

立法會
Legislative Council

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by the Administration)

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Legislative Council
Panel on Public Service

Minutes of meeting
held on Monday, 19 March 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 CHEUNG Man-kwong
Hon HUI Cheung-ching
Hon CHAN Kwok-keung
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP
Hon Michael MAK Kwok-fung
Hon LEUNG Fu-wah, MH, JP

Members attending : Hon NG Leung-sing
Hon CHAN Yuen-han

Member absent : Hon Albert CHAN Wai-yip

Public officers : **Items II, III and IV**
attending

Mr Joseph WONG Wing-ping, GBS, JP
Secretary for the Civil Service

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

Miss Jennifer MAK, JP
Deputy Secretary for the Civil Service (3)

Invitation by attendance : Item II

Mr Kam L LI
Representative from the Watson Wyatt Hong Kong Limited

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

Staff in attendance : Mrs Queenie YU
Senior Assistant Secretary (1)6

Action

I. Date of next meeting and items for discussion

- (LC Paper No. CB(1) 816/00-01(01) — List of outstanding items for discussion
LC Paper No. CB(1) 816/00-01(02) — List of follow-up actions)

The Chairman reminded members that the next regular Panel meeting had been rescheduled for Thursday, 26 April 2001 at 2:30 pm due to the Easter holiday.

2. Members noted the list of outstanding items for discussion and agreed that the "Policy on earth burial at Gallant Garden" be discussed at the next regular meeting.
3. Mr CHEUNG Man-kwong proposed that the Administration be invited to brief the Panel on the progress of the Civil Service Management-initiated Retirement Scheme and the information paper on the number of directorate posts created in the recent years (LC Paper No. CB(1)855/00-01 circulated to members on 16 March 2001). Members agreed that these two items be included in the list of outstanding items for discussion.
4. Regarding the concern raised by some members at the last meeting on the "Consultation Paper on the Proposed Housing Assistance Scheme for Junior Disciplined Services Staff" issued by the Security Bureau in February 2001, the Chairman said that the Administration was consulting disciplined services staff on the proposed Scheme and would consider the way forward after the expiry of the

consultation period in mid-June 2001. It might brief the Panel on Security on the subject in due course.

II. Proposal on Civil Service Provident Fund Scheme

(LC Paper No. CB(1)481/00-01

- Legislative Council Brief on "Civil Service Retirement Benefits System"
- Executive Summary of the "Consultancy Study on the Civil Service Retirement Benefits System"
- Consultation Document on "Proposal on Civil Service Provident Fund Scheme")

5. With the concurrence of the Chairman, Secretary for the Civil Service (SCS) invited the representative from the Watson Wyatt Hong Kong Limited (Representative of the consultants) to give a power-point presentation. Representative of the consultants briefed members on the objectives of and legal framework for the proposed Civil Service Provident Fund (CSPF) Scheme. He also highlighted the main areas of the Scheme including Government contribution rates, vesting schedules, and design options for Disciplined Services Officers. He further pointed out that the consultants considered a transfer option for serving pensionable officers not desirable because of the legal, financial, design and administrative complications.

(Post-meeting note: The presentation material was circulated to members vide LC Paper No. CB(1)872/00-01 on 20 March 2001.)

Views of the Liberal Party

6. Mr Howard YOUNG said that the Liberal Party supported in principle the introduction of a provident fund scheme for the civil service, as it was in line with the introduction of Mandatory Provident Fund (MPF) Schemes in Hong Kong.

Objectives of the proposed CSPF Scheme

7. Responding to Mr LEUNG Fu-wah, Representative of the consultants confirmed that the policy direction given by the Administration was that the objectives of the proposed CSPF Scheme were, amongst other things, to attract new recruits and retain good quality staff. SCS pointed out that one of the key elements of the Civil Service Reform was to facilitate the inflow of outside talent into the Government. It was therefore important for the Administration to introduce a retirement benefits system in the civil service that was comparable to those in the private sector.

8. Miss LI Fung-ying queried whether the proposed CSPF Scheme could achieve its objective of retaining good quality staff at a time when the economy flourished and a lot of job opportunities were available in the private sector. Representative of the consultants responded that the proposed 10-year cliff vesting of Government's voluntary contributions was expected to achieve the retention objective. Nevertheless, whether the objective could be achieved would vary from case to case, and be subject to a number of factors such as age, salary level and job expectations of the staff concerned.

Government contribution rates

9. Responding to Miss LI Fung-ying, Representative of the consultants advised that the basic contribution rate for the proposed CSPF Scheme would follow the mandatory contribution rate of MPF Schemes, i.e. 5% of relevant income or \$1,000 per month, whichever was the less. This was called the Basic Tier. It was recommended that the Government should make voluntary contributions for all relevant employees (the Voluntary Tier), and further contributions for disciplined services officers (the Special Disciplined Services Tier).

