

立法會
Legislative Council

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seen by the Administration)

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Panel on Welfare Services

Subcommittee on Retirement Protection

**Minutes of the seventh meeting
held on Tuesday, 17 January 2012, at 10:45 am
in Conference Room 3 of the Legislative Council Building**

Members present : Hon CHEUNG Kwok-che (Chairman)
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon LI Fung-ying, SBS, JP
Hon WONG Sing-chi
Hon Alan LEONG Kah-kit, SC

Members absent : Hon LEE Cheuk-yan
Hon Ronny TONG Ka-wah, SC
Hon IP Wai-ming, MH
Hon LEUNG Kwok-hung

Member attending : Hon CHAN Kin-por, JP

Public officers attending : Item I

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

Mr Simpson LO
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**

Democratic Alliance for the Betterment and Progress of
Hong Kong

Mr CHOW Ho-ding
Chairman of Young DAB

Ms SIU Ka-yi
Deputy Spokesperson of Welfare Services of DAB

**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 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) and CB(2)822/11-12(01)]

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

2. The Subcommittee received a presentation from the Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") on its proposed non-contributory Three-tier Retirement Protection Old Age Pension Scheme to meet the financial needs of the elderly who were Hong Kong permanent residents aged 65 or above and had resided in Hong Kong continuously for a period of not less than seven years. The salient points of its proposal are as follows -

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- (a) *first tier scheme*: a non-means-tested monthly payment of \$1,035, equivalent to the monthly Old Age Allowance ("OAA") payment, would be payable to all eligible elders. The OAA Scheme was replaced by the Old Age Pension Scheme accordingly;
- (b) *second tier scheme*: recipients of the second tier payment would receive \$2,070 monthly, i.e. twice of the first tier payment. Eligible elders had to meet the income and asset tests same as those for Normal OAA, i.e. a monthly income limit of \$6,450 and an asset limit of \$177,000 excluding the value of the owner-occupied residential property;
- (c) *third tier scheme*: recipients of the third tier payment would receive \$3,105 monthly, i.e. thrice of the first tier payment. Eligible elders had to meet the income and asset tests, which would be set at a monthly income limit of \$6,450 and an asset limit of \$88,500 excluding the value of the owner-occupied residential property (i.e. half of the asset limit for the second tier);
- (d) the mandatory contributions from employers and employees to the Mandatory Provident Fund ("MPF") system would remain unchanged. Instead, the MPF accrued benefits would be regarded as assets under the asset test of its proposed Old Age Pension Scheme; and
- (e) the Comprehensive Social Security Assistance ("CSSA") Scheme remained unchanged, but eligible elders might opt for either CSSA or the old age pension. Nonetheless, eligible elders who were disabled would continuously be eligible for Disability Allowance;

As regards the funding source, it was projected that a recurrent government funding of about \$9.2 billion on top of the recurrent expenditure for OAA was adequate for meeting the additional recurrent expenditure arising from the introduction of the proposed scheme if it was to be implemented in 2012.

3. In response to the concern raised by some members about the imposition of means tests on the second and third tier schemes and the administrative cost to be incurred for conducting the financial assessment and maintaining a monitoring mechanism to prevent fraud and abuse, DAB stressed that its proposed model was premised on the principle that the

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finite public resources should be utilised to meet the financial needs of those most in need. The income and asset tests could be as simple as making a self-declaration by the applicants. DAB further pointed out that its proposed model was aimed at providing a new form of financial support on top of OAA, which imposed less stringent assets and income limits than those under the CSSA Scheme, for those poor elders not on CSSA or for various reasons did not apply for CSSA. It would complement the existing old age CSSA cases and the MPF system.

4. There was a suggestion that as a pre-emptive measure to pre-fund the future pension costs of the proposed scheme in the face of a growing and ageing population, and as a buffer to meet the expenditure of the scheme when there was a downturn of the economy and thereby reduction of the recurrent government revenue, a reserve fund funded by Government injection should be established under the proposed scheme. DAB advised that it was open minded as to the details of its proposed scheme, such as the pension amount and the sources of funding, and would welcome views from members on its proposal.

5. To facilitate the assessment of the viability and sustainability of its proposed model, DAB advised that it would prepare a list for the provision of statistical data relating to the CSSA Scheme and the MPF system by the Administration. The Administration agreed to provide the requisite data as far as practicable.

(Post-meeting note: The list of the requisite statistical data provided by DAB and the Administration's response were circulated to members vide LC Paper No. CB(2)1279/11-12 and CB(2)1845/11-12 on 15 March and 27 April 2012 respectively.)

II. Dates of future meetings and the way forward

6. The Chairman reminded members that the next two meetings of the Subcommittee would be on 21 February and 16 March 2012 to receive briefings by other community organisations/political groups on their proposed retirement protection models. Another meeting with the Administration would be scheduled tentatively in April 2012 to discuss the various retirement protection models proposed by the deputations.

