

**立法會**  
**Legislative Council**

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seen by the Administration)

Ref : CB2/PS/1/10

**Panel on Welfare Services**

**Subcommittee on Retirement Protection**

**Minutes of the second meeting**  
**held on Thursday, 2 June 2011, at 8:30 am**  
**in Conference Room A of the Legislative Council Building**

**Members present** : Hon CHEUNG Kwok-che (Chairman)  
Hon LEE Cheuk-yan  
Hon TAM Yiu-chung, GBS, JP  
Hon LI Fung-ying, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon WONG Sing-chi  
Hon IP Wai-ming, MH  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung

**Member absent** : Hon LEUNG Yiu-chung

**Member attending** : Hon CHAN Kin-por, JP

**Public Officers attending** : Item I

Mrs Polly CHAN  
Principal Assistant Secretary for Labour and Welfare  
(Welfare) 4

Miss Emmy WONG  
Principal Assistant Secretary for Financial Services and  
the Treasury (Financial Services) 3

Ms Reddy NG  
Principal Economist (4)  
Economic Analysis and Business Facilitation Unit  
Financial Secretary's Office

Mr Stephen LEUNG  
Assistant Commissioner for Census and Statistics  
(Social)

**Attendance by : Item I  
invitation**

Professor HO Wing-him  
Former Deputy Secretary for Health and Welfare

Professor WONG Hung  
Associate Professor of the Department of Social Work  
The Chinese University of Hong Kong

**Clerk in : Miss Betty MA  
attendance** Chief Council Secretary (2) 4

**Staff in : Ms Maisie LAM  
attendance** Senior Council Secretary (2) 5

Miss Maggie CHIU  
Legislative Assistant (2) 4

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- I. Meeting with academics and the Administration**  
[LC Paper Nos. CB(2)534/10-11(01), CB(2)1664/10-11(02),  
CB(2)1903/10-11(01), CB(2)1947/10-11(01) and IN13/10-11]

The Subcommittee deliberated (index of proceedings attached at  
**Annex**).

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2. The Subcommittee received views from two academics on the retirement protection regime in Hong Kong, who pointed out that as the post-war baby boom cohort who was born in the 1950s and 1960s was entering old age, the proportion of the elderly population in Hong Kong would increase rapidly over the next two decades. Hence, there was a pressing need for the Administration to plan early for the challenges to be brought about by an ageing population to ensure that all elders could lead a dignified and financially-secured life in their old age. However, the three-pillar model for retirement protection currently implemented in Hong Kong, viz. the non-contributory social security system, the Mandatory Provide Fund ("MPF") system and voluntary private savings, was far from adequate for protecting the retirement life of all elders for various reasons.

3. Members shared the concerns of the academics. They pointed out that the Comprehensive Social Security Assistance ("CSSA") Scheme was at present means-tested and some vulnerable elderly had not applied for CSSA because of its labelling effect. The MPF system did not cover persons not participating in the workforce. Its accrued benefits for low-income earners and the current generation of older working population would also be limited. In addition, given the existing arrangement to allow employers to use the MPF accrued benefits to offset severance payments or long service payments, the remaining balances could not contribute in a meaningful way towards the retirement of those employees under contract employment. A declining trend of financial support from the working children for their elderly parents was also observed. In the light of this, members considered it incumbent upon the Administration to map out a sustainable retirement protection regime for Hong Kong as early as possible by putting forward a wide range of options for community-wide consultation with a view to forging broad consensus on the issue within the community. They pointed out that the slower the Administration took concrete actions to enhance the retirement protection regime in Hong Kong, the less the time would be available for the Administration to cope with the challenges of an ageing population. They therefore expressed disappointment at the lack of concrete details of the way forward in the Administration's paper.

