

立法會
Legislative Council

LC Paper No. CB(2)2797/11-12
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seen by the Administration)

Ref : CB2/PS/1/10

Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of the sixth meeting
held on Monday, 28 November 2011, at 2:30 pm
in Conference Room 3 of the Legislative Council Building

Members present : Hon CHEUNG Kwok-che (Chairman)
Hon LEE Cheuk-yan
Hon LEUNG Yiu-chung
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

Member absent : Hon LEUNG Kwok-hung

Public officers attending : Item I

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

Mr Leo LI
Acting Assistant Secretary for Labour and Welfare
(Welfare) 4B

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

**Attendance by : Item I
invitation**

Alliance for Universal Pensions

Mr AU YEUNG Kwun-tung
Organizer

Mr LAU Cheuk-kei
Member

Mr WONG Wo-ping
Member

Mr KONG Kai-cho
Actuary

Miss LAI Yuen-mei
Member

Mr CHAN Hok-fung
Member

Dr Larry WILLMORE
Research Scholar
International Institute for Applied Systems Analysis
Laxenburg, Austria

Mr Michael LITTLEWOOD
Co-director
Retirement Policy & Research Centre
The University of Auckland, New Zealand

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

**Staff in
attendance** : Ms Maisie LAM
Senior Council Secretary (2) 5
Miss Maggie CHIU
Legislative Assistant (2) 4

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I. Meeting with deputation and the Administration

[LC Paper Nos. CB(2)1903/10-11(01), CB(2)2350/10-11(01), CB(2)2511/10-11(01) to (02), CB(2)367/11-12(01) and CB(2)441/11-12(01) to (02)]

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

2. The Subcommittee received a presentation from the Alliance for Universal Pensions ("the Alliance") on its proposed Universal Old Age Pension Scheme. The salient points of its proposal are as follows -

- (a) all Hong Kong residents aged 65 or above were entitled to receive a non-means-tested monthly payment of \$3,000;
- (b) the Scheme would require tripartite contributions from the Government, employers and employees. Both employers and employees were required to contribute 50% of the existing mandatory contributions to the Mandatory Provident Fund ("MPF") to the proposed scheme, i.e. 2.5% of the employee's monthly income, subject to the maximum income level of \$30,000. As for employees whose income was below \$6,500, they were not required to make contributions to the proposed scheme. Consequent upon the implementation of the proposed scheme, the mandatory contributions to the MPF system by both employers and employees would be reduced correspondingly. As for the Government's contributions, the funding would be met by redeploying the recurrent expenditure for the standard rate payments for elderly Comprehensive Social Security Assistance recipients and Old Age Allowance payments to the proposed scheme. The Government was also required to inject a one-off capital of \$50 billion as a start-up fund for the scheme; and
- (c) in addition to the above refinements to the MPF system and the social security system, it was proposed that the profit tax for companies with an annual profit exceeding \$10 million should be increased by 1.9%, and the derived tax revenue would be used for recurrent injection to the proposed scheme.

3. Members were concerned about the experiences and lessons that could be drawn from overseas places in implementing non-contributory, pay-as-you-go pension schemes for the design of a viable and sustainable

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universal retirement protection system in Hong Kong. The Alliance responded that a universal and non-contributory pension scheme was considered to be crucial to ease the problem of elderly poverty, and this helped avoid the social stigma of being relied on social welfare and minimise the administrative cost to maintain a means-test mechanism and a monitoring mechanism to prevent the abusive use of public resources.

4. On the suggestion of setting up a three-tier pension scheme comprised means-tested payments, the Alliance advised that, in its view, taxation was a more equitable way to redistribute the wealth between the rich and the needy.

II. Date of future meetings

5. The Chairman reminded members that subject to the readiness of another community organisation/political group to present its proposed retirement protection model, the next meeting of the Subcommittee would be scheduled tentatively for 19 December 2011. Another Subcommittee meeting was scheduled for 17 January 2012 to receive a briefing by the Democratic Alliance for the Betterment and Progress of Hong Kong on its proposed retirement protection model.

