

Ref: AM 12/01/19 (04-08)

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

Meeting on 30 July 2007

Background Brief

Purpose

This paper provides information on:

- (a) the latest state of play on the proposals of the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement (the Subcommittee) to the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the HKSAR (the Independent Commission) in June 2006;
- (b) the annual adjustment mechanism for Members' remuneration package; and
- (c) the latest statistics on the utilization of Members' Operating Expenses Reimbursement (OER) for the period October 2003 to December 2006.

The Subcommittee's proposals

2. In June 2006, the Subcommittee made the following proposals to the Independent Commission:

- (a) as top priority, that the **OER** should be increased by up to 20%;
- (b) as second priority, that civil service **medical benefits** should be made available to Members, both during and after their service with LegCo, and that **retirement benefits** in the form of a gratuity at 15% of the total remuneration received should be given;
- (c) as third priority, that Members' **remuneration** should be pegged to a certain percentage of the salary range of the directorate officers in the Civil Service. Alternatively, an independent remuneration scale may be set for Members;

- (d) that the Independent Commission should critically review **the underlying principle governing Members' remuneration** that "LegCo membership is not a job, but a form of public service";
- (e) that the restriction against **shared employment of staff** should be relaxed; and
- (f) that the Independent Commission should consider engaging an **independent consultant** to evaluate the work of LegCo Members with a view to drawing up an appropriate remuneration package for them.

3. The Subcommittee's proposals are detailed in LC Paper No. AS 214/05-06 (Revised) dated June 2006.

The Administration's response

4. In October 2006, the Administration approved, upon the recommendation of the Independent Commission, the following:

- (a) that the **OER** be increased by 10%, on top of the annual Consumer Price Index (C) (CPI(C)) adjustment, and be put into effect as soon as possible (The new rate came into effect in October 2006);
- (b) that the proposals relating to **medical benefits, retirement benefits and remuneration levels**, if accepted, would amount to substantial changes in the remuneration package for LegCo Members. In order to preserve the credibility of the remuneration regime, the Independent Commission did not support these requests for implementation within the current LegCo term. The Independent Commission would revisit them in the forthcoming comprehensive review for the next-term LegCo as the requests also related to the question of the nature of LegCo membership;
- (c) that the Independent Commission would revisit the question of **the nature of LegCo membership** when reviewing the remuneration package for the fourth-term LegCo. In that review, the Independent Commission would take into account the community's reaction to the Administration's proposals in the consultation document on Further Development of the Political Appointment System;
- (d) that the restriction against **shared employment of staff members** by LegCo Members be relaxed as soon as possible for more efficient use of resources (The relaxation came into effect in November 2006); and

- (e) that the Subcommittee's request to engage **consultants** to advise on the appropriate remuneration package for LegCo Members be rejected as benchmarking for LegCo Members was not possible.

5. The Administration's considerations are detailed in the LegCo Brief – Review of Remuneration Package for LegCo Members dated 19 October 2006.

Annual adjustment mechanism for Members' remuneration package

6. Pursuant to the decision of the Finance Committee in 1995, adjustments to LegCo Members' remuneration and OER have been made annually according to the movement of CPI(C).

7. At the meeting of The Legislative Council Commission held on 9 July 2007 some members considered that the annual adjustments for Members' remuneration package compared unfavourably with those for civil servants' salaries, which were made under a different mechanism, i.e. pay trend survey. (Please refer to the comparison table in LC Paper No. AS 277/06-07) Consideration might be given to an alternative annual adjustment mechanism for Members' remuneration package.

8. Members may wish to note that in 2001 consideration had been given to an alternative adjustment mechanism for OER proposed by the Independent Commission as follows:

- (a) the OER be divided into two components, one for expenses relating to staff salaries and office accommodation (because these expenses might not be changed from year to year and variations, if any, might not necessarily be in accordance with the CPI(C)), and the other for other operating expenses;
- (b) the component covering staff and office accommodation expenses would be 'fixed' and would not be varied irrespective of the subsequent movements in the CPI(C); the other 'variable' component would continue to be adjusted annually in accordance with the movement of the CPI(C);
- (c) the proportion between the 'fixed' and 'variable' components in the OER would be determined in consultation with LegCo Members, in the light of their expenditure pattern; and
- (d) once the ratio was agreed, it would be applicable to all LegCo Members and the 'fixed' component would remain unchanged throughout the entire term of office.

9. Members' views were sought on the alternative mechanism through a consultation paper. The results of the survey were: 15 preferred the existing mechanism, 17 preferred the alternative mechanism with different views on the percentage of the component covering staff and office accommodation expenses, 19 had other suggestions and 9 did not respond. The Subcommittee came to the conclusion that Members might need more time to consider another alternative mechanism. In the interim, the existing mechanism should continue.

10. Members' views on the alternative mechanism are detailed in the Third Report of the Subcommittee dated 27 June 2001 (LC Paper No. AS 389/00-01).

Latest statistics on the utilization of Members' OER

11. These statistics are found in LC Paper No. AS 278/06-07.

Relevant papers

Paper	LC Paper No.
✧ Summary of proposals on the recommendations of the Subcommittee in its Second Report dated June 2006	AS 214/05-06
✧ LegCo Brief – Review of Remuneration Package for LegCo Members (Ref CSO/ADM CR 1/1136/97) dated 19 October 2006	-
✧ A comparison between Members' actual remuneration adjusted according to movement of CPI(C) and Members' assumed remuneration adjusted according to Civil Service pay adjustments from July 1997 to June 2007	AS 277/06-07
✧ Third Report of the Subcommittee dated 27 June 2001	AS 389/00-01
✧ Statistics on the utilization of Members' OER for the period October 2003 to December 2006	AS 278/06-07

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