4. In response to the views of members and depositions, Principal Assistant Secretary for Labour and Welfare (Welfare) 4 advised that the Administration, taking into account socio-economic changes, had been monitoring closely the operation of the existing three-pillar model for retirement protection which was adopted in the 1990's after lengthy discussion by different sectors in the community, and had looked into its sustainability and made improvements as necessary. The studies of the Central Policy Unit ("CPU") between 2007 and 2010 found that overall

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speaking, the three pillars were complementary to one another, and would continue to be so in future. At present, CPU was refining its studies having regard to the latest developments. In the course of refining the studies, CPU would arrange various focus group meetings with academics, experts, think tanks and concerned groups to assess the sustainability of the existing system, and studying how to improve and optimise each pillar. CPU would submit its proposals to the Administration for internal deliberation in due course.

5. On the effectiveness of the MPF system to enhance the retirement protection of the working population, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services) 3 advised that around 85% of the working population was currently covered by some form of retirement protection. Since inception of the MPF system on 1 December 2000 and up to 31 December 2010, the annualised internal rate of return after deduction of fees and charges was 5.5%. This demonstrated that the MPF system had contributed to assisting the working population to accumulate retirement savings in the long-term. That said, the Administration considered that there were rooms for improvement to the MPF system. The Administration and the Mandatory Provident Fund Schemes Authority (“MPFA”) had been working closely to review and improve the various operational arrangements of the MPF system. For instance, the Administration and MPFA would continue to press for lower management fees of MPF funds by enhancing market transparency and increasing market competition. The Administration further advised that before the MPF system came into operation, employers had already been allowed under the Employment Ordinance (Cap. 57) to use their contributions to retirement schemes for offsetting severance payments or long service payments. This long-established offsetting arrangement had been extended to cover MPF schemes after extensive consultation and balancing all relevant considerations. The Administration had no plan to review the arrangement at this stage.

6. Notwithstanding the explanation, members stressed that population ageing was taking place and the Administration should seize the window of opportunity offered by this transition to carry out a holistic review of, rather than piecemeal improvement to, the existing three-pillar model for retirement protection in Hong Kong. They urged the Administration to adopt the five-pillar pension model proposed by the World Bank in 2005 having regard to the past decade of experience of the World Bank in pension reform by introducing a universal retirement protection scheme in Hong Kong. They also requested the Administration to make public the findings of the CPU's studies on the subject of retirement protection and provide

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justifications for turning down the partially pre-funded universal retirement protection scheme proposed by the Joint Alliance for Universal Retirement Protection.

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7. To facilitate further discussion, the Administration was requested to provide -

- (a) further information on its way forward for enhancing the existing three-pillar retirement protection system, including whether consideration would be given to -
  - (i) increasing the amount of the non-contributory and non-means-tested Old Age Allowance;
  - (ii) increasing the percentage of employers' and/or employees' contribution of the relevant income, which was currently set as 5% of the relevant income, as mandatory contributions to the MPF Schemes;
  - (iii) allowing the elderly to apply for CSSA on an individual basis;
  - (iv) removing the requirement for family members of elderly CSSA applicants to make the statement on non-provision of financial support for the applicants; and
  - (v) reviewing the assets limit for elderly CSSA applicants, in particular the calculation of the value of the self-occupied property of the applicants;
- (b) the justifications for the findings of CPU that the three pillars of the existing retirement protection system were complementary to one another, and would continue to be so in future;
- (c) information to explain, with supporting statistics for each pillar and a breakdown by the income level of the working population (i.e. below \$5,000, \$5,000-\$7,999, \$8,000-\$11,999, \$12,000 or above), whether without a change in the existing three-pillar model, the three pillars would be sustainable for the next 10, 20 and 30 years, having taken into account the factor of inflation and the average life expectancy of the population;
- (d) in respect of the MPF Schemes,

