

立法會
Legislative Council

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Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of meeting
held on Tuesday, 27 May 2014, at 10:45 am
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon CHAN Yuen-han, SBS, JP (Chairman)
Hon CHEUNG Kwok-che (Deputy Chairman)
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Frankie YICK Chi-ming
Hon CHAN Chi-chuen
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
- Member absent** : Hon Albert HO Chun-yan

**Public Officers : Item I
attending**

Mr Matthew CHEUNG Kin-chung, GBS, JP
Secretary for Labour and Welfare

Mr CHOW Wing-hang
Principal Assistant Secretary for Labour & Welfare
(Welfare) 4

Miss Emmy WONG Kwok-ling
Principal Assistant Secretary for Financial Services &
the Treasury (Financial Services) 3

**Attendance : Item I
by invitation**

Neighbourhood and Worker's Service Centre

Mr CHOW Kam-pui
Organizer

Mr WONG Yun-tat
Community Officer

Alliance for Universal Pension

Mr LAU Cheuk-kei
Member

Ms LAI Yuen-mei
Member

HK Social Security Society

Mr Henry MOK
Researcher

Mr Apo LEONG
President

The Hong Kong Federation of Trade Unions Rights and
Benefits Committee

Mr TAM Kin-sun
Member

Mr IP Wai-ming
Deputy Director

The Professional Commons

Dr George W H Cautherley
Treasurer

Dr Louis F K NG
Lecturer, Department of Statistics and Actuarial Science,
The University of Hong Kong

Mr CHAN Kai-ming
Member

Clerk in attendance : Miss Betty MA
Chief Council Secretary (2) 1

Staff in attendance : Ms Rita LAI
Senior Council Secretary (2) 1

Ms Kiwi NG
Legislative Assistant (2) 1

Miss Lulu YEUNG
Clerical Assistant (2) 1

I. Proposals on retirement protection models

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

2. The Subcommittee received oral representations from five deputations in respect of their proposed retirement protection models, details of which were set out in their respective submissions. A summary of key features of these proposed retirement protection models is in **Annex II**.

3. Members noted with concern that the consultancy team led by Professor Nelson CHOW was reportedly requested to refine the report of the Study on Retirement Protection in Hong Kong ("the Study") in the light of the findings and recommendations in the report of the Working Group on Long-Term Fiscal Planning. Concerns were raised about the independence and the completion date of the Study. The Secretary for Labour and Welfare ("SLW") stressed that the consultancy team would continue to conduct the Study independently and submit a final report of the Study to the Social Security and Retirement Protection Task Force of the Commission on Poverty ("CoP") for consideration by mid-2014. CoP would then decide how best to make public the content of the report as appropriate.

4. Members held a strong view that the full report of the Study should be made available to the Subcommittee. The Chairman added that the Administration should provide the Subcommittee with the final report at its meeting scheduled for 22 July 2014. SLW agreed to relay the Subcommittee's request to CoP for consideration.

II. Any other business

5. The Chairman said that the next meeting of the Subcommittee would be held on 24 June 2014. Members would be informed of the agenda in due course.

6. There being no other business, the meeting ended at 12:38 pm.

**Proceedings of meeting of the Subcommittee on Retirement Protection
held on Tuesday, 27 May 2014, 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 - Proposals on retirement protection models</i>			
000000 - 000213	Chairman	Opening remarks	
000214 - 001021	Chairman Dr KWOK Ka-ki Mr LEUNG Yiu-chung Admin	<p>Dr KWOK Ka-ki's request for making available to the public and the Subcommittee the full report of the consultancy study on retirement protection, including the raw data, being conducted by the consultancy team under Prof Nelson CHOW's leadership ("the Study"), which was expected to be completed by end of June 2014.</p> <p>Mr LEUNG Yiu-chung's concern about media reports on refinements were being made by the consultancy team to the Study report in the light of the findings and recommendations of containing the growth of government expenditure made in the report of the Working Group on Long-Term Fiscal Planning ("the Working Group"). Concerns were raised about the independence of the Study and whether the completion date of the Study report would be unduly delayed.</p> <p>The Administration's response that the final Study report by the consultancy team would be submitted to the Social Security and Retirement Protection Task Force of the Commission on Poverty ("CoP") by mid-2014. CoP would then decide how best to make public the content of the report as appropriate.</p> <p>The Chairman's request for making available the full report of the Study to the Subcommittee prior to its July meeting scheduled for 22 July 2014.</p>	
001022 - 002507	Chairman Neighbourhood and Worker's Service Centre	Presentation of views as detailed in the submission [LC Paper No. CB(2)1603/13-14(01)]	

