

LEGISLATIVE COUNCIL BRIEF

EXTENSION OF EARLY RETIREMENT SCHEME TO EDUCATION OFFICER GRADE STAFF IN GOVERNMENT SECONDARY SCHOOLS

INTRODUCTION

At the meeting of the Executive Council on 6 December 2005, the Council ADVISED and the Chief Executive (CE) ORDERED that the existing Early Retirement Scheme (ERS) for the teaching grades (Primary School Master/Mistress (PSM) and Certificated Master/Mistress (CM) only) in the Education and Manpower Bureau (EMB), approved by CE in Council on 22 March 2005 under section 6A of the Pensions Ordinance and section 13 of the Pension Benefits Ordinance, should be extended to the Education Officer (EO) grade¹ officers in Government secondary schools (GSS).

JUSTIFICATIONS

2. It is stated Government policy that a new senior secondary and higher education academic structure (the “3+3+4 academic structure”) should be developed to effectively prepare our next generation to cope with the demands of a knowledge-based society. The document entitled “The New Academic Structure for Senior Secondary Education and Higher Education–Action Plan for Investing in the Future of Hong Kong” was published in May 2005 following a three-month public consultation. Among other things, the new senior secondary curriculum and academic structure is scheduled for implementation in the 2009/10 school year.

3. There are currently 37 GSS. As at 1 September 2005, we have a strength of about 1 300 officers in the EO grade, comprising about 1 200 officers on permanent and pensionable (P&P) terms and about 100 officers

¹ Referring generally to graduate teachers and heads of Government secondary schools

A

on New Agreement Terms/New Probationary Terms (“contract teachers”). As a result of declining student population generally, we need to reduce the size of our teaching force in GSS. Taking into account the projected service demand within the next five school years, we anticipate that there will be about 100 surplus teachers in the EO grade by the 2010/11 school year on a cumulative basis (Annex A).

4. We need to provide an exit for EO grade officers to ease the problem of surplus staff in GSS and facilitate a healthy turnover in the teaching profession so as to help schools prepare for the implementation of the new secondary curriculum.

EXTENSION OF SCHEME

5. We will extend the existing ERS to EO grade staff in GSS in order to -

- (a) tackle the staff surplus problem in the EO grade;
- (b) facilitate a healthy staff turnover in GSS with a view to ensuring the smooth implementation of the new senior secondary curriculum; and
- (c) realize financial savings achieved through deletion of surplus teaching posts.

B

The extension is applicable to all five ranks of the EO grade. The list of eligible ranks is at Annex B.

6. Subject to annual review, the overall quota will be worked out taking into account the number of surplus posts in the EO grade as projected up to the 2010/11 school year and the availability of funds to support departure under the Scheme for the years in question. Based on the current projection, it would be around 100 (Annex A) and might be revised in the light of latest forecast of the manpower situation.

C

7. There is no change to the main features of the existing ERS on extension to the EO grade staff. These features are reproduced in Annex C.

8. We will start inviting applications from EO grade staff in the first quarter of 2006. Similar to the arrangements for the existing Scheme, successful applicants will be allowed to proceed on early retirement in September 2007. However, if circumstances so warrant, they may be allowed to retire in September 2006. We will conduct another round of applications in 2007 for early retirement in September 2008 and review the continued need for the ERS before the end of the 2007/08 school year. Consequential vacancies arising from the departure of the retirees will be deleted if they are surplus to operational needs of the schools.

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

D

9. Detailed financial and civil service implications for extending the ERS to EO grade staff are set out at Annex D.

10. Given the relatively small size of the teaching staff affected, extension of the ERS would have little impact on the economy and the labour market. Participation in the ERS is voluntary and the new arrangement is in conformity with the Basic Law, including the provisions concerning human rights. There are no productivity or environmental implications. As far as sustainability implications are concerned, the new arrangement will help facilitate staff turnover in the teaching force, which is conducive to maintaining the vibrancy and upgrading the quality of education in the long run.