10. Responding to Mr Howard YOUNG, SCS advised that of the three options for the Government contribution rate at the Voluntary Tier, the consultants had recommended the fixed rate option and service-based option. Under these two options, the total long-term Government contribution rate would be about 17.7% or 18% of payroll, including the contribution at the Special Disciplined Services Tier (2.5% of basic salary).

11. Responding to Mr Andrew WONG Wang-fat, Deputy Secretary for the Civil Service (1) (DSCS(1)) advised that while the MPF Schemes Ordinance (Cap. 485) provided for voluntary contributions by an employer, detailed arrangements for the additional Government's contributions under the Voluntary Tier and the Special Disciplined Services Tier, and the vesting schedules, would have to be worked out in due course.

Vesting of Government's voluntary contributions

12. Referring to the consultants' recommendation of 100% vesting of the Government's voluntary contributions after 10 completed years of service, Mr LEE Cheuk-yan asked whether the proposed 10-year cliff vesting was less favourable than the vesting schedules in other local provident fund schemes. Mr LEE pointed out that graded vesting of voluntary contributions was allowed under the scheme offered by the Hong Kong Confederation of Trade Unions. As far as he knew, the relevant employees of the Hong Kong Professional Teachers' Union were allowed to opt for partial vesting of 50% of the voluntary contributions after five completed years of service. Representative of the consultants responded that the 10-

year cliff vesting was the most common vesting rule in the local provident fund schemes surveyed. It was also in line with the general 10-year qualifying service requirement under the New Pension Scheme (NPS) for pension benefits in the event of resignation before reaching the normal retirement age. Nevertheless, the consultants had recommended another option which allowed partial vesting up to 10 years.

Investment options

13. Mr LEE Cheuk-yan asked whether investment options involving foreign exchange fund would be provided under the proposed CSPF Scheme. Representative of the consultants pointed out that investment options for provident funds schemes would be provided by service providers, not the Government. Under the MPF Schemes Ordinance, a provident fund scheme might be registered as a Master Trust Scheme or Employer Sponsored Scheme. Responding to Mr LEE's enquiry, SCS said that a decision on this had yet to be made for the proposed CSPF Scheme.

Forfeiture of retirement benefits for misconduct

14. Mr LEUNG Fu-wah stressed the importance for the Administration to maintain a clean, trusted and respectable civil service. In this connection, the existing pension schemes acted as a deterrent against misconduct as they provided for the forfeiture of pension payments under certain circumstances such as disciplinary cases resulting in dismissals. Some civil service staff associations were therefore concerned that if the pension schemes were to be replaced by the proposed CSPF Scheme, the deterrent effect might not be achieved. Mr LEUNG asked whether the Administration had considered the long-term implications in this regard.

15. In response, SCS advised that to help maintain high standards of integrity and probity in the civil service, the consultants had recommended that provisions to deal with withholding, forfeiture, cancellation, or reduction of benefits arising from the Government's voluntary contributions should be included under the proposed CSPF Scheme. Such provisions should be subject to the rule that mandatory MPF benefits could not be withheld or forfeited as prescribed under the MPF legislation. However, an employee's mandatory MPF benefits represented only a small portion of his entire retirement benefits.

16. The Chairman said that some civil service staff associations considered the forfeiture of pension payments for misconduct unfair to the staff concerned as they would be subject to double penalty. Moreover, the staff associations considered that pension was part of salary withheld for payment until retirement and therefore should not be forfeited. SCS said that the Administration was aware of these views. He however pointed out that one of the objectives of the civil service retirement benefits system was to provide an incentive for civil servants to maintain their integrity and probity throughout their civil service career. The provisions for forfeiture of retirement benefits would only be enforced if justified to do so. In fact, the number of

disciplinary cases resulting in dismissals and forfeiture of pension payments was small.

17. Responding to Mr Howard YOUNG, Representative of the consultants advised that the proposed forfeiture of Government's voluntary contributions for misconduct was in line with the practice adopted by companies in the private sector.

Provision of special benefits

18. Responding to Mr Howard YOUNG, DSCS(1) confirmed that under the existing civil service pension schemes, the amount of special benefits granted for duty-related incapacity was greater than that for duty-related death. As it was not possible for a defined contribution provident fund scheme to provide for these special benefits, the consultants had recommended that such benefits should be paid through a supplementary defined benefit scheme or through payments outside of the CSPF Scheme.

