

立法會
Legislative Council

LC Paper No. AS 282/05-06

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**Subcommittee on Members' Remuneration and
Operating Expenses Reimbursement**

**Minutes of meeting
held on Friday, 26 May 2006 at 3:35 pm
in Conference Room B of the Legislative Council Building**

- Members Present** : Hon Patrick Lau Sau-shing, SBS, JP (Chairman)
Hon Mrs Selina Chow Liang Shuk-ye, GBS, JP
Hon Cheung Man-kwong
Hon Howard Young, SBS, JP
Hon Emily Lau Wai-hing, JP
Hon Abraham Shek Lai-him, JP
Hon Wong Ting-kwong, BBS
Hon Tam Heung-man
- Member Absent** : Dr Hon Lui Ming-wah, SBS, JP
- Members in Attendance** : Hon Lau Kong-wah, JP
Hon Albert Chan Wai-yip
Hon Ronny Tong Ka-wah, SC
- Clerk in Attendance** : Mrs Anna Lo
Principal Council Secretary (Administration) (PCS(A))
- Staff in Attendance** : Mr Watson Chan
Head (Research and Library Services) (H(RL))
- Mr Joseph Kwong
Accountant (ACCT)
- Mr Thomas Wong
Research Officer 4
- Ms Betty Fong
Senior Council Secretary (Administration) 1
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I. Recommendations in the Second Report of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement

The Chairman said that the purpose of the meeting was to discuss and consider in greater detail proposals regarding the recommendations of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement (the Subcommittee) in its Second Report, in particular those relating to Members' remuneration, retirement and medical benefits, before meeting the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of HKSAR (the Independent Commission) on 6 June 2006. To this end, the Secretariat has prepared information, including statistics on the utilization of Members' recurrent operating expenses reimbursement (OER), a fact sheet on retirement and medical benefits in selected overseas legislatures, information relating to civil service medical benefits and a corporate medical plan, for Members' reference and consideration.

Members' OER

Statistics on OER

2. ACCT took Members through the statistics on the utilization of Members' OER in the past three reimbursement years ended on 30 September 2005 (LC Paper No. AS 204/05-06). The key points were -

- (a) There was no major change to Members' utilization of the Office Operation Expenses Reimbursement (OOER) and Entertainment and Travelling Expenses Reimbursement (ETER) in the past three reimbursement years.
- (b) On average, Members elected through Geographical Constituencies (GC Members) utilized about 97% of the OOER, while Members elected through Functional Constituencies (FC Members) utilized about 86.5%. FC Members' and GC Members' average utilization rates over the past three years fluctuated only within three percentage points. The total number of Members who used over 99% of the OOER was 31 in 2002/03, 27 in 2003/04, and 24 in 2004/05.

- (c) On average, GC Members utilized about 95.2% of the ETER, while FC Members utilized about 89.5%. FC Members' and GC Members' average utilization rates in respect of ETER over the past three years also fluctuated only within three percentage points. The total number of Members who used over 99% of the ETER was 52 in 2002/03, 46 in 2003/04, and 47 in 2004/05.
- (d) The total number of Members who reported over-ceiling expenses was 5 in 2002/03 (with a total excess of \$491,000 in OOER), 5 in 2003/04 (with a total excess of \$473,000 in OOER), and 3 in 2004/05 (with a total excess of \$71,000 in OOER).

Members' views

3. Members unanimously agreed that their OER should be enhanced up to a ceiling of 20%, as recommended by the Subcommittee. However, they generally had reservations on the usefulness of the statistics in determining the level of resources required by Members in carrying out their duties in the Legislative Council (LegCo). Members' views on the issue are presented in paragraphs 4 to 8 below.

4. Ms Emily Lau pointed out that most Members had to work within budget. Moreover, the lack of manpower had rendered it difficult for Members to report on expenses which would not be reimbursed. She considered it unfair for the Administration to use the statistics alone in determining the level of Members' OER, as they might not fully reflect Members' actual requirement. She also stressed that the lack of resources did not mean Members should cut back on what should be done in relation to their work in LegCo.

5. Mr Lau Kong-wah shared Ms Lau's view. Mr Cheung Man-kwong agreed that the usefulness of the statistics was doubtful as most Members had to contain their expenses within budget.

