes to the proposed CSPF Scheme

14. Referring to paragraph 19 of the Administration's paper, Ms LI Fung-ying and Mr Michael MAK considered that serving pensionable officers should be allowed to transfer from the existing pension schemes to the CSPF Scheme. DSCS1 advised that while the transfer was not recommended by the consultants, the views of the public and staff members were divided. Having taken into account all the views, the Administration was inclined to accept the consultants' recommendation, given that the two Schemes were based on entirely different design logic, resulting in difficult settlement over the appropriate transfer value and transfer would entail significant financial implications and administrative and legislative complexities.

15. The Chairman pointed out that according to the Hong Kong Chinese Civil Servants' Association, the transfer was not so complicated, as similar arrangement had been provided for the civil servants seconded to the Hospital Authority who subsequently remained to work there. SCS pointed out that the Administration did not consider it appropriate to introduce any changes to the retirement benefits system for serving pensionable officers, otherwise it might give a negative impression that the pay and fringe benefits of serving officers would be changed. The Chairman did not see why such a negative impression would be given, as it was a serving pensionable officer's own choice of whether to transfer to the CSPF Scheme. SCS said given that the CSPF Scheme was proposed for new recruits in place of the existing pension schemes to complement the new civil service entry system, it was not appropriate to allow serving pensionable officers to join the Scheme. Moreover, if the transfer were allowed, a time-consuming consultation process would have to be conducted to ascertain the wish of each of the serving pensionable officers.

Other issues

16. Responding to Mr Michael MAK, SCS clarified that the proposed CSPF Scheme would not apply to staff of subvented organizations.

17. Responding to Mr Michael MAK and Mr LEUNG Fu-wah, DSCS1 said that the proposed CSPF Scheme would be set up in line with the requirements stipulated in the MPFSO under which the relevant employees were allowed to choose their investment options offered by a registered scheme.

Way forward

Admin

18. DSCS1 undertook to brief the Panel on the detailed design of the CSPF scheme in due course.

(*Post-meeting note*: The Legislative Council Brief on the setting up of the CSPF Scheme was circulated to Members vide LC Paper No. CB(1) 1759/00-01 on 10 July 2001.)

IV. Civil Service Pay Adjustment 2001

(LC Paper No. CB(1)1442/00-01 — Legislative Council Brief)

Briefing by the Administration

19. SCS briefed members that the Administration had already sought the comments of the Staff Sides of the four central consultative councils on the proposal for Civil Service Pay Adjustment 2001, and would provide an analysis on the comments received for the Executive Council's consideration. The Administration intended to seek the Finance Committee's endorsement on the proposal at its meeting scheduled for 6 July 2001.

Discussion

Standardized pay adjustment within the civil service

20. Mr LEE Cheuk-yan, Mr Albert CHAN, Mr LEUNG Fu-wah, Mr Michael MAK and Miss CHAN Yuen-han expressed concern about the small percentage increase in pay adjustment for civil servants on the lower and middle pay bands (i.e. 2.38%) as compared with that for the directorate and upper pay band (i.e. 4.99%). They pointed out that the proposed adjustment would be divisive within the civil service and widen the wealth gap in the community. They considered that in determining the level of civil service pay adjustment, the Administration should take into account relevant factors such as the possible implications on the morale and stability of the civil service. They urged the Administration to raise the pay adjustment rate for civil servants on the lower and middle pay bands.

21. SCS replied that the existing civil service pay adjustment mechanism was long-established and had so far been regarded as fair and objective by the parties concerned, including the staff associations. The higher pay adjustment rate proposed for the directorate and the upper pay band vis-à-vis that of the middle and lower pay bands was a reflection of pay trends in the private sector, as revealed by the 2001 Pay Trend Survey. In accordance with the established practice, the Administration had already decided to bring up the size of the adjustment for the lower pay band from the net pay trend indicator of 1.97% to that of the middle pay band, i.e. 2.38%, at an additional cost of $54 million.

22. At Mr LEE Chuek-yan's request, Deputy Secretary for the Civil Service (2) (DSCS2) undertook to provide the Panel with a breakdown of the cost of the proposed civil service pay adjustment by different pay bands.

(*Post-meeting note*: The Administration's response was circulated to members vide LC Paper No. CB(1) 1655/00-01 on 28 June 2001.)

Standardized pay adjustment for civil servants and non-civil service contract staff

23. Mr LEE Chuek-yan was concerned that Heads of Departments (HoDs), who had the discretion to decide the pay level of non-civil service contract (NCSC) staff, would not introduce any pay increase for NCSC staff so as to achieve savings for meeting the targets of the Enhanced Productivity Programme (EPP). He considered that as NCSC staff were performing more or less the same duties as their counterparts in the civil service, they should also be entitled to have pay increase. Mr LEUNG Fu-wah shared his concern. DSCS2 advised that the NCSC Scheme was introduced to provide HoDs with greater flexibility to employ staff on a short-term basis to meet the operational needs of individual departments. The NCSC staff were not civil servants and did not occupy posts on the civil service establishment. HoDs should determine the pay level to be offered to NCSC staff, subject to the pay not exceeding the mid-point salaries of comparable civil service ranks. While no increment was normally granted to NCSC staff during the contract period, HoDs might consider offering pay adjustment having regard to changes in the cost of living during the contract period, but any adjustment must not exceed the rate of any applicable civil service pay adjustment.

