

立法會
Legislative Council

LC Paper No. CB(2)2800/11-12
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seen by the Administration)

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Panel on Welfare Services

Subcommittee on Retirement Protection

**Minutes of the ninth meeting
held on Friday, 16 March 2012, 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 WONG Sing-chi
Hon IP Wai-ming, MH
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung

Member absent : Hon Ronny TONG Ka-wah, SC

Members attending : Dr Hon Margaret NG
Mr 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**

Civic Party

Miss Bonnie LEUNG
Secretary, Young Civics

Dr KWOK Ka-ki
Chairman, Health and Well-being Policy Branch

Mr LAM Sheung-wan
Member

Dr Louis F K NG
Consultant on universal retirement protection scheme

**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)1371/11-12(01) and
CB(2)1441/11-12(01)]

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

2. The Subcommittee received a presentation from the Civic Party on
its proposed Universal Retirement Protection Fund to be operated by the

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Hong Kong Monetary Authority. Under its proposal, all elders aged over 65 would be eligible for a non-means-tested monthly pension payment of \$3,000 (to be adjusted in accordance with inflation), with tripartite contributions from the Government, employers and employees. Specifically, both the employers and employees had to contribute 60% of their existing mandatory contributions to the Mandatory Provident Fund ("MPF") schemes to the proposed fund, i.e. 3% of employee's monthly income, subject to the maximum income level of \$25,000. Employees would not be required to make the contributions if their monthly income was below \$6,500. As for the Government, it would have to transfer the standard rate payments of old age Comprehensive Social Security Assistance ("CSSA") cases (subject to a maximum limit of \$3,000) and all the Old Age Allowance payments to the proposed fund. It was also proposed that the Government would make an additional one-off injection of \$50 billion into the fund and an injection of \$50 billion (in real terms) every five years thereafter.

3. To enable elderly to age in the community, the Civic Party was of the view that in addition to the monthly payment under the proposed fund, the various supplements (such as long term supplement) and special grants (such as rent allowance) under the CSSA Scheme should continue to be payable to existing eligible CSSA elders under the proposed fund. Further, the Administration should provide the elderly with free public healthcare services.

4. Civic Party highlighted that the proposed model was a better approach on the ground that it proposed no increase in taxation, and no increase in the contributions of employers and employees as compared with the existing MPF contributions. Nonetheless, based on the latest available statistical data released by the Census and Statistics Department, the proposed model was still sustainable in 2060 with a projected surplus of \$309.7 billion. In response to some members' concern about the adequacy of funding to finance the recurrent expenditure of the proposed fund in view of a growing and ageing population, Civic Party advised that it was open-minded to introduce other financing options such as increasing profit tax rates for companies with annual profit exceeding a prescribed limit as and when necessary, subject to a wide public consultation. There was a suggestion that consideration could be given to increasing the injection from Government to a higher level.

5. Mr CHAN Kin-por sought the view of the Civic Party as to whether a means test should be imposed on the proposed fund such that those vulnerable elders most in need of assistance could entitle to a higher level of pension payment. Civic Party stressed that its proposed model was

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premised on the principle that entitlement to retirement protection system should not be subject to any means test. In addition, it was viable to implement a contributory and non-means-tested universal pension scheme, which was widely adopted in many overseas places, in Hong Kong so that all elders could lead to a dignified and financially-secured life at their old age.

II. Dates of future meetings

6. The Chairman reminded members that the next meeting of the Subcommittee would be on 21 April 2012 to receive views from deputations on the various retirement protection models which had been considered by the Subcommittee. Another meeting was tentatively scheduled on 4 May 2012 to consider the Administration's response to issues raised by members at previous meetings and the draft report of the Subcommittee. The Chairman added that the Subcommittee would then seek the support of the Panel on Welfare Services and the agreement of the House Committee for priority allocation of a debate slot to him as Chairman of the Subcommittee under House Rule 14A(h) for moving a motion on the Subcommittee's report at a Council meeting in June 2012.

(Post-meeting note: The meeting originally scheduled for 4 May 2012 was re-scheduled to 8 May 2012 at 2:30 pm.)

7. There being no other business, the meeting ended at 4:35 pm.

Council Business Division 2
Legislative Council Secretariat
19 September 2012

**Proceedings of the ninth meeting of the
Subcommittee on Retirement Protection
on Friday, 16 March 2012, 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>			
000153 - 000535	Chairman	Opening remarks.	
000536 - 010046	Civic Party Chairman	Presentation by the Civic Party on the proposed Universal Retirement Protection Fund as detailed in its submission and powerpoint presentation materials [LC Paper Nos. CB(2)1371/11-12(01) and CB(2)1441/11-12(01)].	
010047 - 011202	Mr LEUNG Yiu-chung Chairman Civic Party	<p>Mr LEUNG Yiu-chung's enquiry about the reason for allowing the continuous operation of the Mandatory Provident Fund ("MPF") System in parallel with the proposed Universal Retirement Protection Fund albeit its various shortcomings.</p> <p>Civic Party's response that having taken into consideration the some \$300 billion aggregate net asset values of all existing MPF schemes, it was proposed that the MPF System should better be faded out gradually, rather than being scraped in one go. Employees would be allowed to transfer their MPF contribution to the Universal Retirement Protection Fund to be operated by the Hong Kong Monetary Authority, which would not charge a fee on the management of the funds. That said, if the community had reached consensus on immediately transferring all the aggregate net asset of the MPF schemes to the Fund upon its establishment, Civic Party would be in support of the arrangement.</p>	
011203 - 012432	Ms LI Fung-ying Chairman Civic Party	<p>Ms LI Fung-ying's concern about -</p> <p>(a) the adequacy of funding to finance the recurrent expenditure of the proposed fund if its funding sources were limited to 60% of the existing mandatory MPF contributions from employees and employers, the transfer of the standard rate payments of old age Comprehensive Social Security Assistance ("CSSA") cases and all the Old Age Allowance ("OAA") payments, as well as Government injections; and</p> <p>(b) given that the proposed fund would replace the existing old age CSSA cases, whether the monthly pension payment of \$3,000 was adequate to support the basic needs of those single elders currently on CSSA who were entitled to an average monthly CSSA payment of about \$4,600 and other special grants such as rent allowance.</p>	