6. There being no other business, the meeting ended at 4:31 pm.

Council Business Division 2
Legislative Council Secretariat
19 September 2012

**Proceedings of the sixth meeting of the
Subcommittee on Retirement Protection
on Monday, 28 November 2011, at 2:30 pm
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action required
<i>Agenda item I – Meeting with deputation and the Administration</i>			
000221 - 000720	Chairman	Opening remarks	
000721 - 001441	Alliance for Universal Pensions Chairman	Presentation of the proposed Universal Old Age Pension Scheme as detailed in its submission [LC Paper No. CB(2)367/11-12(01)] and its Powerpoint presentation materials.	
001442 - 002519	Alliance for Universal Pensions Chairman	Presentation of the overseas experience in universal pensions and universal minimum pensions as detailed in the paper on "Universal pensions and universal minimum pensions: Mexico City, Chile and Norway" provided by Dr Larry WILLMORE [LC Paper No. CB(2)441/11-12(01)].	
002520 - 003343	Alliance for Universal Pensions Chairman Administration	Presentation of the state pension implemented in New Zealand as detailed in the paper on "A salutary comparison: state pensions in New Zealand and the United Kingdom" provided by Mr Michael LITTLEWOOD [LC Paper No. CB(2)441/11-12(02)].	
003344 - 004240	Mr LEUNG Yiu-chung Chairman Administration	<p>Mr LEUNG Yiu-chung's concern about the high poverty rate of the elderly in Hong Kong, which according to the Hong Kong Council of Social Service, stood at 33.9% in the first half of 2010 as compared to less than 2% in New Zealand; and his concurrence of the deputation's view that the implementation of a universal, non-contributory pension scheme was crucial to ease the problem of elderly poverty.</p> <p>The Administration's response that findings of the studies of the Central Policy Unit ("CPU") on the retirement protection system in Hong Kong indicated that the three pillars under the current retirement protection model in Hong Kong were complementary to one another, and would continue to be so in future. In particular, the social security system would serve as the safety net of last resort to those financially vulnerable, including elderly living in poverty, to meet their basic and specific needs.</p>	
004241 - 004627	Mr LEE Cheuk-yan Chairman Administration	Discussion on the definition of elderly poverty and the number of elderly living in poverty in Hong Kong.	
004628 - 004945	Mr LEE Cheuk-yan Chairman Alliance for Universal Pensions	In response to Mr LEE Cheuk-yan's enquiry about the financing of the state pension in New Zealand, the Alliance for Universal Pensions' advice that while the New Zealand Superannuation Fund, which was set up in 2001 to make provision for the future pension	

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		<p>payment and contributed about 20% to 25% of the state pension, was pre-funded, the state pension in New Zealand was largely pay-as-you-go as the New Zealand Superannuation was tax-financed.</p>	
004946 - 005804	Mr TAM Yiu-chung Chairman	<p>Mr TAM Yiu-chung's view that relying the accrued benefits of the Mandatory Provident Fund ("MPF") system alone was unable to ensure that the elderly could lead a financially-secured life after retirement and the Administration had the responsibility to put forward a range of retirement protection proposals for wide public consultation.</p> <p>Mr TAM Yiu-chung's concern about the willingness of the employers and employees to contribute 50% of their existing MPF contributions to the proposed scheme so as to achieve the objective of redistributing wealth between the rich and the needy.</p>	
005805 - 010837	Mr Alan LEONG Chairman Alliance for Universal Pensions	<p>In response to Mr Alan LEONG's enquiry about the overseas experience in implementing means-tested pension schemes, the Alliance for Universal Pensions' elaboration on the reasons why a universal pension scheme was the most effective means of reducing poverty.</p>	
010838 - 012812	Mr LEE Cheuk-yan Chairman Alliance for Universal Pensions	<p>In response to Mr LEE Cheuk-yan's enquiry about Chile's transition from a pay-as-you-go public pension system to a fully-funded, privately-managed pension system in 1981, the Alliance for Universal Pensions' advice that the relatively low level of contributions, the high administrative costs and the existence of the tax-financed government guarantee of minimum pensions had led to the introduction of the Basic Solidarity Pension to provide a minimum means-tested benefit for the poorest 40% of the population in 2008.</p>	
012813 - 013551	Mr TAM Yiu-chung Chairman Alliance for Universal Pensions	<p>Mr TAM Yiu-chung's explanation of the rationale underlying the non-contributory Three-tier Retirement Protection Old Age Pension Scheme proposed by the Democratic Alliance for the Betterment and Progress of Hong Kong.</p> <p>Alliance for Universal Pensions' remarks that taxation, rather than a means test, was a more equitable way to redistribute the wealth between the rich and the needy.</p>	
013552 - 015223	Mr LEUNG Yiu-chung Chairman Alliance for Universal Pensions Administration	<p>In response to Mr LEUNG Yiu-chung's enquiry about whether the implementation of a universal retirement protection system would create a heavy financial burden on the part of the government, the Alliance for Universal Pensions' sharing of the successful experience of 12 overseas places, such as New Zealand and Mexico City, in implementing universal pension systems.</p>	

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		Discussion on the Mexico City's universal pension system.	
015224 - 015724	Mr Alan LEONG Chairman Alliance for Universal Pensions	In response to Mr Alan LEONG's enquiry on the essential parameters of a successful and sustainable universal pension system, the Alliance for Universal Pensions' advice that in view of the uniqueness underlying the policy towards the universal pension systems in different economies, it might not be possible to transplant a system that worked in one place to another place and expected it to work just as effectively.	
015725 - 020026	Mr LEE Cheuk-yan Chairman	Mr LEE Cheuk-yan's suggestion that an option to ease elderly poverty was to increase the amount of Old Age Allowance from the present level of \$1,030 to \$3,500.	
020027 - 020153	Chairman	The Chairman's concern about the timing the development of the MPF system would be mature enough to support the financial needs of the elderly upon retirement and the accuracy of the Alliance's projection that the public expenditure on old age Comprehensive Social Security Assistance and Social Security Assistance would surge to \$194 billion in 2060. On the MPF system, the Administration agreed that projected MPF accrued benefits for individual members based on a set of assumptions could be provided.	
<i>Agenda item II – Any other business</i>			
020154 - 020229	Chairman	Date of future meetings	