STAFF REACTION

11. About 1 000 EO grade officers will be eligible to join the ERS by September 2006. We conducted staff consultation in early November 2005. Staff associations supported the extension of the ERS to the EO grade as it is in line with their previous request. They appreciated that the arrangement is beneficial to GSS, as well as both permanent teachers who wish to leave early and contract teachers who wish to stay on.

12. Staff associations have reiterated the request for ex-gratia payment as a compensation for outgoing staff's loss of opportunity to rejoin the teaching profession on retirement under the ERS. We have explained to them again that the non-provision of ex-gratia payment should be seen in the context of the overall arrangements of the ERS, including the provisions that-

- (a) teachers from non-surplus ranks of the EO grade who were not eligible under the Second Voluntary Retirement Scheme (VRS) would be able to join the ERS; and
- (b) posts vacated by teachers at senior level under the ERS which should be deleted under the Second VRS will be filled by advancement of teachers from junior ranks if required operationally.

Acceding to the staff's request will make the compensation package of the ERS appear more favourable than that of the Second VRS, which is against the Government's stated policy.

13. One staff association suggested that staff be given the flexibility to determine their own departure date over the next few years based on their individual circumstances. As the staffing situation is fluid, we will have difficulties in approving early retirement beyond the respective departure dates (i.e. September 2007 and September 2008) under the two rounds of applications mentioned in paragraph 8 above. The implementation timetable already allows reasonable time for staff to make their own plan.

PUBLIC CONSULTATION

14. The proposal will affect only eligible government teachers. We do not see a need for public consultation. Pension expenditure is a statutory charge on General Revenue as provided for under the pensions legislation. As no ex-gratia payment is involved, there is no need to seek separate funding approval from the Finance Committee of the Legislative Council.

PUBLICITY

15. We will issue a circular to all eligible government teachers to inform them of details of the extension of the ERS. A spokesman will be made available to handle media enquiries.

BACKGROUND

16. In April 2005, we launched the ERS for officers in the PSM and CM grades. The former serves in Government primary schools (GPS) and the latter in both GPS and GSS. There are 74 successful cases in the first round of applications.

17. Independent of the ERS for teaching grades staff in EMB, we have launched early retirement schemes for aided primary and secondary school teachers in 2004 and 2005 respectively. These schemes provide an ex-gratia payment for certain teachers in aided primary and secondary schools to retire early so as to ease the problem of surplus teachers in schools and maintain a healthy turnover in the teaching force. The different compensation packages reflect the reality that the retirement packages for teachers in aided and government sectors are fundamentally different. In particular, teachers in the aided sector upon retirement will receive one-off benefits under provident fund schemes whereas eligible teachers in the government sector will receive commuted gratuity and monthly pension.

ENQUIRIES

18. Any enquiries in relation to the extension of the ERS can be directed to Mrs Alice Leung, Principal Assistant Secretary (Administration), at 2892 6128.

Education and Manpower Bureau
21 December 2005

Annex A

**Manpower projection of teaching staff
in EO Grade from 2006/07 to 2010/11 school years
(as at 1.9.2005)**

School Year	
Rank	2006/07 - 2010/11
Principal I	18
Principal II	4
Senior Education Officer	18
Education Officer	-39
Assistant Education Officer	-101
Total	-100

Note

Positive figure denotes vacancies, including those not filled substantively.
Negative figure denotes surplus posts.

**Ranks in the EO Grade
to be eligible for the Early Retirement Scheme**

Ranks

- (i) Principal I
- (ii) Principal II
- (iii) Senior Education Officer
- (iv) Education Officer
- (v) Assistant Education Officer

**Main Features of
the Early Retirement Scheme for Teaching Grades Staff in
Education and Manpower Bureau**

Eligibility

- (a) Eligible officers must have completed the minimum qualifying length of service for pension benefits (i.e. ten years) by the date of release in each round of application and to whom section 6A of the Pensions Ordinance or section 13 of the Pension Benefits Ordinance applies.

- (b) The Scheme will not apply to –
 - (i) agreement officers;

 - (ii) those officers who have tendered notice to resign, or who have notified the Government in any manner of their intention to leave the service; or in the case of an officer on trial, applied to revert to his former grade to which the Scheme does not apply; and

 - (iii) those officers against whom disciplinary proceedings have been instituted or are contemplated to be taken, and the proceedings or action may lead to the removal of the officers from the service or those to be dismissed or compulsorily retired from the service.

