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LEGCO PANEL ON WELFARE SERVICES

Retirement Protection in Hong Kong

Purpose

This paper briefs Members on the retirement protection regime in Hong Kong.

The three-pillar model for retirement protection

2. Improving the quality of life of the elderly so as to provide them with a sense of security, a sense of belonging and a feeling of health and worthiness has always been the Government's policy objective. In line with this objective, Hong Kong has been adopting a three-pillar model for retirement protection: the non-contributory social security system, the Mandatory Provident Fund (MPF) system and voluntary private savings. The ensuing paragraphs provide an overview of the first two pillars.

The social security system

3. The social security system in Hong Kong (comprising the Comprehensive Social Security Assistance (CSSA) Scheme, and the Social Security Allowance (SSA) Scheme which is made up of Old Age Allowance (OAA) and Disability Allowance (DA)) channels welfare resources to those most in need, including the elderly. Nearly 80% of elders aged 65 or above are at present receiving assistance or allowance of different types under the social security system. The percentage of elders aged 70 or above receiving assistance or allowance reaches 88%. The CSSA Scheme under this system is the safety net of last resort for elders who cannot support themselves financially. Compared to able-bodied adults, elders enjoy more relaxed means test requirements and higher standard rates, special grants and supplements under the CSSA Scheme. The standard rates range from $2,445 to $4,420 per month, depending on the health condition of the elderly recipient; and the average monthly CSSA payment for singleton elders is $4,133 when special grants and supplements applicable to elders are taken into account. For elders not on CSSA who either have severe disabilities or are aged 65 or above, they may apply for DA or OAA respectively to meet their special needs arising from severe disability or old age. DA, as well as Higher OAA for elders aged 70 or above, are not subject to means test.

The MPF system

4. The MPF system aims to assist the employed population in accumulating retirement savings through contributions by both employers and employees so as to enhance retirement protection for the employed population in Hong Kong. Unless exempted, employees and self-employed people aged between 18 and 65 are required to join MPF schemes. The employer and employee are each required to contribute 5% of the employee's relevant income to a registered MPF scheme, subject to the maximum and minimum levels of monthly income for contribution purposes, currently at $20,000 and $5,000 respectively, which also apply to self-employed persons who have to contribute 5% of his or her relevant income.

5. Before the implementation of the MPF system, only about one-third of the Hong Kong workforce had some forms of retirement protection. As at the end of September 2010, around 2 500 000 employees and self-employed persons as well as 241 000 employers were participating in MPF schemes. The total value of assets accumulated under the MPF system exceeded $345.7 billion. Together with other retirement protection schemes, around 90% of our working population have participated in a retirement protection scheme. In addition, the percentage of voluntary contribution to total MPF contribution increased from 9.2% to 15.4% during the period from 2002 to the third quarter of this year.

Way forward

6. The three-pillar model for retirement protection being implemented in Hong Kong was adopted in the 1990's after lengthy discussion by different sectors of the community.

7. We are aware that Hong Kong, like many other countries, is facing the problems of an ageing population. According to the latest projection of the Census and Statistics Department, people aged 65 or above will increase from 0.89 million in 2009 to 1.33 million in 2019, 2.06 million in 2029 and 2.49 million in 2039. Their proportion in the population will rise from 13% in 2009 to 17% in 2019, 25% in 2029 and 28% in 2039. The Central Policy Unit is studying the sustainability of the existing retirement protection model. In deciding on the course of action, we will consider the findings of the study and other pertinent factors such as how to safeguard traditional family values, maintain our overall economic competitiveness and simple tax system, ensure the sustainable development of the social security system, etc.

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