

Ref: AM 12/01/19

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

Meeting on 18 November 2008

Purpose

This paper sets out the background leading to the formation of a subcommittee to follow up on matters relating to Members' remuneration and operating expenses reimbursement (OER), and summarizes members' deliberations in the past. It also seeks members' views of the proposed way forward for dealing with the related matters.

Background

2. On 20 October 2000, the House Committee of the Second LegCo set up a subcommittee to examine issues relating to Members' remuneration and OER (the Subcommittee), with a broad scope of work and no limit on membership size. The Subcommittee should make report(s) to the House committee on its work and recommendations. During the second term, the Subcommittee studied the mechanism of annual adjustment to the level of Members' remuneration and OER, and retirement benefits for Members.
3. On 15 October 2004, the House Committee decided to set up the Subcommittee again in the third term to study, inter alia, adjustment to the level of remuneration and OER, retirement benefits as well as arrangements for the renting of offices owned by Members themselves or their respective political parties.
4. The Subcommittee in the third term of LegCo comprised nine members including the Chairman, Prof Hon Patrick Lau Sau-shing. It held 18 meetings including eight meetings with the Administration and attended three meetings with the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (the Independent Commission). As a result of these meetings, the Independent Commission had agreed to support an increase in the accountable allowance for OER by 10%, as against the Subcommittee's proposed increase of 20%, with effect from 1 October 2006 and enhancement of Members' remuneration package with effect from the fourth term of LegCo as follows:

- (a) to increase the monthly remuneration for LegCo Members by 15%, on top of the price adjustment to be made in October 2008;
- (b) to provide a gratuity pitched at 15% of the total remuneration that Members receive during a LegCo term, which is payable upon the end of their service with LegCo for that whole term, subject to certain exceptions;
- (c) to make available an annual accountable medical allowance of \$25,000 to serving LegCo Members, which can be used either to pay for the premium of their personal medical and/or dental insurance cover, or actual medical and dental expenses, or both; and
- (d) to apply to the proposed medical allowance the current price adjustment mechanism applicable to the relevant components of the remuneration package.

5. The above proposals were subsequently approved by the Finance Committee. The relevant paper and minutes of meeting of the Finance Committee are in **Appendix I** and **Appendix II**.

6. Members' remuneration and ceilings for reimbursement of medical allowance and certain operating expenses are subject to annual adjustment in accordance with the movement of Consumer Price Index (C). The new remuneration and reimbursement rates effective from 1 October 2008 are in **Appendix III**.

Outstanding issues to be followed up in the fourth term of LegCo

7. On 4 July 2008, upon completion of its work, the Subcommittee reported to the House Committee and recommended the setting up of the Subcommittee again in the Fourth LegCo to continue the study of the following outstanding issues:

- (a) an enhanced level of OER for Members of the fourth term of LegCo; and
- (b) sharing of Members' offices and staff between LegCo and non-LegCo business.

An enhanced level of OER for Members of the fourth term of LegCo

8. Despite the 10% increase of OER in October 2006, the Subcommittee considered the level of Members' OER at \$127,835 per month (subject to the annual inflation adjustments) inadequate to support the operation of two to three district offices and the hiring of staff to service these offices and provide support to Members. Without sufficient financial provisions, Members can hardly recruit and retain high calibre assistants; not to mention fostering political talent.

9. The Independent Commission re-affirms its view that OER should be maintained at its current level at this stage (subject to the annual inflation adjustments). However, the Independent Commission will keep in view the position and revisit the level of OER some time during the course of the Fourth LegCo if deemed appropriate.

10. The Subcommittee recommended that this issue be further pursued in the Fourth LegCo.

Sharing of Members' offices and staff between LegCo and non-LegCo business

11. Following a review conducted by the Independent Commission Against Corruption on the administration of OER claims, a compliance audit system was established in October 2006 to ensure that Members' operating expenses claims are in compliance with the provisions on conflict of interest and declaration of interest stipulated in the Guide for Reimbursement of Operating Expenses for Members of the Legislative Council.

12. In its first report to The Legislative Council Commission, the independent compliance auditor pointed out that, where a Member shared his/her operating expenses between his/her LegCo business and non-LegCo business, the sharing ratio was sometimes based on the Member's estimation. The auditor recommended that objective sharing bases, verifiable to some extent, should be used. For example, for sharing of staff, it should be based on the staff's time sheets or time logs; and for sharing of office, it should be based on the floor plan.