Compensation

- (c) Upon retirement under the ERS, an officer will be eligible immediately for normal pension benefits (i.e. commuted pension gratuity and monthly pension) as at the date of voluntary retirement,

irrespective of whether he has attained the minimum age of retirement. There will be no ex-gratia lump-sum payment.

Approving Authority

- (d) Eligible teachers may apply, on a voluntary basis, for early retirement under the Scheme. The approving authority will rest with the Permanent Secretary for Education and Manpower (PSEM). In approving the applications, we will take into account the demand and supply situation of teachers in certain disciplines to ensure that teachers much needed for the education reform would be retained as far as possible.

Post Deletion

- (e) Upon the departure of ERS takers, a number of established posts will be deleted at the commencement of a particular school year up to the number of surplus teachers for that school year. The deletion will be effected in accordance with the operational needs of each school year. To achieve the objective of having a healthy turnover of staff within the grade, posts vacated by teachers at senior level will be refilled by advancement of officers from junior ranks according to the staff entitlement of GSS.

Employment after Retirement

- (f) To achieve the objective of the ERS to promote a healthy turnover in the teaching grades, guidelines will be issued to public sector schools (i.e. government, aided, caput and direct subsidy scheme schools) to advise them not to employ early retirees under the ERS to fill established posts.

Financial and Civil Service Implications

The extension of the ERS would incur pension expenditure (which are officers' earned benefits) but not any ex-gratia payment. Although the calculation of pensions for an ERS taker will be based on lower pensionable emoluments as a result of his shorter-than-normal service, the Government will still have to incur additional pension expenditure arising from longer payment of monthly pension and interest forgone (due to earlier payment of commuted gratuity and monthly pension before the normal retirement age). We will include sufficient provision in the draft Estimates for the respective years when the ERS is in operation.

2. The extension of the ERS would lead to recurrent savings of salary and allowance though some of the posts involved may be refilled by staff at lower ranks.

3. In terms of cost and benefit over a period of time, say 30 years, the combined effect of the additional pension costs and the recurrent savings of salary and allowance based on certain assumptions¹ and full utilization of the planned quota of 100 would be as follows (all figures in net present value terms) –

¹ The assumptions are –

- ♦ 100 teachers, in age distribution similar to those successful applicants in the first round of ERS application for officers in the PSM and CM grades and at different ranks of the Education Officer grade, would apply for early retirement;
- ♦ all senior posts vacated, if operationally required, would be refilled by staff at lower ranks;
- ♦ 100 posts at basic ranks will be deleted progressively having regard to the number of applications received and the operational needs of each school year; and
- ♦ savings in salary and allowance are counted till the normal retirement age of the early retirees, while implications on pension are counted till the life expectancy of the ERS takers (assumed at the age of 81.5).

◆ Estimated savings in salary and allowance till the normal retirement of the early retirees	\$271 million
◆ Estimated additional pension payment for early retirees	\$87 million
◆ Estimated net savings achieved	\$184 million

There would be positive net savings even if the planned quota is not fully used up.

4. In terms of the impact on Government's budget in the next few years, extension of the ERS to the EO grade staff will cause pensions expenditure to increase by some \$59 million and \$142 million in the 2007/08 and 2008/09 school years respectively, and \$13 million per annum thereafter, assuming that the quota is used up progressively. On the other hand, savings in salary and allowance is expected to rise from \$16 million in the 2007/08 school year to \$53 million per annum from the 2008/09 school year onwards.

5. The extension of ERS to the EO grade will help tackle staff surplus situation in the EO grade and enable a healthy staff mobility which is conducive to improving the quality of teaching in GSS. The Administration considers that the arrangement is justified in order to facilitate the implementation of the education reform, including the launch of the new senior secondary curriculum. Staff in other Government departments and bureaux may demand for a similar voluntary exit scheme. The Scheme can be ring-fenced in view of the very specific circumstances in EMB as described above.