7. Members expressed disappointment at the lack of responses by the Administration to the proposals of the deputations. They requested the Administration to carefully study the proposed models and put forward a concrete proposal to enhance the existing retirement protection regime for

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the consideration of the Subcommittee and public consultation. The Administration advised that the Central Policy Unit was refining its studies on the retirement protection system in Hong Kong having regard to the latest developments, with a view to assessing the sustainability of the existing system and considering ways to improve and enhance pillars under the current system. Specifically, it would conduct a territory-wide household survey on retirement planning and the financial situation of the elderly in February 2012 to understand the latest economic situation of the elderly in Hong Kong and their retirement plans. The initial results of the survey were expected to be available by the end of 2012 at the earliest for the purpose of detailed analysis.

8. The Chairman proposed that in view of wide public concern over the subject of retirement protection, the Subcommittee should recommend for consideration of the Panel on Welfare Services the seeking of the agreement of the House Committee for priority allocation of a debate slot to him for moving a motion for debate on the report of the Subcommittee at a Council meeting to provide an opportunity for Members to express views on the subject and for the Administration to respond. Members agreed.

9. There being no other business, the meeting ended at 12:35 pm.

Council Business Division 2
Legislative Council Secretariat
19 September 2012

**Proceedings of the seventh meeting of the
Subcommittee on Retirement Protection
on Tuesday, 17 January 2012, at 10:45 am
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>			
000333 - 000525	Chairman	Opening remarks	
000526 - 002335	Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB") Chairman	Presentation by DAB on the proposed Three-tier Retirement Protection Old Age Pension Scheme ("the Old Age Pension Scheme") as detailed in its submission [LC Paper No. CB(2)822/11-12(01)].	
002336 - 003000	Ms LI Fung-ying Chairman DAB	<p>Ms LI Fung-ying's view that, given that eligible elders had to opt for either the Comprehensive Social Security Assistance ("CSSA") or the old age pension, the maximum benefit amount of \$3,105 under the Old Age Pension Scheme was far from adequate to enable those poor singleton elders who were not living in public rental housing flats and had no income to live with dignity.</p> <p>DAB's response that its proposed model was premised on the principle that the finite public resources should be used to take care of the elders most in need of financial assistance.</p>	
003001 - 003920	Mr CHAN Kin-por Chairman DAB	<p>In response to Mr CHAN Kin-por's enquiry on the respective recurrent government funding required to support the operation of the Old Age Pension Scheme in the next 10 and 20 years, DAB's projection that, based on the assumptions of a yearly inflation rate of 3.5% and that the total recurrent government revenue remained at the 2010-level (i.e. \$262.8 billion), -</p> <p>(a) in 2019, among the 1.33 million of elders of age 65 or above, 766 000 elders would receive the first tier payments; and another 408 000 elders would receive the second and third tier payments (half of them would receive the second tier payments and the other half would receive the third tier payments). This would require a government funding of \$29.3 billion, accounting for 5.8% of its recurrent revenue; and</p> <p>(b) in 2029, among the 2.06 million of elders of age 65 or above, 1.18 million elders would receive the first tier payments; and another 634 000 elders would receive the second and third tier payments (half of them would receive the second tier payments and the other half would receive the third tier payments). This would require a government funding of</p>	

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		<p>\$64 billion, accounting for about 10% of its recurrent revenue.</p> <p>Noting that the Scheme was a pay-as-you-go model, Mr CHAN Kin-por's suggestion that consideration could be given to requiring government injection into the Old Age Pension Scheme at times of huge fiscal surplus, so as to build up a reserve fund to serve as a buffer to meet the recurrent expenditure of the Scheme when there was a downturn of the economy.</p>	
003921 - 005752	Mr LEUNG Yiu-chung Chairman DAB	<p>Mr LEUNG Yiu-chung's expression of support for a modification of the Old Age Allowance ("OAA") Scheme to facilitate a smooth transition to a pension scheme; and his concern about the need for elders to possess meagre savings so as to give them a sense of financial security at their old age, and thereby the adverse views of some sectors of the community on a means-tested pension scheme; and whether the proposal had taken into account the possible surge in future government recurrent expenditure due to an increase in the number of elders on CSSA.</p> <p>DAB's responses that -</p> <ul style="list-style-type: none"> (a) all elders aged 65 or above who had resided in Hong Kong for a continuous period of not less than seven years were eligible to receive the benefit of \$1,035 (i.e. equivalent to the monthly OAA payment) under the first tier scheme which was non-means-tested; (b) to obviate the need for applicants for the means-tested second and third tier schemes to go through a cumbersome and time-consuming financial test, it was proposed that applicants would only be required to make a simple income and assets declaration. The self-declarations would be subject to random checking to prevent fraud and abuse; and (c) it was expected that there would not be a sharp increase in the number of elders applying for CSSA by 2029, as the accrued benefits of the Mandatory Provident Fund ("MPF") system, which came into operation on 1 December 2000 and would become mature by then, would provide the current cohort of older working persons with sufficient protection upon their retirement. <p>In response to Mr LEUNG Yiu-chung's view that all elders aged 65 or above should be eligible to receive retirement benefits funded by general revenue without the need to undergo any means test, DAB's</p>	