Comparison with existing civil service pension schemes

19. Mr LEE Cheuk-yan asked for a comparison of the proposed CSPF Scheme and the existing civil service pension schemes, in terms of Government's financial commitment and employees' ultimate benefit. DSCS(1) explained that due to the basic differences of the two types of schemes, such a comparison was very difficult and would entail a lot of assumptions. She referred members to the tables in pages 9, 10 and 11 of the Consultation Document which reflected the equivalent benefit levels for relevant employees under various scenarios. It was demonstrated that the differences in hire age and retirement age of relevant employees could result in great differences in their benefit levels.

20. Mr LEE Cheuk-yan appreciated the difficulties in making the comparison but considered such information useful to facilitate civil servants and members of the public to give their comments on the proposed CSPF Scheme. He was of the view that if the difference in Government's financial commitment was not substantial, the existing pension schemes which had been operating for years should be retained so as to maintain the stability of the civil service. In response, Representative of the consultants pointed out that the introduction of the CSPF Scheme would have advantages in financial management terms. First, this would entail a funded approach in respect of the provision of retirement benefits. Secondly, this would require payment of the retirement benefits throughout the active service of the staff concerned whereas under the NPS, liabilities for retirement benefits of present day civil servants were deferred to the next generations. Thirdly, the commitment under a provident fund system was transparent and predictable whereas the liabilities under the pension schemes were opened-ended in that they were subject to many uncertain factors such as inflation in the economy.

Comparison with provident fund schemes for subvented organizations

21. Mr CHEUNG Man-kwong asked for a comparative study of the proposed CSPF Scheme and the existing provident fund schemes for subvented organizations, so as to ensure that the retirement benefits of civil servants and staff in subvented organizations were comparable. He pointed out that a majority of the over 100 000 employees in subvented organizations were performing duties similar to those of their counterparts in the civil service. It would be unfair to them if their retirement benefits were less favourable than those of civil servants.

22. Representative of the consultants pointed out that the research of this consultancy study covered the retirement schemes of 40 organizations in the private sector and 10 organizations in the public sector in Hong Kong. The 10 organizations in the public sector included some subvented organizations. SCS stressed that the CSPF Scheme was proposed to replace the existing pension schemes in the civil service, and that whether private or subvented organizations would follow suit was a separate issue outside the scope of the present study. However, staff in subvented organizations were welcomed to put forward their views on the proposed CSPF Scheme during the consultation period.

23. Mr CHEUNG Man-kwong maintained his view that the Administration should conduct a comparative study of the proposed CSPF Scheme and existing retirement benefits schemes for subvented organizations. Mr Andrew WONG shared Mr CHEUNG's concern about the implications of the proposed CSPF Scheme on subvented organizations under the purview of different bureaux. He suggested that a review be conducted by CSB and the relevant bureaux on the need to apply the same provident fund scheme across the public sector. SCS reiterated that the proposed CSPF Scheme was only meant for civil servants, and not staff in subvented organizations.

Consultation

24. Responding to Miss CHAN Yuen-han, SCS advised that civil service staff associations were being consulted on details of the proposed CSPF Scheme. So far, the feedback received from the staff sides was generally positive. At the request of the Chairman, SCS undertook to brief the Panel on the outcome of the consultation around June 2001.

(Post-meeting note: The Administration would brief the Panel on the outcome of the consultation on 18 June 2001.)

III. Containing the size of the civil service

(LC Paper No. CB(1) 816/00-01(03) — Paper provided by the Administration)

Reduction of civil service establishment

25. Mr LEE Cheuk-yan noted that the civil service establishment had been reduced by some 8 000 to 190 000 by the end of 2000-01 and would be further reduced to 181 000 by the end of 2002-03, while the original target was 188 000 by the end of 2002-03. He criticized that this would adversely affect the stability of the civil service and reduce employment opportunities. Mr CHEUNG Man-kwong also expressed concern about the impact of the reduction of civil service establishment on the workload of existing staff and quality of services provided for the public. SCS advised that as a responsible government, the Administration's policy to contain the size of the civil service was based on two major principles, i.e. to maintain the quality of services and to ensure that serving staff would not be affected or made redundant. He explained that the major reason for achieving the target of containing the size of the civil service earlier than expected was due to the overwhelming response to the Voluntary Retirement (VR) Scheme.

26. Mr LEE Cheuk-yan criticized the Government for its contradictory policies. While the Chief Executive had announced in his 2000 Policy Address that about 7 000 new jobs would be created as a measure to help the poor and the needy, the Administration implemented a policy to reduce the civil service establishment which created unemployment. SCS disagreed with Mr LEE and stressed that the Administration's policy had not created unemployment.