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		<p>Civic Party's responses that -</p> <p>(a) other financing options such as increasing profit tax rates for companies with annual profit exceeding a prescribed limit could be considered as and when necessary, subject to a wide public consultation; and</p> <p>(b) the monthly pension payment of \$3,000 was on par with the standard rate for old age CSSA cases which was currently set at the level of \$2,820. In addition, the proposed fund would complement the supplements (such as long-term supplement) and special grants (such as rent allowance) payable to the elderly CSSA recipients rather than replace them.</p> <p>In response to Ms LI Fung-ying's enquiry on whether consideration could be given to extending the coverage of the proposed fund from elders aged over 65 to elders aged 60 or above, as many elders had retired at the age of 60, Civic Party's advice that it would further study the issue.</p>	
012433 - 013317	Mr LEUNG Kwok-hung Chairman Administration	<p>Mr LEUNG Kwok-hung's view that there was a broad consensus within the community on the implementation of a non-means-tested universal retirement protection system. The Administration should provide a one-off injection of \$100 billion to kick start the system.</p> <p>The Administration's response that the finite public resources should be prudently used, with priority accorded to those most in need.</p>	
013318 - 014315	Mr IP Wai-ming Chairman Civic Party	<p>In response to Mr IP Wai-ming's concern about the sustainability of the proposed fund, Civic Party's advice that -</p> <p>(a) the monthly pension payment of \$3,000 would be adjusted annually according to the inflation rate. Based on the latest population projection released by the Census and Statistics Department and the assumption of an annual rate of wage increase of 1% in real terms, the model was still sustainable in 2060 when the number of elders aged 65 or above surged to 2.75 million; and</p> <p>(b) given that the average investment return rate of the Exchange Fund was about 5% (i.e. an average yearly investment income of about \$100 billion) in the past decade, it was considered feasible to require the Government to make a one-off injection of \$50 billion into the proposed fund and an injection of \$50 billion (in real terms) every five years thereafter.</p>	

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014316 - 015213	Chairman Civic Party	<p>In response to the Chairman, Civic Party's advice that no proposal to amend the existing minimum and maximum relevant income levels for MPF contributions, as well as the arrangement to allow employers to use the MPF accrued benefits to offset severance payments or long service payments, had been prepared; and its reiteration that the proposed fund would complement the existing supplements and special grants payable to the elderly CSSA recipients. Consideration could also be given to providing elders aged over 65 with free public healthcare services.</p> <p>On the Chairman's enquiry about the estimated proportion of household with two working persons and one or two elder(s) aged over 65, and the sustainability of the proposed fund beyond year 2060, Civic Party's response that its estimation of the number of elders meeting the age requirement for eligibility of the proposed fund was made on an individual, rather than a household, basis. It also lacked statistical data on projection of future population profile for the years after 2039.</p>	
015214 - 015749	Mr CHAN Kin-por Chairman Civic Party	<p>Mr CHAN Kin-por's view that the monthly pension payment of \$3,000 was far from adequate to enable the poor elders to live with dignity; and his enquiry about the adjustment to the payment according to the inflation rate, and whether consideration had been given to imposing a means test, say an asset limit of \$500,000, on the proposed fund so that those vulnerable elders most in need of assistance could entitle to a higher level of payment.</p> <p>Civic Party's responses -</p> <p>(a) it was estimated that the respective monthly pension payment for the years of 2021, 2031, 2041 and 2051 would be \$4,200, \$6,200, \$8,900 and \$12,000 in nominal value; and</p> <p>(b) having regard to the objective of the proposed fund which was to ensure that all elders could lead to a financially-secured life at their old age, and the high administrative cost to maintain a means-test scheme and a monitoring mechanism to prevent abuse of the scheme, it objected to introducing a means test to the proposed fund and therefore no study had been made to assess the feasibility accordingly.</p>	
015750 - 020202	Mr LEUNG Kwok-hung Chairman	Mr LEUNG Kwok-hung's view that it was incumbent upon the Government to promote wealth redistribution in retirement protection, with a view to enabling all elders to receive retirement benefits funded by general revenue without the need to undergo any means test; and his remarks that the proposal of requiring the Government to make a one-off injection of \$50 billion	

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		into the proposed fund and an injection of \$50 billion every five years thereafter was too conservative, as there might be cases of negative growth in wages during economic downturn.	
020203 - 020423	Administration Chairman Civic Party	In response to the Administration, Civic Party's advice that its proposed model was premised on the principle that entitlement to retirement protection system should not be subject to any means test. In addition, it was viable to implement a contributory and non-means-tested universal pension scheme, which was widely adopted in many overseas places, in Hong Kong.	
<i>Agenda item II – Any other business</i>			
020424 - 020651	Chairman	Dates of future meetings	

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 19 September 2012