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		reiteration of its principle that the finite public resources should be rationally used to take care of the elders most in need of assistance.	
005753 - 010946	Chairman DAB	<p>The Chairman's concurrence with the view of Mr CHAN Kin-por that a reserve fund should be established under the Old Age Pension Scheme in order to relieve the immense pressure on public finance in meeting the increasing demand for the Scheme from the growing and ageing population, in particular for the period of 2029 to 2049 when the post-war baby boom cohort who was born in the 1960s was at their old age.</p> <p>In response to the Chairman's enquiry about the rationale for imposing the same monthly income limit of \$6,450 on both the second and third tier schemes, DAB's explanation that given that assets were considered to be the major source of financial support for elders at their old age, a different threshold was set on the applicants' assets (i.e. \$177,000 and \$88,500 for the second and third tier schemes respectively), rather than their monthly income, under the proposed schemes.</p> <p>On the Chairman's concern about the inconsistent criteria adopted on the financial tests for the Old Age Pension Scheme and the CSSA Scheme whereby the former allowed applications on an individual basis while the latter required applicants who were living with family members to apply for CSSA on a household basis, DAB's response that it considered that CSSA applicants should also be allowed to apply for CSSA on an individual basis irrespective of whether they were living with their family members.</p>	
010947 - 011746	Administration Chairman DAB	<p>The Administration's response that the Old Age Pension Scheme was in line with the principle that financial assistance funded by general revenue should be targeted to those most in need; and its enquiry about the incentive for current CSSA elderly recipients, who on average received a monthly CSSA payment of about \$4,600, to switch to the Old Age Pension Scheme.</p> <p>DAB's clarification that the proposed model would complement the existing old age CSSA cases rather than replace it.</p> <p>In response to the Administration's enquiry on whether applicants of the Old Age Pension Scheme would be subject to the residence requirements similar to those under the Social Security Allowance Scheme, DAB's response that it would further study the issue.</p>	

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011747 - 012021	Chairman Administration DAB	<p>The Chairman's concern about whether the accrued benefits under the MPF system could help delay the need of the current cohort of older working persons, who would retire in some 20 years' time at the age of 60, to rely on the benefits under the Old Age Pension Scheme at the age of 65.</p> <p>DAB agreed to prepare a list for the provision of statistical data by the Administration for the assessment of the sustainability of the proposed retirement protection model.</p>	
012022 - 012938	Mr WONG Sing-chi Chairman Administration	<p>Mr WONG Sing-chi's expression of disappointment at the lack of responses by the Administration to the various retirement protection models proposed by the deputations for the consideration of the Subcommittee; and his view that the Administration should make available the relevant statistical data and its proposal to enhance the existing retirement protection regime for community-wide consultation.</p> <p>The Administration's advice that the Central Policy Unit ("CPU") was refining its studies on the retirement protection system in Hong Kong. The initial results of the territory-wide household survey on retirement planning and the financial situation of the elderly to be conducted by CPU in February 2012 were expected to be available by the end of 2012 at the earliest for the purpose of detailed analysis.</p>	
012939 - 014340	Mr Alan LEONG Chairman DAB	<p>Mr Alan LEONG's concurrence with Mr WONG Sing-chi's view that it was incumbent upon the Administration to provide a consolidated response to the various retirement protection models proposed by the deputations; and his remarks that given the population ageing trend with a rising elderly dependency ratio, a universal retirement protection system could be viable and financially sustainable only if it was to be implemented within the next term of Government.</p> <p>On Mr Alan LEONG's concern about the social stigma attached to a means-test pension scheme and the high administrative cost to maintain such a scheme and a monitoring mechanism to prevent the abusive use of public resources as revealed from overseas experience, DAB's responses that -</p> <p>(a) it was necessary to ensure that the finite public resources were targeted at helping those elders most in need. Making reference to the existing number of elders aged 65 or above which stood at 925 900 in July 2011, the implementation of a universal retirement protection system with a monthly pension payment of \$3,000 meant that the Government</p>	

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		<p>would have to incur a yearly expenditure of about \$33.3 billion; and</p> <p>(b) its proposal of requiring elders applying for the second and third tier schemes to make a simple income and assets declaration, rather than undergo a cumbersome and time-consuming means test to assess their eligibility for the schemes, would save the administrative cost.</p>	
014341 - 014428	Administration Chairman DAB	The Administration's advice that means test, which was common for many publicly funded schemes, would not necessarily have a labelling effect on the beneficiaries, and was necessary for identifying families/persons in need of the respective forms of assistance.	
<i>Agenda item II – Any other business</i>			
014429 - 015000	Chairman Mr LEUNG Yiu-chung Administration	Date of future meetings and the way forward	