13. In response to the auditor's recommendation, the Subcommittee conducted an opinion survey to ascertain Members' views on whether Members' offices and staff should be completely segregated from non-LegCo business and whether verifiable records should be maintained to justify the reimbursed portion of such shared expenses.

14. A total of 53 Members responded to the survey. The views expressed are summarized below:

- (a) On the use of a Member's offices and staff,
 - (i) over 66% of the respondents opined that sharing with private or commercial business should not be allowed; and
 - (ii) about 90% of the respondents opined that sharing with organizations related to a Member's functional constituency or offices for District Council business should be allowed.
- (b) On the premise that shared use of a Member's office and staff between LegCo and non-LegCo business is allowed,
 - (i) only 40% of the respondents agreed that time sheets or time logs should be maintained, while over 45% disagree; and
 - (ii) about 66% of the respondents, including some who agreed that time sheets or time logs should be kept, considered the present apportionment basis of relying on the Member's estimation adequate.

15. A detailed breakdown of Members' responses is in **Appendix IV**.

16. The Subcommittee noted that Members were supportive of the overall objective but were concerned about the practical difficulties in adopting the computation methods suggested by the compliance auditor. The Subcommittee requested that further study be conducted on how to strike a fair balance between the need for some Members to share their offices and staff between their LegCo and private/commercial business and the need to avoid unnecessary misconception, especially when public funds were involved. The Subcommittee requested the Secretariat to further consult the auditor and to come up with an arrangement which would be acceptable to both the auditor and Members.

17. The Subcommittee recommended that this issue be further pursued in the Fourth LegCo.

18. At the House Committee meeting on 17 October 2008, Members agreed to set up a subcommittee to follow up on matters relating to Members' remuneration and operating expenses reimbursement.

The way forward

An enhanced level of OER for Members of the fourth term of LegCo

19. As LegCo Members have expressed concern that the existing level of OER could not meet their actual needs to perform an important role in monitoring the work and performance of the Government, it is proposed that

- (a) a review be conducted to assess the amount of resources required for employing and retaining a team of good quality staff to support the work of LegCo Members. In this regard, the due consideration is that Members should be able to offer remunerations which are sufficient to attract, retain and motivate staff of a suitable calibre to provide Members with an effective and efficient service and are also comparable to those offered by the public sector for positions requiring similar academic qualifications and/or experiences; and
- (b) compilation of statistics on the utilization rates of Members' OER for the 2007-2008 reimbursement year (i.e. the year up to 30 September 2008) so as to ascertain the actual expenditure pattern of Members.

20. Having considered the time required for conducting the review and the lead time allowed for Members to submit claims for the 2007-2008 reimbursement year, it is proposed that a preliminary proposal be submitted to the Subcommittee for consideration in March 2009.

Sharing of Members' offices and staff between LegCo and non-LegCo business

21. In view that Members are supportive of the overall objective but are concerned about the practical difficulties in adopting the computation methods suggested by the compliance auditor, the Secretariat has further consulted the auditor on the related matters. A preliminary proposal is set out below for members' consideration:

- (a) Each year, the time spent on LegCo and non-LegCo work by a Member's employee should be recorded in a time sheet for at least one week. The week chosen should be representative of the employee's normal levels of LegCo and non-LegCo duties. No such recording will be necessary if the Member's office or the employee concerned is not involved in non-LegCo business.
- (b) The sharing ratio should be reviewed and documented quarterly, or whenever there is a change, by the Member and the employee concerned. The review may be conducted by filling in a new time sheet or otherwise.

- (c) As soon as a change in the ratio of LegCo and non-LegCo work is noted, the new ratio should be applied in the claiming of the Member's OER.
- (d) For the review of the auditor, preferably the nature, not details, of LegCo and non-LegCo work done by the employee could be documented. Submission of such documentation to the Secretariat is not required.

22. A sample of the proposed time sheet is in **Appendix V**.

Advice sought

23. Members are invited to take note of the paper and offer views on how to follow up matters relating to Members' remuneration and OER.

Administration Division
Legislative Council Secretariat
17 November 2008

For discussion
on 11 January 2008

FCR(2007-08)49

ITEM FOR FINANCE COMMITTEE

HEAD 112 – LEGISLATIVE COUNCIL COMMISSION Subhead 366 Remuneration and reimbursements for Members of the Legislative Council

Members are invited to approve enhancements to the remuneration package for Members of the Legislative Council with effect from the fourth term of the Legislative Council due to begin in October 2008.