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- (i) a breakdown, by age group, of the respective numbers of scheme members whose income was below the minimum relevant income level for MPF contributions (i.e. \$5,000);
  - (ii) the number of scheme members whose accrued benefits derived from the contributions made by the employers in respect of them in their MPF Schemes were used by their employers to offset severance payments or long service payments since the inception of the MPF System on 1 December 2000, the amount of accrued benefits withdrawn and the percentage of these scheme members against the total number of scheme members;
  - (iii) a breakdown, by income level, of the respective numbers of scheme members who had made voluntary contributions in excess of mandatory contributions; and
  - (iv) based on the assumption that the annualised internal rate of return after deduction of fees and charges was 5.5%, the amount of the accrued benefits of a scheme member, who worked from the age of 20 to 65 under 15 three-year contracts and whose severance payments or long service payments were to be offset by the accrued benefits in the MPF Schemes upon completion of each contract, at the age of 65; and
- (e) the number of employees joining the Occupational Retirement Schemes and the projected retirement scheme benefits in accordance with the vesting scale of accrued benefits when they fell due.

8. The Chairman suggested and members agreed that representatives of CPU should be invited to attend future meetings of the Subcommittee to answer questions from members on its study on the sustainability of the existing three-pillar model for retirement protection.

## **II. Any other business**

9. Members agreed that the Research Division of the Legislative Council Secretariat be requested to conduct a research study on the retirement protection system in Spain, New Zealand and Greece.

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10. The Chairman reminded members that the next meeting of the Subcommittee would be on 25 June 2011 to receive views from deputations.
11. There being no other business, the meeting ended at 10:35 am.

Council Business Division 2  
Legislative Council Secretariat  
24 October 2011

**Proceedings of the second meeting of the  
Subcommittee on Retirement Protection  
on Friday, 2 June 2011, at 8:30 am  
in Conference Room A of the Legislative Council Building**

Time marker	Speaker(s)	Subject(s)	Action required
<i>Agenda item I – Meeting with academics and the Administration</i>			
000000 - 000336	Chairman	Opening remarks	
000337 - 001122	Administration Chairman	Briefing by the Administration on its population and economic projections, studies of the Central Policy Unit ("CPU") on the retirement protection regime in Hong Kong and the way forward [LC Paper No. CB(2)1903/10-11(01)].	
001123 - 001908	Prof WONG Hung, Department of Social Work, The Chinese University of Hong Kong Chairman	Presentation of views  Highlighting the five-pillar model on pension reform proposed by the World Bank in 2005; the shortcomings of the existing three-pillar retirement protection system in Hong Kong; and the findings of the survey conducted by the Hong Kong Polytechnic University which revealed that the majority of the respondents (79.4%) expressed support for the implementation of a universal retirement protection scheme in Hong Kong.	
001909 - 003027	Prof HO Wing-him, Former Deputy Secretary for Health and Welfare Chairman Mr Ronny TONG	Presentation of views as detailed in the submission [LC Paper No. CB(2)1947/10-11(01)]  Concern about the declining reliability of family as a major source of financial support for their elderly parents and the fact that the post-war baby boom cohort was entering old age; and the inadequacy of the Comprehensive Social Security Assistance ("CSSA") Scheme, the Old Age Allowance ("OAA") and the Mandatory Provident Fund ("MPF") system in providing retirement protection for the elderly.	
003028 - 003719	Ms LI Fung-ying Prof WONG Hung, Department of Social Work, The Chinese University of Hong Kong Chairman	Ms LI Fung-ying's concern on the sustainability of a universal retirement protection system and whether the introduction of the universal retirement protection system would create a heavy burden on the younger generation in supporting the elderly population.  Prof WONG Hung's advice that under the proposal of the Joint Alliance for Universal Retirement Protection ("the Joint Alliance"), contribution from working population was only one of the various sources of funding for the proposed partially pre-funded universal retirement protection scheme. Additional sources of funding included existing provisions earmarked for the CSSA and OAA Schemes, revenue from profit tax and seed money from the Government. An early implementation of	