6. Ms Emily Lau noted that the over-ceiling expenses in 2002/03 and 2003/04 were noticeably higher than those in 2004/05. She thought that the reimbursable expenses might be claimed in the next reimbursement year. In response, ACCT explained that given the existing rule for OER to be capped at an annual reimbursement ceiling, expenses in excess of the ceiling in a year were not allowed to be carried forward to the following year. Mr Wong Ting-kwong remarked that the fluctuation might be related to the increasing workload and activities towards the end of the second LegCo term.

Action

7. Mr Ronny Tong said that the present level of Members' OER was insufficient for Members to serve their constituents, such that many Members, including himself, needed to subsidize their LegCo work. To address the issue, he suggested that rental charges for Members' district offices in public housing estates should be waived.

8. In view of Members' concerns, the Chairman suggested, and the meeting agreed, that the Independent Commission should be informed of Members' reservations on the usefulness of the statistics on OER.

Secretariat

Medical and retirement benefits

Research findings

9. H(RL) highlighted the following key findings on retirement and medical benefits for Members in selected overseas legislatures, as presented in the fact sheet (FS15/05-06) -

- (a) All selected legislatures under study, namely the House of Representatives in the United States (US), the House of Commons in the United Kingdom (UK), the House of Commons in Canada, and the Legislative Assembly in the State of New South Wales (NSW) in Australia, provided retirement benefits to Members; and
- (b) Members in the US and Canada were entitled to medical benefits as part of their remuneration package. In the UK, Members were only provided with in-house medical services while working in Parliament. In NSW, Members were not entitled to any medical benefits or services provided by the Legislative Assembly or the state government.

Medical benefits for Members

10. The meeting unanimously agreed that the same medical benefits as those available to civil servants should be provided to all LegCo Members.

Retirement benefits for Members

11. The meeting deliberated different options and issues relating to Members' retirement benefits, including the adoption of the civil service retirement benefits or a Mandatory Provident Fund (MPF) scheme, and the level of retirement benefits for Members. Details of the discussion are presented in paragraphs 12 to 29 below.

(i) Civil Service retirement benefits for Members

12. Mr Cheung Man-kwong believed that with more than 160,000 civil servants already enjoying the civil service medical and retirement benefits, the provision of the same kind of benefits to 60 LegCo Members should be acceptable to the public.

13. Mr Lau Kong-wah said that while he had no strong view on Mr Cheung's proposal, he had reservation on adopting the civil service pension scheme as Members' retirement benefits.

14. PCS(A) reminded the meeting that newly appointed civil servants were no longer eligible for pension benefits. Instead, they would be entitled to retirement benefits under an MPF scheme, in which both the Government and the officer concerned were required to make equal contributions to a registered MPF plan on a monthly basis.

15. Having regard to the prevailing policy in the civil service, the meeting agreed that in considering retirement benefits for Members, reference should be made to those for newly appointed civil servants. To facilitate Members' further deliberation on the issue, Mrs Selina Chow suggested that an information paper setting out details of retirement benefits currently provided to civil servants (including contract and permanent staff) should be prepared.

Secretariat

(ii) Members' contribution to an MPF scheme

16. Pointing out that the retirement plans in three of the four legislatures studied by the Secretariat were jointly financed by Members and the Governments concerned, Mr Howard Young considered it reasonable for LegCo Members to contribute to a retirement plan. To this end, he suggested that an MPF plan, being the most popular retirement scheme in Hong Kong, should be an acceptable option. He further said that under the plan, Members' monthly contribution (i.e. at 5% of their relevant income) should be deducted from their remuneration, while the employer's contribution (also at 5% of Members' relevant income) should be deducted from Members' OER. Members' OER should be

correspondingly enhanced to cover the expenses. He also considered that the ceiling for MPF contributions, currently capped at \$1,000 per month for both the employer and employee, should be removed so that changes in the level of remuneration would be fully reflected in the retirement benefits, as in the cases of other overseas legislatures.

17. Mr Lau Kong-wah echoed Mr Young's view. However, he stressed that additional funding for Members' contribution to an MPF plan should be provided on top of the proposed enhancement of Members' OER up to a ceiling of 20%.

18. Ms Emily Lau had no strong view on Members' contribution to a retirement scheme, as long as the plan could attract the young generation to pursue a career with LegCo. However, she had reservations on the adequacy of an MPF scheme in providing the same level of retirement benefits as those for senior civil servants in Hong Kong. She also pointed out that the retirement benefits for Members in legislatures in Canada and NSW were even more comprehensive than those enjoyed by senior civil servants in Hong Kong.

19. In the light that the existing OER was already insufficient to cover Members' essential expenses, Miss Tam Heung-man agreed that, unless Members' OER was correspondingly enhanced, it would be difficult to absorb the additional expenses arising from contribution to a retirement plan.