PROBLEM

The remuneration package for Members of the Legislative Council (LegCo) requires appropriate enhancements.

PROPOSAL

2. As recommended by the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (the Independent Commission) and approved by the Chief Executive in Council, we propose, for implementation with effect from the fourth-term LegCo due to begin in October 2008, to –

- (a) increase the monthly remuneration for LegCo Members by 15%, on top of the price adjustment to be made in October 2008;

/(b)

- (b) provide a gratuity pitched at 15% of the total remuneration that Members receive during a LegCo term, which is payable upon the end of their service with LegCo for that whole term, subject to such exceptions as set out in paragraph 13 below;
- (c) make available an annual accountable medical allowance of \$25,000 to serving LegCo Members, which can be used either to pay for the premium of their personal medical and/or dental insurance covers, or actual medical and dental expenses, or both; and
- (d) apply to the proposed medical allowance the current price adjustment mechanism applicable to the relevant components of the remuneration package.

JUSTIFICATION

Comprehensive review

3. It is a practice for the Independent Commission to conduct a comprehensive review of the remuneration package a year or so before the start of a new LegCo term. With the fourth-term LegCo due to begin in October 2008, the Independent Commission started the review in April 2007 which is now completed.

4. In this review, the Independent Commission conducted a thorough examination of the remuneration package for LegCo Members and the underlying principles adopted previously. It also considered submissions from the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement (the LegCo Subcommittee)¹.

LegCo Subcommittee's requests

5. For the review, the LegCo Subcommittee submitted the following requests in relation to the components of the remuneration package for LegCo Members –

- (a) the monthly remuneration for LegCo Members 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 LegCo Members;

/(b)

¹ This is a subcommittee established under the House Committee to examine issues relating to the level of remuneration and expenses reimbursement for LegCo Members.

- (b) retirement benefits in the form of a gratuity at 15% of the total remuneration received should be given;
- (c) civil service medical benefits should be made available to serving LegCo Members; and
- (d) the annual accountable allowance for Operating Expenses Reimbursement (OER) be increased such that it will be sufficient for a LegCo Member to operate four district offices and one central office.

6. The Independent Commission took a practical approach to the review, viz. to review and devise a remuneration package which is commensurate with the high level of responsibilities and the powers and functions vested in LegCo membership, attractive enough for able candidates to come forward and serve the community in the capacity of LegCo Members, and which enables those who regard LegCo work as their main occupation to maintain a reasonable standard of living. The Independent Commission's considerations and recommendations are set out in the ensuing paragraphs.

Monthly remuneration

7. The LegCo Subcommittee has stated that the demands now placed on LegCo Members, and public expectations, have been rising continuously. Even for those who retain their main occupations in the relevant professions or continue to run their businesses in the relevant sectors, the time and attention they devote to LegCo work are now much more substantial than that spent on their own professions or sectors. The LegCo Subcommittee has requested that the monthly remuneration for LegCo Members should be increased by way of pegging it to a certain percentage of the salary range of the directorate officers in the civil service, or alternatively, establishing an independent remuneration scale for LegCo Members.

8. The Independent Commission recognises the increasing volume and complexity of LegCo work, the heavier responsibilities and time commitments, and the higher public expectations now placed upon LegCo Members. It further notes that there has been no change to the level of the monthly remuneration since 1991, except the annual adjustments in accordance with the movements of the Consumer Price Index (C) (CPI(C)) under the price adjustment mechanism approved by the Finance Committee. The real value of the monthly remuneration for LegCo Members has been curbed without moving in line with the growth of real income in the rest of Hong Kong's society. The Independent Commission considers that an increase is warranted.

