

**Response of
The Professional Commons at the
Sub-committee on Retirement Protection,
Panel on Welfare Services, Legislative Council
(21st April 2012)**

1. In February 2010, The Professional Commons (hereafter The ProCommons) had published a research report entitled “Ensure the Financial Security of the Elderly: Research Report on Universal Old Age Pension Scheme,”¹ calling for an early implementation of a Universal Old Age Pension Scheme (hereafter the OAP Scheme) in the territories. Given the fact that the existing Mandatory Pension Fund (MPF) Scheme and Comprehensive Social Security Assistance (CSSA) Scheme are far from satisfactory, The ProCommons held that the introduction of the OAP Scheme could improve the wellbeing of all Hong Kong Permanent Residents.
2. The proposed OAP Scheme is largely a mandatory public pension system that addresses the shortfalls of the existing retirement protection system in the sense that it helps bring the five-pillar pension system of the World Bank model in practice. After an overhaul of the retirement protection mechanism, OAP will be the basic source of income of the entire elderly population, while individual elder persons will have extra financial sources to pay for their livings:
 - Working population: Personal saving, family Support, MPF
 - Home carers & non-working population: Personal saving, family Support
 - The Under-privileged: CSSA supplements & special grants
3. Details of the proposed OAP Scheme are as follows:
 - Eligibility: All Hong Kong permanent residents aged 65 or above
 - Pension rate: HK\$3,000 per month, inflation-adjusted in subsequent years
 - Tripartite contribution: Employees, employers, the Government

¹ The report was revised and the most updated version was publicized in October 2011. Details please check the link: <<http://www.procommons.org.hk/%E8%80%81%E6%9C%89%E6%89%80%E9%A4%8A-%E5%85%A8%E6%B0%91%E9%80%80%E4%BC%91%E9%87%91%E8%A8%88%E5%8A%83%E7%A0%94%E7%A9%B6%E5%A0%B1%E5%91%8A-%E6%9B%B4%E6%96%B0%E7%89%88?lang=en>>

- Employee: 2.5% of salary, exemption rate at the level of HK\$6,500/mth, maximum chargeable income at HK\$50,000/mth;
 - Employer: 2.5% of employees' salaries, maximum chargeable income at \$50,000/mth;
 - The Government: annual spending in accordance with CSSA Standard Rate and Old Age Allowance, capital injection of HK\$50 billion in the first 5-year period and HK\$25 billion in subsequent 5-year periods; inflation-adjusted.
4. According to the above-mentioned research report, the proposed OAP Scheme has been well-proven on its financial viability as the statistical table reveals that there will be as much as HK\$ 404 billion of accrued benefit as of 2060. It seems that such an amount of capital will allow the funding mechanism to overcome potential volatile situations.
5. There is no room for complacency on the financial viability of the proposed OAP Scheme. Any imprudence or miscalculation might result in resource misallocation, fiscal imbalance, and even deterioration in overall competitiveness. In the light of this, The ProCommons will not handle any queries with a contemptuous manner but on the contrary holds the view that financial sustainability of the proposed system should be subject to further deliberation and investigation.
6. In January this year, The ProCommons submitted another document entitled "An Enquiry for Statistical Data related to Retirement Protection System"² to this sub-committee, highlighting the need to ask for statistical data from the Government. In response, the Government should play the role as a facilitator and should be more cooperative in related matter.
7. In fact, socio-demographic profile of elder persons and population projections issued by the Census and Statistic Department fail to provide adequate information that can facilitate a comprehensive study on retirement protection system. Hence, the above-mentioned document listed out more than hundred items in a hope that the Government can fill the gaps to facilitate a more rational discussion across the community. Across the list of the enquiry, some

² Details please check ProCommons website: <http://www.procommons.org.hk/wp-content/uploads/2012/04/Enquiry-for-Stat-Data_20120106_eng-11.pdf> or Legislative Council website: <http://www.legco.gov.hk/yr11-12/english/panels/ws/ws_rp/papers/ws_rp1031cb2-794-1-e.pdf>.

represent data that the Government releases on a routine basis but a more frequent updates is necessary, while no clue has been given concerning the release of the rest under the existing reporting and categorization. For instance, whether the existing CSSA Scheme and retirement protection measures would be capable of addressing the needs arising from anticipated growth of elderly population, population flow in particular the inflow of Mainland adults and Mainland immigrants in recent years, the appropriateness of existing definition of dependency ratio in view of the implementation of New Academic Structure, etc. It should be noted that these “missing” information would be crucial for us in grasping the real picture.

8. Given the fact that there is no thorough discussion and without the support of adequate statistical data, the debate on the introduction of retirement protection system has commenced in the 90's and is expected to continue in the future. If the Government believes that there are abundant reasons to justify its stance, it should actively participate in the debate to help eliminate skepticism across the community.

The Professional Commons

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