20. While Mr Wong Ting-kwong generally had no objection to adopting an MPF scheme for Members' retirement benefits, as in the case of newly appointed civil servants, he considered that the employer's contribution to Members' MPF plan should be financed by an additional provision from the Government to The Legislative Council Commission under the Operating Expenditure Envelope, whereas Members' contribution should be reimbursed from Members' OER. Moreover, he shared the view that the present ceiling imposed on MPF contributions was too low, and enquired whether such ceiling also applied to civil servants.

21. PCS(A) confirmed that the \$1,000 ceiling for MPF contributions provided in the Mandatory Provident Fund Schemes Ordinance also applied to civil servants. She also informed the meeting that newly appointed civil servants were initially appointed on contract terms for a period of three years before appointment on permanent terms. At the end of this period, they were entitled to a contract gratuity at a rate not higher than 15% of their total basic salaries drawn during the period.

22. Mr Howard Young considered it difficult for Members' MPF contribution to be fully supported by public funds, as suggested by Mr Wong Ting-kwong.

23. Mrs Selina Chow said that the Liberal Party had no objection to Members' contributing to a retirement plan. In the light that Members' monthly remuneration had well exceeded the \$20,000 ceiling (i.e. the maximum level of relevant income subject to MPF contribution), she agreed that the capping of contribution to Members' MPF plan at \$1,000 was not meaningful. She also had reservation on Mr Wong Ting-kwong's proposal regarding the funding of Members' MPF contribution, in view of its implication on public funds.

(iii) *Level of Members' retirement benefits*

24. Mrs Selina Chow said that as far as Members' retirement benefits were concerned, the key issue was to determine its appropriate level, as in the case of Members' remuneration. Having regard to the practices in the overseas legislatures, she opined that in the long run, a mechanism should be established such that the level of Members' retirement benefits would tie in with the level of their remuneration. In this connection, she requested the Secretariat to provide further information on the level of salary of overseas legislators and the percentage of their salary for contribution to a retirement plan.

Secretariat

25. Mr Ronny Tong, Mr Lau Kong-wah and Mr Cheung Man-kwong shared Mrs Chow's view that Members' retirement benefits should be calculated on the basis of their remuneration.

26. Mr Wong Ting-kwong maintained the view that, the Administration should provide extra funding for Members' contributions to a retirement plan.

27. Referring to the arrangement for contract staff in the civil service, Mr Cheung Man-kwong considered it acceptable, as an interim arrangement, to provide a gratuity at 15% of Members' remuneration, which should be sufficient to cover Members' contribution to a retirement plan, for Members' retirement benefits. He added that in the long run, Members' retirement benefits should be on a par with those provided to civil servants employed on permanent terms.

(iv) *Other views on retirement benefits*

28. Mr Albert Chan remarked that the financial difficulties faced by an ex-member of the Urban Council after retirement had highlighted the importance of retirement benefits for LegCo Members, in particular for those whose sole income was derived from their work in the legislature. He considered it a shame on Hong Kong if LegCo Members ended up facing financial hardship on retirement.

29. After discussion, the meeting agreed that, pending further information on retirement benefits provided to newly appointed civil servants and levels of remuneration and retirement benefits for overseas legislators, the issue would be further considered.

Members' views on other proposals

30. Members also discussed proposals relating to the nature of LegCo membership, Members' remuneration, and timing for implementing the proposed changes. Their views on these issues are presented in paragraphs 31 to 45 below.

Nature of LegCo membership

31. Due to the changed political environment and the need for Members to devote long hours to LegCo work, Mrs Selina Chow considered that LegCo membership should now be regarded as a profession. LegCo Members, irrespective of their background, should be provided with a proper remuneration package, including medical and retirement benefits, like other employees in the public sector.

32. Ms Emily Lau stated that consensus should be reached on the level of Members' remuneration and retirement benefits, on the premise that LegCo membership was a profession.

33. Mr Lau Kong-wah considered that LegCo work was both a job and a form of public service. He added that the attention of the Independent Commission should be drawn to the remarks made by the Chief Executive (CE) on the nature of LegCo membership in his response to a question raised at the CE's Question & Answer Session on 12 January 2006.

Secretariat

34. In response to the Chairman's enquiry on whether the work of legislators in the overseas legislatures under study was regarded as a job, H(RL) said that, as far as he knew, although most of the overseas legislators were engaged in the work of their respective legislatures for long hours, they (except Members of the US House of Representatives) were allowed to take up outside employment. Ms Emily Lau reminded the meeting that most overseas legislators were directly elected.