9. The Independent Commission has examined the rate of economic growth and productivity gains vis-à-vis the change in the remuneration for LegCo Members. Since 1991, the overall rate of increase in the remuneration for LegCo Members has lagged behind the rate of growth in nominal Gross Domestic Product (GDP) per employed person and per capita nominal GDP by 12.0% and 16.4% respectively. In this light, the Independent Commission recommends that, with effect from the fourth-term LegCo, the monthly remuneration be increased by 15%, on top of the price adjustment due in October 2008. Based on the existing rate of \$56,750 at the 2007 price level, the proposed 15% increase will bring the monthly remuneration to the level of \$65,260 (rounded to the nearest ten). This will place LegCo Members among the top 2.1% – 2.2% of salary earners as at 2006 (as opposed to 2.8% – 2.9% currently). The Independent Commission further recommends that the monthly remuneration for the LegCo President and the President's Deputy should continue to be fixed at 200% and 150% respectively of that for their fellow LegCo Members after the proposed 15% increase.

End-of-service gratuity

10. The LegCo Subcommittee has requested that a gratuity equivalent to 15% of the remuneration that LegCo Members receive during their tenure of office be provided. The Independent Commission is sympathetic to the need to provide some form of protection to help LegCo Members tide over a period should they decide not to seek re-election or fail to be re-elected. Accordingly, and also in recognition of LegCo Members' service, the Independent Commission recommends that an end-of-service gratuity be made available to LegCo Members as requested. As to the size of the proposed gratuity, the Independent Commission considers that it is appropriate to pitch the gratuity at 15% of the total remuneration that LegCo Members receive, as this percentage is adopted in many entities in both the private and public sectors where an end-of-contract gratuity is payable.

11. In line with the established principle that any substantial changes to the remuneration package should be implemented only in the following LegCo term, the Independent Commission recommends that the proposed gratuity should be applicable for the fourth-term LegCo due to begin in October 2008. That is to say, starting from the fourth-term LegCo, upon the end of a LegCo term, the total amount of monthly remuneration that a LegCo Member receives in that term will be counted towards the calculation of the amount of gratuity which is payable upon the end of that term.

12. Article 69 of the Basic Law stipulates that the term of office of LegCo shall be four years, except the first term. Each LegCo Member is expected to serve for four years when he or she is elected (unless he or she is returned in a by-election). The Independent Commission recommends that the proposed gratuity should be provided when a LegCo Member has completed his or her term of office, i.e. at the end of the four-year period.

13. That said, the Independent Commission considers that there are exceptional circumstances under which a LegCo Member may be provided with the proposed gratuity even if he or she does not serve out a whole LegCo term. The Independent Commission recommends that –

- (a) upon a Member's death, the gratuity should also be payable (to the administrator of the Member's estate);
- (b) a LegCo Member should not be entitled to receive the gratuity if he or she is declared by the LegCo President to be no longer qualified for the office under Article 79 of the Basic Law², except under Article 79(1) (when he or she loses the ability to discharge his or her duties as a result of serious illness or other reasons), or under Article 79(4) (when he or she accepts a government appointment and becomes a public servant);
- (c) LegCo Members should be provided with the gratuity if their membership ceases due to the dissolution of LegCo under Article 50 of the Basic Law³;

/(d)

² Article 79 of the Basic Law stipulates the following circumstances under which the LegCo President shall declare that a Member is no longer qualified for LegCo office –

- “(1) When he or she loses the ability to discharge his or her duties as a result of serious illness or other reasons;
- (2) When he or she, with no valid reason, is absent from meetings for three consecutive months without the consent of the President of the Legislative Council;
- (3) When he or she loses or renounces his or her status as a permanent resident of the Region;
- (4) When he or she accepts a government appointment and becomes a public servant;
- (5) When he or she is bankrupt or fails to comply with a court order to repay debts;
- (6) When he or she is convicted and sentenced to imprisonment for one month or more for a criminal offence committed within or outside the Region and is relieved of his or her duties by a motion passed by two-thirds of the members of the Legislative Council present; and
- (7) When he or she is censured for misbehaviour or breach of oath by a vote of two-thirds of the members of the Legislative Council present.”

³ Under Article 50 of the Basic Law, the Chief Executive may dissolve LegCo if he refuses to sign a bill passed the second time by LegCo, or LegCo refuses to pass a budget or any other important bill introduced by the Government, and if consensus still cannot be reached after consultations.

- (d) if the LegCo President is satisfied, if necessary after consulting a body comprising LegCo Members, that a LegCo Member resigns as a result of serious illness or any other valid reasons, the LegCo President should have the discretion to have the gratuity paid to the Member; and
- (e) the amount of gratuity payable under the circumstances in (a) to (d) above should be determined on a pro-rata basis for the time the Member has served.

