

## ITEM FOR FINANCE COMMITTEE

**Head 156 – GOVERNMENT SECRETARIAT :  
EDUCATION AND MANPOWER BUREAU  
Subhead 700 General non-recurrent  
Item 346 Grant to an Early Retirement Ex-gratia Payment Fund**

Members are invited to approve revisions to the eligibility criteria of the Early Retirement Scheme for Aided Primary School Teachers funded by a government grant of \$700 million.

### PROBLEM

There is room for relaxing the eligibility criteria of the Early Retirement Scheme for Aided Primary School Teachers (ERS).

### PROPOSAL

2. The Secretary for Education and Manpower proposes to make the following revisions to the ERS, for implementation with effect from the next round of applications to be invited before the commencement of the 2005/06 school year –

- (a) to open the Scheme to teachers of all aided primary schools, instead of confining to those serving in aided primary schools which face class reduction; and
- (b) to open the Scheme to teachers with less than five years of service before the normal retirement age of 60 (i.e. at or above the age of 55) as well, but the ex-gratia payment for those aged 56-59 inclusive will be discounted by the following scale –

Age at 1 September of the year	55	56	57	58	59
Discount factor	0%	25%	50%	75%	100%

**/JUSTIFICATION .....**

**JUSTIFICATION**

3. Since the implementation of the ERS before the commencement of the 2004/05 school year, 508 teachers have retired under the Scheme. This has helped to vacate teaching posts for the continued employment of teachers who would otherwise become surplus in the 2004/05 school year, and to provide teaching posts for accommodating fresh graduates, thereby maintaining a healthy turnover in the teaching force. The total ex-gratia payment amounts to \$174 million or about \$342,300 per ERS participant on average. The age profile of the ERS participants is as follows –

Age Group	No. of ERS Participants
30 - 34	10
35 - 39	23
40 - 44	48
45 - 49	103
50 - 54	324
Total	508

4. The ERS is well received as reflected by the number of teachers joining the Scheme. Many principals and teachers, nevertheless, have requested that the eligibility criteria of the ERS be relaxed to cover all aided primary schools and to allow teachers at or above the age of 55 to join the Scheme.

***Restriction on schools***

5. When the funding approval of the ERS was given by the Finance Committee (FC) in February 2004, schools which did not face class reduction were not included as the Scheme aimed to tackle the problem of surplus teachers in schools with class reduction. In the light of the experience of the operation of the Scheme in the first year, it is considered desirable to open the ERS to those aided primary schools without class reduction too as the teaching vacancies freed up in these schools would also help alleviate the overall surplus teacher situation in the aided primary school sector.

*/Restriction .....*

***Restriction on age of teachers***

6. Under the current formula, a retiree will receive an ex-gratia payment calculated at one month of his/her last substantive salary for every two complete years of recognised service in the school sector, subject to a cap of 12 months' salary. The age profile of the ERS participants in the 2004/05 school year reflects that teachers above the age of 50 generally found the Scheme more attractive. The reason may be that teachers in that age group usually have more years of service, and are therefore likely to receive the maximum ex-gratia payment, i.e. 12 months' salary. We propose to relax the age limit to allow those aged at or above 55 to retire early, so as to retain experienced teachers of the lower age groups to serve the education sector for a longer period of time.

7. As these teachers have fewer years of service to "forgo", it is considered appropriate to introduce a sliding scale proportionate to the teacher's remaining years of service in calculating their ex-gratia payments under the ERS, as follows –

Age at 1 September of the year	55	56	57	58	59
Discount factor	0%	25%	50%	75%	100%

8. The ex-gratia payment will be calculated first according to the current formula and then be discounted according to the above scale. In other words, ex-gratia payment for teachers at the age of 56, 57 and 58 will be capped at nine, six and three months of their last substantive salaries respectively. Ex-gratia payment for teachers at the age of 55 will not be discounted because we want to provide the incentive for those aged 54 in the 2004 exercise to leave the service to create vacancies for injection of new blood. Teachers at the age of 59 will not be eligible for any ex-gratia payment as it would be hard to justify why additional money should be paid to them out of public fund when they will retire in one year in any case. We have derived the proposed discount factor to ensure that overall speaking the Scheme would not incur additional funding even when there are more departures at the senior level, while making sure that the revised Scheme would still be reasonably attractive to this age group.

