

Proposal on the Civil Service Provident Fund (CSPF) Scheme Outcome of Consultation

- (a) **A comparison on the benefits that can be accrued under the existing pension schemes and the proposed Civil Service Provident Fund (CSPF) Scheme**

A table setting out the estimated retirement benefits under the existing New Pension Scheme and the proposed CSPF Scheme is at the **Annex**.

- (b) **Figure on submissions received either in support of or with no objection in principle to the CSPF proposal**

Among the 92 submissions received during the consultation exercise, 24 submissions expressed support to CSPF, another 58 submissions expressed no objection to the proposed CSPF and made suggestions/comments on individual design features, and the remaining 10 submissions raised some concerns or questions on the proposed CSPF.

- (c) **Design of the CSPF Scheme**

The Administration will brief the Panel of the design of the CSPF Scheme on finalization.

**Estimated Retirement Benefits under the Existing New Pension Scheme
and the Proposed Civil Service Provident Fund Scheme**

The existing civil service New Pension Scheme (NPS) and the proposed Civil Service Provident Fund (CSPF) Scheme are inherently different in their design principles and logics. It is therefore not appropriate to directly compare the level of retirement benefits under the two schemes.

2. The NPS is a defined-benefit scheme whereby the level of retirement benefit is calculated according to a pre-determined formula set out in the relevant pension legislation. Under the NPS, the amount of retirement benefit payable to a civil servant is dependent on his/her highest monthly salary and his/her length of pensionable service. The retirement benefit comprises a lump sum of commuted pension gratuity, and a recurrent monthly pension which is payable during the lifetime of the retired civil servant.

3. As regards the proposed CSPF Scheme, it is a defined-contribution scheme with the rate of contribution from the Government, which is expressed as a specified percentage of the civil servant's basic monthly salary, pre-defined. Under the CSPF Scheme, the level of retirement benefit accrued by the civil servant is dependent on the service length, the salary progression and investment return achieved by him/her during his/her service with the Government. Subject to the relevant scheme governing rules, a civil servant will receive the accrued benefit attributable to the voluntary contribution made by the Government in a lump sum upon retirement.

4. Based on the actuarial valuation conducted by the consultants, the following is an estimation of the retirement benefit (approximation only) for a civil servant who retires at age 60 with different length of service under the existing NPS and the proposed CSPF Scheme. For ease of comparison, we have assumed that the civil servant's highest final monthly salary upon retirement is \$10,000 –

Length of service (joining age)	New Pension Scheme (in multiple of final monthly salary and dollar terms)		<i>Option 1</i> CSPF lump-sum (in multiple of final monthly salary and dollar terms)	<i>Option 2-A</i> CSPF lump-sum (in multiple of final monthly salary and dollar terms)	<i>Option 2-B</i> CSPF lump-sum (in multiple of final monthly salary and dollar terms)
	Commuted pension gratuity	Recurrent monthly pension			
20 (40)	29.9 (\$299,000)	17.8% (\$1,780)	46.6 (\$466,000)	33.3 (\$333,000)	32.6 (\$326,000)
25 (35)	37.3 (\$373,000)	22.2% (\$2,220)	58.8 (\$588,000)	50.6 (\$506,000)	49.9 (\$499,000)
30 (30)	44.8 (\$448,000)	26.7% (\$2,670)	70.4 (\$704,000)	68.2 (\$682,000)	67.5 (\$675,000)
35 (25)	52.3 (\$523,000)	31.1% (\$3,110)	80.8 (\$808,000)	85.5 (\$855,000)	84.9 (\$849,000)

Note: The estimated amounts of retirement benefit under the NPS and the CSPF Scheme set out in the above table are for reference only. Under the NPS, maximum commutation is assumed and the recurrent monthly pension is expressed as a percentage of final monthly salary. In estimating the benefit accrued under the CSPF Scheme, the actuarial assumptions adopted are same as those set out in the Consultation Document and are based on long-term historical data.

5. It is estimated that a civil servant would receive a larger amount of lump sum retirement benefit under the proposed CSPF Scheme than under the NPS. Although the civil servant would not receive a recurrent monthly pension under the CSPF Scheme, he/she would be able to make use of the larger amount of lump sum retirement benefit in making further investment or earning additional interest after retirement.