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		<p>the scheme could ensure that adequate funds could be accumulated to support the future ageing population on a sustainable basis.</p>	
003720 - 004433	<p>Mr Ronny TONG Chairman Administration</p>	<p>Mr Ronny TONG's view that it was incumbent upon the Administration to conduct wide public consultation on options for the future retirement protection regime.</p> <p>The Administration's response that various focus group meetings with academics, experts, think tanks and concerned groups had been arranged by CPU to assess the sustainability of the three-pillar model for retirement protection currently adopted in Hong Kong and study how each pillar could be improved and optimised. It was not an opportune time for consulting the public on the subject when CPU's study was still ongoing.</p> <p>The Administration was requested to provide in writing information to explain, with supporting statistics for each pillar, whether without a change in the existing three-pillar model, the three pillars would be sustainable for the next 10, 20 and 30 years.</p>	<p><b>Admin</b></p>
004434 - 005205	<p>Mr LEE Cheuk-yan Chairman Administration Mr WONG Sing-chi</p>	<p>Mr LEE Cheuk-yan's remarks about the inadequacy in the MPF system in providing protection to the low-income earners and homemakers; and the Administration's failure to provide justifications for turning down the proposal of the Joint Alliance and why enhancement to the existing three-pillar model would suffice to provide better protection to all elderly in need.</p> <p>The Administration's advice that some of the findings of CPU's studies were presented at a conference in 2010 and some had also been made available on the CPU's website. As the CPU's study on the model of retirement protection remained to be refined in the light of the latest developments, the Administration could not provide at this stage any proposals on how the existing retirement protection system could be enhanced for members' discussion.</p> <p>The Administration was requested to provide in writing further information on its way forward for enhancing the existing retirement protection system, as well as the justifications for the findings of CPU that the three pillars were complementary to one another, and would continue to be so in future.</p>	<p><b>Admin</b></p>
005206- 005718	<p>Prof WONG Hung, Department of Social Work, The Chinese University of Hong Kong</p>	<p>Prof WONG-hung's remarks that the Administration should give consideration to the following when mapping out its way forward for enhancing the pillar of the CSSA Scheme -</p>	<p><b>Admin</b></p>

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	Chairman Mr WONG Sing-chi Administration	(a) allowing the elderly to apply for CSSA on an individual basis;  (b) removing the requirement for family members of elderly CSSA applicants to make the statement on non-provision of financial support for the applicants; and  (c) reviewing the assets limit for elderly CSSA applicants, in particular the calculation of the value of the self-occupied property of the applicants.	
005719 - 005918	Chairman Administration	The Administration's advice that given the coverage and the annualised internal rate of return of the MPF system, the MPF system was conducive to enhancing the retirement protection of the working population in the long-term albeit that there was room for improvement.	
005919 - 010715	Mr WONG Sing-chi Administration Chairman Mr Ronny TONG	Mr WONG Sing-chi's view that the Administration should scrap the existing arrangement to allow employers to use the MPF accrued benefits to offset severance payments or long service payments.  The Administration's explanation that the arrangement to allow employers using their contributions to retirement schemes for offsetting severance payments or long service payments was long-established. The arrangement was extended to cover MPF schemes after extensive consultation.  The Administration was requested to co-ordinate the attendance of representatives of CPU for future meetings of the Subcommittee.	<b>Admin</b>
010716 - 011421	Mr IP Wai-ming Chairman Administration	Declaration of Mr IP Wai-ming that he was a member of the MPF Schemes Advisory Committee. Mr IP's view that the Administration should review the offsetting arrangement under the MPF system and put forth concrete proposals on the way forward for a sustainable retirement protection regime.  The Administration undertook to provide in writing information on the amount of the accrued benefits of a MPF scheme member, who worked from the age of 20 to 65 under 15 three-year contracts and whose severance payments or long service payments were to be offset by the accrued benefits in the MPF Schemes upon completion of each contract, at the age of 65.	<b>Admin</b>
011422 - 012331	Mr CHAN Kin-por Prof HO Wing-him, Former Deputy Secretary	Prof HO Wing-him's elaboration in response to Mr CHAN Kin-por on the respective inadequacies of the means-tested CSSA Scheme and the MPF system	