9. The restriction that teachers with less than ten years of service are not eligible for the ERS will continue to apply.

10. At the level of the whole aided primary school sector, revision of the eligibility criteria as set out in paragraphs 5 to 8 above will together widen the source of candidates, and provide a more ready exit for those teachers who wish to leave earlier, thus helping to create vacancies for accommodating surplus teachers and for absorbing fresh graduates. At the level of individual schools, the revision will also give the School Management Committees (SMCs) more flexibility in deploying teachers to meet the operational needs.

### **FINANCIAL IMPLICATIONS**

11. The proposed relaxation in eligibility criteria will not result in additional financial implications for the Government, as we will continue to implement the ERS up to the 2006/07 school year using the grant of \$700 million approved by the FC for establishing the Early Retirement Ex-gratia Payment Fund (the Fund). Taking into account the proposed discount factor, the Fund should be able to support ex-gratia payments for about 1 700 teachers as originally planned. We will continue to absorb the administrative costs of managing the ERS and the Fund from existing resources.

### **BACKGROUND INFORMATION**

12. The FC approved on 27 February 2004 vide FCR(2003-04)62 a grant of \$700 million to set up the Fund held in trust under the Permanent Secretary for Education and Manpower Incorporation for implementing the Scheme initially for three years. Teachers in aided primary schools with surplus teaching staff, who choose to retire early and whose applications are supported by the principals/SMCs, will be eligible for an ex-gratia payment to be paid out from the Fund.

13. The objectives of the ERS are to provide an incentive in the form of ex-gratia payment for some teachers of aided primary schools to retire early so as to ease the problem of surplus teachers in schools where there is an under-enrolment of students and to make available more teaching posts to accommodate fresh graduates, thereby maintaining a healthy turnover in the teaching force. With the ERS, the aided primary school sector will be in a better position to reduce the number of operating classes in line with the declining student population, and in turn to achieve recurrent savings which would help ease the Government's budgetary constraints.

14. The main features of the ERS are –
- (a) The ERS is open to all teachers who have been appointed as regular teachers in aided primary schools (including special schools) which face class reduction, initially in the 2004/05 to 2006/07 school years, irrespective of rank but excluding teachers with less than five years of service before the normal retirement age of 60, or with less than ten years of service.
  - (b) The ex-gratia payment is a one-off grant calculated on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognised service in the school sector, subject to a cap of 12 months' salary.
  - (c) Having regard to the estimated supply and demand of teachers at the time and the availability of funding, the Education and Manpower Bureau will determine every year the number of teachers who will be allowed to join the ERS.
  - (d) Teachers who have received the early retirement ex-gratia payment are required to sign an undertaking to the effect that he or she will not take up full-time or part-time teaching employment (excluding daily-rated part-time jobs of duration not more than 90 days) in government, aided, caput and direct subsidy scheme schools starting from the date of early retirement, normally September in the following school year.

15. We consulted the [Legislative Council Panel on Education on the proposed revisions of the eligibility criteria at paragraph 14\(a\) above at its meeting on 13 December 2004](#). The Panel in general supported the proposal as it would help ease the problem of surplus teachers and create more employment opportunities for fresh graduates. Some Members, however, considered it not appropriate to relax the eligibility criteria to allow schools without class reduction and teachers who would retire in a few years' time to join the Scheme even though it would not incur additional financial implication for the Government. They were also concerned that the relaxation would encourage good teachers to leave the teaching force earlier.

16. We have also sounded out the concerned school councils, teachers unions and major school sponsoring bodies on the proposal. They all welcome the proposed relaxation of the eligibility criteria.