Medical benefits

14. The LegCo Subcommittee has requested that civil service medical benefits be made available to serving LegCo Members. The Independent Commission accepts the LegCo Subcommittee's submission that the physical well-being of serving LegCo Members is important given the heavy demands placed on them, and recommends that certain forms of medical benefits should be made available to them so as to help them maintain better health and better serve the community during their tenure of office. It does not, however, support the LegCo Subcommittee's proposal of making available civil service medical benefits, being a type of staff benefits, for LegCo Members who have no employment relationship with the Government.

15. At present, LegCo Members may reimburse from the OER their expenses on the premium of their personal medical and dental insurance policies. The LegCo Subcommittee has previously stated that many LegCo Members have not done so as they have devoted the OER to other more pressing items. To address this point, the Independent Commission recommends that the present arrangement be strengthened, by the provision of a separate, additional annual accountable medical allowance. From this proposed accountable medical allowance, LegCo Members should be allowed to pay for the premium of their personal medical and/or dental insurance policies, either procured individually or jointly with other LegCo Members (in which case the premium should be apportioned evenly amongst all the involved LegCo Members and charged to their respective accounts), or to use the allowance to pay for actual medical and dental expenses. Having considered the premium of insurance plans generally available in the market which provide a comprehensive hospitalisation and out-patient coverage, the Independent Commission recommends that the allowance be pitched at \$25,000 per annum. The level of this medical allowance should be subject to the same price adjustment mechanism as applied to the monthly remuneration, the OER and the entertainment and travelling expenses allowance. The current arrangement where LegCo Members may reimburse from the OER their expenses on the premium of their personal medical and dental insurance policies should cease with effect from the fourth-term LegCo.

/OER

OER

16. Following a review of the level of the OER conducted by the Independent Commission in mid-2006, the Finance Committee approved on 3 November 2006, vide FCR(2006-07)23, an increase of 10% in the OER with retrospective effect from 1 October 2006. With this increase, and the two price adjustments made in October 2006 and October 2007, the current level of the OER stands at \$1,534,020 per annum (i.e. \$127,835 per month). In its latest written submission to the Independent Commission, the LegCo Subcommittee requested that the OER should be increased to cater for the establishment of a LegCo Member's office in each District Council constituency, and that as in most cases, there are four District Council constituencies in a LegCo geographical constituency, the OER level should be set at a level with adequate provisions for the establishment of four district offices, on top of the central office.

17. In the review of the level of the OER conducted in mid-2006, the Independent Commission took the view that the need amongst LegCo Members and the cost of running a Member's office varied greatly, and that it was difficult, if not impossible, to devise an objective yardstick to determine the optimum number of assistants and district offices for LegCo Members, having regard to their different background and different modes of operation. The Independent Commission stands by this view in the present comprehensive review. It finds it difficult to accept the LegCo Subcommittee's submission that operating four district offices (plus one central office made available by the Administration to each LegCo Member free of charge) should be taken as the benchmark for determining the level of the OER.

18. In considering whether the current level of the OER is adequate for the majority of LegCo Members, the Independent Commission considers it prudent to examine the utilisation rate of the OER for the period after the 10% increase effective from 1 October 2006. For the period from October 2006 to May 2007 (the latest month with available information), the average utilisation rate of the OER was 86.6% which was slightly on the decline when compared with the rate of 92.6% for the same eight-month period in the 2005-06 legislative session. The Independent Commission therefore considers that there are not enough empirical data to allow an informed judgment at this stage and recommends no change to the current level of the OER.

/FINANCIAL ...

FINANCIAL IMPLICATIONS

19. We estimate that the annual additional expenditure due to the 15% increase in the monthly remuneration and the provision of an annual accountable medical allowance will be around \$6.28 million and \$1.5 million respectively. The proposed payment of 15% gratuity will entail additional expenditure of \$28.9 million per term. The total financial implications of implementing the proposals for the fourth-term LegCo, save for any annual price adjustments to be made, will be about \$60 million. Subject to Members' approval, we will include the necessary provisions in the draft Estimates of the respective financial years.

PUBLIC CONSULTATION

20. In the review conducted in mid-2006, the Independent Commission met the LegCo Subcommittee on 6 June 2006 and 2 August 2006. For the present comprehensive review, the Independent Commission visited two district offices operated by LegCo Members on 11 September 2007, and met the LegCo Subcommittee again on 18 September 2007. We also attended a meeting of the LegCo Subcommittee on 30 July 2007 to receive their views.