35. Mr Albert Chan remarked that, in most overseas legislatures, legislative membership was a full-time career. Due to the long travelling time involved, it was almost impossible for a legislator to engage in any outside employment. However, a mechanism for legislators to declare interests, should they wish to undertake outside employment, was well in place in these legislatures. Mr Chan further opined that, for the development of a mature and responsible legislature, legislators should take on LegCo membership as a full-time career. He added that this would enhance Members' commitment to LegCo work, minimizing possible conflict of interests in discharging Members' duties, and upholding the credibility of both Members and the legislature.

36. After discussion, the meeting generally agreed that LegCo membership should be regarded as a profession.

Members' remuneration

(i) Level of Members' remuneration

37. With LegCo membership being regarded as a profession which required full-time attention, and for the nurturing of a new generation of legislators, Mrs Selina Chow considered it necessary to determine an optimum level of remuneration for the provision of a dignified standard of living to Members. Nevertheless, she reiterated that the proposed change should be acceptable to members of the public.

38. Mr Lau Kong-wah pointed out that some members of the public might not be aware of the two components of Members' remuneration and OER package (i.e. a salary currently set at \$54,390 per month and an accountable OOER plus ETER of not exceeding \$1,487,250 per year). He considered it necessary to explain to the public of the fairness of the review on Members' remuneration, which was conducted having regard to Members' increased workload and professionalism. As a starting point, he suggested that it would be useful to find out the rationale and basis on which Members' present level of remuneration was determined. Mr Cheung Man-kwong agreed that the level of Members' salary should be further studied before a proposal was finalised.

Secretariat

39. Ms Emily Lau considered that the key issue was to urge the Independent Commission to review the underlying principle in determining Members' remuneration package.

40. Mr Wong Ting-kwong opined that Members' present remuneration could only be regarded as a form of "allowance" rather than "salary". He added that Members of the Democratic Alliance for the Betterment and Progress of Hong Kong generally considered that the present level of Members' allowance was unacceptable and should be reviewed, although they had yet to form a specific view on its level.

41. Mr Albert Chan remarked that the review on Members' remuneration package hinged on broader issues, such as the future political development of Hong Kong, the perception and acceptability of the changed role of LegCo Members by the public.

42. The Chairman agreed that the Independent Commission's attention should be drawn to Members' heavy workload, the increased complexity of their work and their changed role as full-time legislators. He considered it appropriate for Members' monthly remuneration to be in the region of \$100,000.

(ii) Other views

43. Mr Cheung Man-kwong said that having regard to the history in the development of LegCo membership, and on the premise that all Members should be devoted to their work in LegCo, it was agreed that all LegCo Members, irrespective of the channels through which they were returned to the legislature, should be subject to the same remuneration package. Members' performance would be judged by the public through the electoral system. Mr Lau Kong-wah shared the same view.

44. Mr Ronny Tong opined that the increasing professionalism of LegCo work should well justify a more reasonable salary package for Members. He also considered that the performance of legislators, being closely monitored by the public and media, should ultimately be appraised by the votes of their constituents.

Timing for implementing changes

45. Referring to the speedy implementation of the retirement package for the former CE, Mr Cheung Man-kwong said that the proposed changes should take effect at the beginning of the new LegCo session in October 2006.

Action

Follow-up actions

46. Ms Emily Lau proposed that another meeting should be held on 2 June 2006 immediately after the meeting of the Committee on Members' Interests (CMI) to consolidate concrete proposals on the Subcommittee's recommendations in its Second Report.

47. The Chairman agreed that the meeting should be held with a view to finalizing the proposals and strategies before the meeting with the Independent Commission on 6 June 2006. To this end, the Secretariat was requested to -

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| (a) | prepare a paper, which set out the background and justifications for proposals on the Subcommittee's recommendations on Members' remuneration, OER, medical benefits, retirement benefits and timing for the implementation of the proposals, by 30 May 2006; and | Secretariat |
| (b) | circulate the paper to Members of the Subcommittee before the meeting on 2 June 2006 so that they could solicit views of their colleagues in respective parties. | Secretariat |

(Post-meeting note: LC Paper No. AS 214/05-06 circulated on 30 May 2006.)

II. Any other business

48. There being no other business, the meeting ended at 4:45 pm.

Legislative Council Secretariat
July 2006