Voluntary Retirement Scheme

27. Miss LI Fung-ying pointed out that some civil service staff associations and staff in the lower ranks considered it too rigid to freeze recruitment to the 59 designated grades of the VR Scheme until 2006. She suggested the Administration to review whether flexibility should be allowed for recruitment of civil servants to these grades to meet service needs where necessary. SCS said that unless there were drastic changes to the need to contain the size of the civil service, it was unlikely for the Administration to relax the no-recruitment condition as it had been carefully studied before its implementation. Mr Howard YOUNG suggested the Administration to make reference to practices adopted in the private sector. To his knowledge, guidelines were issued by some private enterprises to allow individual divisions flexibility for recruitment under exceptional circumstances in spite of the general freeze on recruitment in those enterprises. For example, when the turnover rate exceeded a certain percentage.

28. Mr LEE Cheuk-yan suggested the Administration to employ new recruits to fill the posts vacated by VR-takers. In his opinion, savings could be achieved as the starting salaries for new recruits were much lower than the salaries for serving staff. In response, SCS pointed out that the provisions for the VR Scheme had been approved by the Finance Committee (FC) on the understanding that the posts vacated by VR-takers would be deleted.

Creation of directorate posts

29. Referring to an information paper provided by the Administration on the number of directorate posts created in the recent years (LC Paper No. CB(1)855/00-01 circulated to members on 16 March 2001), Mr CHEUNG Man-kwong noted that there was a net increase of 100 directorate posts during the period from 1 April 1997 to 31 December 2000. Of these new directorate posts, 14 were created after the Financial Secretary's announcement in March 2000 of the initiative of reducing the civil service establishment. He considered the creation of these directorate posts inconsistent with the Administration's policy of containing the size of the civil service. In response, SCS emphasized that creation of posts in the civil service, irrespective of ranks and grades, was subject to stringent and well-established procedures. In the case of creation of directorate posts, the relevant Legislative Council Panel would be consulted on the proposal and the approval of ESC and FC was required. As regards the 100 posts referred to by Mr CHEUNG, most of them were in the professional grades such as those in legal and environmental field, and were well justified. He also pointed out that the existing 1 512 directorate posts only represented a small percentage of the total civil service establishment.

30. To facilitate Members' consideration of proposals on creation of directorate posts, Mr CHEUNG Man-kwong considered that sufficient information should be provided in the Administration's submissions to the Establishment Subcommittee (ESC) and FC. In this regard, he requested the Administration to provide more detailed information in the paragraph under "Civil Service Bureau Comments" in its future submissions to ESC and FC including, the number of directorate posts in the department/bureau concerned, and in the Civil Service Bureau's view, the more detailed justifications for the creation of the directorate posts. SCS undertook to consider his suggestion.

Non-civil service contract staff

31. Responding to Mr LEUNG Fu-wah, DSCS(1) confirmed that the 7 300 non-civil service contract (NCSC) staff were not included in the civil service establishment. She briefed members that the NCSC Scheme provided flexibility for Heads of Departments/Heads of Grades to recruit staff to meet changing, short-term or part-time service needs. It was an established Scheme which supplemented the civil service appointment system. After conducting a review on the Scheme in 1999, the

Administration had extended the maximum duration of a contract period from one year to three years. She also pointed out that there were different types of NCSC staff, including short-term staff on full-time basis, part-time staff on a long term basis such as Temporary Community Officers in local district offices. However, the nature of work performed by NCSC staff was different from that by civil servants.

32. Mr LEE Cheuk-yan and Mr LEUNG Fu-wah pointed out that a majority of NCSC staff had been performing similar duties as their civil service counterparts and had been employed for more than one contract. They asked whether the Administration would accord priority to NCSC staff in civil service appointments. SCS advised that in view of the positive progress made in containing the size of the civil service, the Administration had lifted the freeze on recruitment to fill vacant civil service post(s) subject to availability of resources of individual departments/bureaux. He considered that this would provide opportunities for NCSC staff to join the civil service. DSCS(1) added that NCSC staff might apply for civil service vacancies through recruitment exercises. They would have to undergo a selection process as other applicants.

33. Whilst appreciating the need to implement the NCSC scheme as a tool to meet short-term service needs, Miss CHAN Yuen-han said that the Scheme and some other measures implemented under the Civil Service Reform in recent years had greatly affected the morale of staff at the lower ranks. She requested the Administration to take into account the sentiment of staff, and not to apply the NCSC scheme to meet service needs which were not on short-term or part-time basis.

(Post-meeting note: The Administration's response was circulated to members vide LC Paper No. CB(1)1085/00-01 on 24 April 2001.)

IV. Review of system of declaration of investments by civil servants
(LC Paper No. CB(1) 816/00-01(04) — Paper provided by the Administration)

34. In view of the limited available, the Chairman proposed and members agreed that the subject under Agenda Item IV be deferred to the next meeting to be held on 26 April 2001.

V. Any other business

35. There being no other business, the meeting ended at 1:00 pm.

Action

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Legislative Council Secretariat
13 June 2001