BACKGROUND

21. The Independent Commission is appointed by the Chief Executive to determine the remuneration package for the Executive Council and LegCo Members in the Hong Kong Special Administrative Region. The Independent Commission has completed a review and recommended enhancements to several components of the remuneration package for LegCo Members with effect from the fourth-term LegCo.

Encl. 22. The proposed remuneration package for LegCo Members, effective as from the fourth-term LegCo, together with the existing one, are at the Enclosure.

Administration Wing
Chief Secretary for Administration's Office
January 2008

Existing and proposed remuneration package for LegCo Members

<p style="text-align: center;">Existing Package</p>	<p style="text-align: center;">Proposed Package with effect from the fourth-term LegCo (before any effect of price adjustments)</p>
<p>1. Monthly Remuneration</p> <p>\$113,500 for the LegCo President \$85,150 for the President's Deputy \$56,750 for other Members</p> <p>2. Annual Expenses Reimbursement</p> <p>(a) Operating expenses reimbursement \$1,534,020 (b) President's entertainment expenses \$157,460 (c) President's and other Members' entertainment and travelling expenses \$157,310</p> <p>3. One-off Provisions (per term)</p> <p>(a) Setting-up \$150,000 (b) Information technology and communications \$100,000 (c) Winding up \$127,835 and actual for severance payments</p>	<p>1. Monthly Remuneration</p> <p>\$130,520 for the LegCo President \$97,890 for the President's Deputy \$65,260 for other Members</p> <p>2. Annual Expenses Reimbursement</p> <p>(a) Operating expenses reimbursement \$1,534,020 (b) President's entertainment expenses \$157,460 (c) President's and other Members' entertainment and travelling expenses \$157,310 (d) Medical allowance \$25,000</p> <p>3. One-off Provisions (per term)</p> <p>(a) Setting-up \$150,000 (b) Information technology and communications \$100,000 (c) Winding up \$127,835 and actual for severance payments</p> <p>4. Gratuity (payable at the end of a term)</p> <p>pitched at 15% of the total remuneration received during the term</p>

**Extract from Minutes of the 8th Meeting of
Finance Committee of the Legislative Council
held on 11 January 2008**

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Action

Item No. 9 - FCR(2007-08)49

HEAD 112 – LEGISLATIVE COUNCIL COMMISSION

**♦ Subhead 366 Remuneration and reimbursements for Members of the
Legislative Council**

6. The Chairman informed members that the Subcommittee on Members' Remuneration and Operating Expenses Reimbursement (the Subcommittee) was consulted on the proposal at its meeting on 10 January 2008.

7. Prof Patrick LAU, Chairman of the Subcommittee, said that the Subcommittee was supportive of the proposed enhancements to the remuneration package for Members of the Legislative Council (LegCo) with effect from the fourth term of LegCo. However, the Subcommittee was dissatisfied that no increase had been made to the annual accountable allowance for Operating Expenses Reimbursement (OER). In this connection, the Director of Administration (D of Admin) was requested to relay the Subcommittee's concern on the need to adjust OER upwards to the Independent Commission on Remuneration for Members of the Executive Council and the Legislature of the Hong Kong Special Administrative Region (the Independent Commission) for re-consideration. The Subcommittee hoped that a decision on the increase in OER should be made within the current legislative session in order to attract more candidates of high calibre to take part in the forthcoming election. D of Admin had taken note of the Subcommittee's concern and would gather information on the utilization rate of OER from the LegCo Secretariat for further action.

8. Ms Emily LAU said that the proposed adjustments to the remuneration package could not meet Members' request. It was also unfair to invite those who had never participated in direct election to review the remuneration package for LegCo Members. Besides, the proposed increase in monthly remuneration had only brought the salary back to the level in 1998, which was far less than that for key Government officials. The low remuneration package would not be able to attract more candidates of high calibre to take part in the election of the fourth term of LegCo. She was also dissatisfied that no increase had been made to OER, the present level of which had been insufficient to meet the operating expenses of Members' offices.