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	for Health and Welfare Chairman	in ensuring that all elderly could continue to lead a dignified and financially-secured life in their old age	
012332 - 013014	Mr LEUNG Kwok-hung Chairman	Mr LEUNG Kwok-hung's call to kick start the proposed universal retirement protection scheme with a one-off injection from the Government to support the current generation of elderly.	
013015 - 013521	Mr Alan LEONG Chairman	Mr Alan LEONG's view that the Administration should provide statistics and justifications to explain why the three-pillar model for retirement protection could be sustainable.	
013522 - 014744	Chairman Administration Mr LEUNG Kwok-hung Prof HO Wing-him, Former Deputy Secretary for Health and Welfare	<p>The Administration's explanation in response to Prof HO Wing-him and the Chairman that -</p> <ul style="list-style-type: none"> <li>(a) studies of CPU showed that while current generation of adult children provided less financial support for their parents, the current generation of working population had a higher level of awareness of the need to save for retirement;</li> <li>(b) the Administration and the Mandatory Provident Fund Schemes Authority would continue to review and improve the various operational arrangements of the MPF system, such as the fees of the MPF funds and the maximum and minimum relevant income levels for MPF contributions, etc.; and</li> <li>(c) the 2011 population census would provide up-to-date benchmark information on the demographic characteristics of the population to facilitate, among others, population and labour force projections. Findings of the census would be available by phase starting from February 2012.</li> </ul>	
014745 - 015132	Ms LI FUNG-ying Chairman	<p>The Administration was requested to provide -</p> <ul style="list-style-type: none"> <li>(a) a breakdown, by age group, of the respective number of scheme members whose income was below the minimum relevant income level for MPF contributions (i.e. \$5,000); and</li> </ul> <p>the number of scheme members whose accrued benefits derived from the contributions made by the employers in respect of them in their MPF Schemes were used by their employers to offset severance payments or long service payments since the inception of the MPF System on 1 December 2000, the amount of accrued benefits withdrawn and the percentage of these scheme members against the total number of scheme members.</p>	<b>Admin</b>

Time marker	Speaker(s)	Subject(s)	Action required
015133 - 015921	Mr LEE Cheuk-yan Chairman Administration	<p>The Administration was requested to provide -</p> <p>(a) information on its way forward for enhancing the existing three-pillar retirement protection system, including whether consideration would be given to enhancing the CSSA Scheme in the directions suggested by Prof WONG Hung earlier at the meeting; increasing the amount of OAA; and increasing the percentage of employers' and/or employees' contribution of the relevant income, which was currently set as 5% of the relevant income, as mandatory contributions to the MPF Schemes;</p> <p>(b) information to explain, with supporting statistics and a breakdown by income level of the working population (i.e. below \$5,000, \$5,000-\$7,999, \$8,000-\$11,999, \$12,000 or above), whether without a change in the MPF system, the system would be sustainable for the next 30 years, having taken into account the average life expectancy of the population;</p> <p>(c) a breakdown, by income level, of the respective number of scheme members who had made voluntary MPF contributions in excess of mandatory contributions; and</p> <p>(d) the number of employees joining the Occupational Retirement Schemes and the projected retirement scheme benefits in accordance with the vesting scale of accrued benefits when they fell due.</p>	<b>Admin</b>
015922 - 020230	Mr LEUNG Kwok-hung Chairman	Mr LEUNG Kwok-hung's view that the Administration should make available the relevant statistics and options for reforming the retirement protection system for community-wide consultation.	
020231 - 020442	Chairman Administration Mr Ronny TONG	<p>The Chairman's remark that the Administration's projection on the sustainability of the three pillars should take into account the factor of inflation.</p> <p>Proposal of conducting a research study on retirement protection system in selected places by the Legislative Council Secretariat.</p>	
<i>Agenda item II – Any other business</i>			
020443 - 020500	Chairman	Date of future meetings	