24. Mr LEE Cheuk-yan asked whether the Administration would allocate additional resources to HoDs to enable them to offer pay increase to NCSC staff. DSCS2 advised that under the existing policy, HoDs were required to meet from their own resources the entire cost for the employment of NCSC staff. SCS pointed out that in the light of experience in the past two years on the application of the NCSC scheme, the Administration had already relaxed the employment arrangements for NCSC staff so that HoDs would have greater flexibility to offer better terms and conditions based on market situation where justified.

Review of the pay adjustment mechanism

25. On behalf of the Liberal Party, Mr Tommy CHEUNG commented that the existing civil service pay adjustment mechanism based on annual pay trend surveys was not effective and had in fact resulted in the disparity in pay between civil servants and their counterparts in the private sector, in particular those of the lower ranks. Whilst appreciating the concern of the business sector, SCS considered that the system of annual pay trend surveys, though not the best system, offered an objective basis for determining civil service pay adjustment. The pay adjustment mechanism had been

operating for over 20 years without great problems, and generally accepted by civil servants and members of the public. The Administration did not see that there was an imminent need for changes. As regards the pay levels of civil servants at the lower ranks, SCS pointed out that there had been a significant reduction in starting salaries in 1999 for the new recruits to basic ranks (e.g. up to 30% reduction for some basic ranks).

26. Mr LEUNG Fu-wah and Mr Michael MAK asked whether the Administration would take the initiative to review the civil service pay adjustment mechanism. SCS reiterated that the mechanism was generally accepted by civil servants. In fact, the Staff Sides of the four central consultative councils had not challenged the results of the Pay Trend Survey nor asked for a review of the pay adjustment mechanism. SCS stressed that the Administration was not resistant to change but there was no overriding consideration which would justify a review at this stage.

(*Post-meeting note*: The second Legislative Council Brief on "Civil Service Pay Adjustment 2001" was circulated to Members vide LC Paper No. CB(1) 1586/00-01 on 19 June 2001.)

V. Civil Service Overseas Education Allowance

(LC Paper No. CB(1)1486/00-01(04) — Paper provided by the Administration)

Briefing by the Administration

27. DSCS2 briefed members on the existing policy whereby eligible officers on local terms might claim Overseas Education Allowance (OEA) for their children's schooling in the United Kingdom only. She pointed out that the OEA scheme had been introduced in 1964 to enable children of expatriate officers to continue education in their countries of origin. The scheme was later extended to local officers mainly on grounds of equity and parity. Following a review of the scheme, the provision of OEA had ceased for officers recruited on or after 1 August 1996 and the scheme would lapse after all eligible officers left the service. As provision of education allowances was not common in the private sector, the Administration had reservations on the continued provision of the OEA. Given that the scheme would eventually lapse, the Administration was inclined not to make any fundamental changes that would have significant financial implications for the Government at this stage.

Discussion

28. Mr LEUNG Fu-wah requested the Administration to provide more details regarding the number of civil servants who were eligible for and who were claiming benefits under the OEA scheme, and the public expenditure involved. In response, DSCS2 said that the OEA scheme was applicable to both expatriate officers and local

officers appointed before 1 August 1996, other than those on temporary or month-to-month terms. According to the Administration's record, eligible officers amounted to about 130 000. In 2000/2001, 3 640 officers claimed the OEA scheme and the Government expenditure involved was approximately $342 million covering 4 212 students. DSCS2 pointed out that the Administration had once proposed to the Staff Sides in 1992 the introduction of a new education allowance which could be used locally or overseas with no country restriction. As such a relaxation would likely attract more applications under the scheme and increase Government expenditure, a lower rate was proposed. While the Staff Sides supported the extension of the scheme to cover other countries, they raised strong objection to any reduction in the allowance rates. As a result, the proposal was not pursued and the country restriction rule had remained in place.

29. Referring to the high schooling cost in the United Kingdom and the Staff Sides' support for the extension of the scheme to cover other countries, Mr LEUNG Fu-wah and Ms LI Fung-ying requested the Administration to reconsider the issue. DSCS2 reiterated that the removal of the country restriction rule without any reduction in the allowance rates would have significant implications on Government expenditure. The Chairman considered that in the absence of concrete figures, it was difficult for members to visualize the financial implications. He also pointed out that the number of eligible officers (130 000) provided by the Administration might not be realistic, as the figure included those with or without children, and those whose children had already reached beyond the schooling age.

30. In response, DSCS2 said that according to staff feedback in 1992, if the country restriction was removed and the rate of OEA was reduced to the level of Local Education Allowance at that time, it was estimated that there would be a six-fold increase in the number of applications for the OEA. The Chairman, Mr LEUNG Fu-wah and Mr CHAN Kwok-keung did not consider it appropriate to refer to an estimate made in 1992 to justify the Administration's claim that the removal of the country restriction rule would have significant implications on Government expenditure.

31. As the OEA scheme would continue to operate for a number of years, Mr LEUNG Fu-wah, Ms LI Fung-ying, Mr CHAN Kwok-keung and Mr Michael MAK requested the Administration to review the need to expand the scope of the OEA scheme. DSCS2 responded that in view of the significant improvements made in the quality of education in Hong Kong, there was little justification for the Administration to continue to subsidize staff who chose to educate their children overseas. In the circumstances, the Administration was not prepared to expand the scope of the OEA scheme.

VI. Any other business

32. There being no other business, the meeting ended at 1:10 pm.

Legislative Council Secretariat
30 November 2001