9. Mr Albert CHAN echoed that the review of the remuneration package of LegCo Members conducted by the Independent Commission was a political decision. He pointed out that as long as LegCo duties were considered a form of service to the public, it was unlikely that there would be much enhancement to the remuneration package. In order to serve the public well, he opined that all LegCo Members should be full-time legislators and should be adequately remunerated for their service. Mr CHAN also requested to state for the record that despite being a member of both LegCo and District Council, his take-home pay was less than \$30,000 per month since a large proportion of the salary had been used to cover the operating expenses of his offices.

10. Mr LEE Cheuk-yan said that back in the 1980s, LegCo was a "rich men's club" and LegCo membership was a form of public service. However, the roles and responsibilities of LegCo Members had changed over the years. The low remuneration package would not be able to attract candidates of high calibre to participate in LegCo work, particularly those to be returned by geographical constituencies since unlike their counterparts from the functional constituencies, the former did not have their own well-paying jobs. He further enquired about the salary level of LegCo Members compared with that of civil service pay scale.

11. D of Admin advised that the current salary of LegCo Members was equivalent to between Points 37 and 38 on the Civil Service Master Pay Scale while the revised salary would be between Points 41 and 42. She however stressed that it was inappropriate to make a direct comparison between the salaries of Government officials and LegCo Members, given their different work nature and the fact that LegCo duties were part of public service. Notwithstanding, in view of the increasing volume and complexity of LegCo work, the Independent Commission had recommended an increase in the monthly remuneration for LegCo Members by 15%, and the provision of a gratuity pitched at 15% of the total remuneration that Members received during a LegCo term as well as an annual accountable medical allowance of \$25,000 to serving LegCo Members. The increase in the monthly remuneration and the provision of a gratuity would amount to an increase of over 30% in the remuneration package. In the review of the remuneration package for Members of the fourth term of LegCo, the Independent Commission had thoroughly examined the components of the remuneration package, including OER. The Independent Commission had recommended a 10% increase in OER in the review conducted in 2006 and the increase had already taken effect in October 2006. In the current review, the Independent Commission had noted that the average utilization rate of OER was slightly on the decline following the 10% increase in October 2006. The Independent Commission had adopted a holistic approach in examining the remuneration package. The proposed enhancements to the remuneration package were appropriate and the Independent Commission had recommended no change to OER at this stage. However, it was prepared to revisit the issue during the fourth-term LegCo if circumstances warranted. Ms LAU asked whether the Independent Commission would further discuss the level of OER when information on the utilization rate was gathered. D of Adm undertook to relay members' request to the Independent Commission.

12. While agreeing that it was not appropriate to draw a comparison between the salaries of LegCo Members and Government officials, Mr Abraham SHEK pointed out that LegCo Members had made substantial contribution to the public through their service at LegCo. Therefore, they should be fairly and adequately remunerated for their work so that they had sufficient means to provide for their families. Furthermore, a reasonable remuneration package was needed to attract the right calibre of people to stand for election as LegCo Members.

13. Mrs Sophie LEUNG said that people of calibre, irrespective of their wealth, should be encouraged to participate in LegCo elections and become LegCo Members. She agreed to the need to develop political talents and to attract them to stand for election for LegCo membership.

14. On the proposed provision of an end-of-service gratuity pitched at 15% of the total remuneration that Members received during a LegCo term, Mrs Anson CHAN noted that this was meant to help LegCo Members tide over a period should they decide not to seek re-election, or fail to be elected. While supporting the proposal, she sought elaboration on the arrangement to provide the gratuity even if a Member did not serve out a whole LegCo term, as in the case of a Member's death whereby the gratuity would be payable to the administrator of the Member's estate. D of Admin said that the gratuity was meant as recognition of Members' contribution to the work of LegCo. Hence, it would be still be payable to a Member if he or she did not serve out a whole LegCo term because of death, by which case the gratuity would be paid to the administrator of the Member's estate. Mrs CHAN said that if this was the case, it should be set out more clearly in the Administration's paper.

