

For information

**Information Paper for
Legislative Council Panel on Public Service
Freeze of Civil Service Pensions in 2002-03**

Introduction

This note informs Members that **no pension adjustment will be made in 2002-03** in accordance with the pension increase mechanism as prescribed in the pension increase legislation⁽¹⁾. Civil service pensions will continue to be frozen at their existing levels.

Pension Increase Policy and Mechanism

2. At the meeting on 15 May 2000, Members were informed vide LC Paper No. CB(1)1274/99-00(01) of the review of the pension adjustment policy and mechanism as prescribed in the pension increase legislation, and the Administration's view that the current policy and mechanism should be maintained and re-affirmed.

3. Specifically, Members noted that the pension increase legislation provides that the pensions paid to pensioners under pension schemes for civil servants and judicial officers and their dependants shall be subject to **annual increase** according to the **increase** in the annual average monthly Consumer Price Index (A) [CPI(A)] of the last financial year over that of the immediately preceding financial year. Thus following a year of deflation, pensions would be frozen but not reduced, and pension increase subsequent to the freeze would not take account of previous deflation.

4. The annual average monthly CPI(A) in 1999-2000 and 2000-01 were lower than that of 1998-99 and 1999-2000 by 3.9% and 2.1% respectively.

Note⁽¹⁾ Specifically the Pensions (Increase) Ordinance (Cap 305) and the Widows and Orphans Pension (Increase) Ordinance (Cap 205). The former governs the increase of pensions granted under the Pensions Ordinance (Cap 89), Pension Benefits Ordinance (Cap 99), Pension Benefits (Judicial Officers) Ordinance (Cap 401) and Surviving Spouses' and Children's Pensions Ordinance (Cap 79). The latter governs the increase of pensions granted under the Widows and Orphans Pension Ordinance (Cap 94).

In accordance with the pension increase mechanism, no pension adjustment was made in 2000-01 and 2001-02 and pensions were frozen at their levels in 1999-2000.

Freeze of Pensions in 2002-03

5. While the deflation has continued, it has been less acute than before. According to the Commissioner of Census and Statistics, the annual average monthly CPI(A) in 2001-02 is lower than that of 2000-01 by 1.9%. In accordance with the pension increase policy and mechanism, civil service pensions will continue to be frozen in 2002-03.

6. As at 31 March 2002, there were 68,300 pensioners. 56% of them received monthly pensions of less than \$5,000 while 65% of the pensioners aged 60 and above.

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