15. The Chairman put FCR(2007-08)49 to the vote. 20 members voted for the proposal and two members voted against. The individual results were as follows:

For :

Mr James TIEN Pei-chun
Mr CHEUNG Man-kwong
Mr CHAN Kam-lam
Mr WONG Yung-kan
Mr Howard YOUNG
Mr LAU Wong-fat
Miss CHOY So-yuk
Ms LI Fung-ying
Mr LI Kwok-ying
Mr KWONG Chi-kin
(20 members)

Mrs Selina CHOW LIANG Shuk-ye
Miss CHAN Yuen-han
Mrs Sophie LEUNG LAU Yau-fun
Mr Jasper TSANG Yok-sing
Mr LAU Kong-wah
Ms Miriam LAU Kin-ye
Mr Abraham SHEK Lai-him
Mr Tommy CHEUNG Yu-yan
Prof Patrick LAU Sau-shing
Mrs Anson CHAN, GBM, JP

Action

Against :

Mr LEE Cheuk-yan
(2 members)

Ms Emily LAU Wai-hing

16. The Committee approved the proposal.

X X X X X X X X X

**New Rates for Members' Remuneration, Medical Allowance
and Operating Expenses Reimbursement**

Members' remuneration and ceilings for reimbursement of medical allowance and certain operating expenses are subject to annual adjustment in accordance with the movement of Consumer Price Index (C). The new remuneration and reimbursement rates effective from 1 October 2008 as notified by the Administration are as follows:

<i>Remuneration</i>	<i>Old Rate (1/10/2007 - 30/9/2008)</i>	<i>New Rate (1/10/2008 - 30/9/2009)</i>
<u>Remuneration</u>	<u>Per month</u>	<u>Per month</u>
✧ President	\$113,500	\$136,400
✧ President's Deputy	\$85,150	\$102,300
✧ a Member who does not serve on the Executive Council	\$56,750	\$68,200
✧ a Member who serves on the Executive Council	2/3 of \$56,750 i.e. \$37,830	2/3 of \$68,200 i.e. \$45,470

<i>Reimbursement</i>	<i>Old Rate (1/10/2007 - 30/9/2008)</i>	<i>New Rate (1/10/2008 - 30/9/2009)</i>
<u>Medical Allowance</u>	<u>Per year</u>	<u>Per year</u>
✧ Each Member	N/A	\$26,130
<u>Operating Expenses Reimbursement</u>	<u>Per year</u>	<u>Per year</u>
✧ accountable component for office operation	not exceeding \$1,534,020	not exceeding \$1,603,050
✧ non-accountable component for entertainment and travelling	not exceeding \$157,310	not exceeding \$164,390
(amount which may be used for employing staff)	(\$78,655)	(\$82,195)
<u>President's Entertainment Reimbursement</u>	<u>Per year</u>	<u>Per year</u>
(amount which may be claimed without supporting documents)	\$157,460 (\$47,240)	\$164,550 (\$49,370)

Subcommittee on Members' Remuneration and Operating Expenses Reimbursement

Opinion survey results on sharing of offices and staff between LegCo and non-LegCo business

Questions	Yes	No	No Comment
1. Should sharing of a Member's office and/or staff with the following parties (or for the following purposes) be allowed?			
(a) any private/commercial business	16 + 1 (in respect of staff only)	35 + 1 (in respect of office only)	1
(b) organizations related to the functional constituency that the Member represents	46	7	0
(c) the District Council office of the Member and/or other District Council Member(s)	50	2	1
2. If shared use of a Member's office and staff is allowed, should the following records be maintained?			
(a) time sheets or time logs for staff serving both LegCo and non-LegCo business (Please see Attachment to LC Paper No. AS230/07-08 for a sample time sheet.)	21	25	7
(b) time logs for shared rooms occasionally used by a Member's office (e.g. meeting rooms in a shared office) (Note: At present, the Reimbursement Guide requires that a floor plan demarcating areas dedicated to LegCo and non-LegCo business be submitted to justify the office rent shared.)	21	24	8
(c) no additional records are required, the present practice of relying on the Member's estimation is adequate	35	11	7

Hon _____'s Office

Time Sheet

Name of Employee: _____

Date	No. of hours	
	LegCo business ¹	Non-LegCo business
..... (Monday)		
..... (Tuesday)		
..... (Wednesday)		
..... (Thursday)		
..... (Friday)		
..... (Saturday)		
..... (Sunday)		
Total		

Signature of Member

Signature of Employee

Date:

Date:

¹ "LegCo business" refers to activities relating to the exercising of the powers and functions of LegCo as stipulated in Article 73 of the Basic Law, general policy issues as well as matters which have been raised or discussed at meetings of LegCo and/or its committees. For example, secretarial support to Members for dealing with matters of the Council and its committees, research on subjects deliberated by Members, processing of Members' reimbursement claims with the LegCo Secretariat, collection of public opinion on government policies and handling of complaints on various subject matters.