Time marker	Speaker(s)	Subject(s)	Action Required
002508 - 003635	Chairman Alliance for Universal Pension	Presentation of views as detailed in the submission LC Paper No. CB(2)1638/13-14(02)	
003636 - 005039	Chairman HK Social Security Society	Presentation of views as detailed in the submission LC Paper No. CB(2)1638/13-14(03)	
005040 - 010244	Chairman The Hong Kong Federation of Trade Unions Rights and Benefits Committee	Presentation of views as detailed in the submission LC Paper No. CB(2)1638/13-14(04)	
010245 - 011801	Chairman The Professional Commons	Presentation of views as detailed in the submission [LC Paper No. CB(2)1582/13-14(01)]	
011802 - 012132	Chairman Mr POON Siu-ping Admin	Mr POON Siu-ping's concern whether the Administration had drawn up a specific timetable and workplan for introducing a retirement protection system within the tenure of the current Government. The Administration advised that it attached great importance to the challenges brought about by an ageing population, and elderly welfare was one of the work priorities of the current Government. Upon receipt of the final report on the Study, CoP would follow up the subject of retirement protection and decide the way forward.	
012133 - 013130	Chairman Deputy Chairman Neighbourhood and Worker's Service Centre HK Social Security Society The Professional Commons The Hong Kong Federation of Trade Unions Rights and Benefits Committee Alliance for Universal Pension	Discussions on refinements to be made to the Mandatory Provident Fund System, fund management and contribution arrangements among employers, employees and the Government under the respective proposed retirement protection models put forward by deputations.	

Time marker	Speaker(s)	Subject(s)	Action Required
013131 - 013737	Chairman Mr TANG Ka-piu Admin Alliance for Universal Pension	<p>Mr TANG Ka-piu's enquiry about whether the consultancy team was informed of the Working Group's undertaking of a fiscal sustainability appraisal on the state of public finances in Hong Kong when it was commissioned to conduct the Study and whether it had been asked to make reference to the report of the Working Group in finalising the Study report.</p> <p>The Administration's advice that the consultancy team was commissioned to conduct an independent and objective study on retirement protection in Hong Kong.</p>	
013738 - 014048	Chairman Mr LEUNG Kwok-hung	<p>Mr LEUNG Kwok-hung's remarks that he did not see the need to make reference to the findings of the report of the Working Group and update accordingly the contents of the Study report.</p> <p>Mr LEUNG's view that the Chief Executive ("CE") should honour his pledge in the election manifesto in respect of setting aside funding to meet the future expenditure arising from the ageing population.</p>	
014049 - 014355	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's enquiry about the Administration's stance on implementing a non-means-tested universal retirement protection scheme, given that there was a broad consensus among the community on the subject and the actuary study of the major proposed retirement protection models showed that the proposed schemes were sustainable and financially viable.</p> <p>The Administration's advice that in making recommendations on the way forward, the consultancy team had met with the stakeholders to further explore their proposals on retirement protection. The Government would adopt an open and pragmatic attitude in considering the Study report and the way forward for retirement protection.</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
014356 - 014836	Chairman Admin	<p>The Chairman's expression of dissatisfaction that the Administration had failed to implement a universal retirement protection scheme despite the strong call from the community groups for several decades.</p> <p>The Chairman's reiteration of her earlier request that the Administration should make available to the Subcommittee the full report of the Study at its July meeting. Concern was raised about the independence of the consultancy team in conducting the Study.</p> <p>The Administration's reiteration of its sincerity in commissioning the Study in the light of the challenges of an ageing population and its emphasis on the independence of the Study. It had fully relayed and would continue to relay members' request to CoP on the release of the report.</p>	Admin to relay the request to CoP
014837 - 014950	Chairman Mr TANG Ka-piu Admin	<p>Mr TANG Ka-piu's suggestion of requesting the Administration to provide written response to the five proposed retirement protection models presented at the meeting.</p> <p>The Administration's advice that the Study would cover the major proposals on retirement protection.</p>	
014951 - 015059	Chairman Deputy Chairman Admin	<p>The Deputy Chairman's concern about CE's recent remarks made during the Question and Answer Session at the Council meeting of 22 May 2014 regarding the Administration's decision on how best to make public the contents of the final report of the Study as appropriate upon its receipt by end of June 2014.</p> <p>The Administration's advice that the consultancy team was commissioned by CoP to conduct the Study. Upon receipt of the final report, CoP would decide how best to make public the content of the report as appropriate and would consider the way forward for retirement protection.</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
015100 - 015427	Chairman Alliance for Universal Pension	Items for discussion at the next meeting. Closing remarks.	

Council Business Division 2
Legislative Council Secretariat
4 July 2014

**Panel on Welfare Services
Subcommittee on Retirement Protection**

**Key features of proposed retirement protection models considered by the Subcommittee
at meeting on 27 May 2014**

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
Scheme	Universal Old Age Pension Scheme	Universal Old Age Pension Scheme under the Universal Retirement Protection Scheme	Universal Old Age Pension Scheme (first tier of the model)	Comprehensive Retirement Protection Scheme	Universal Old Age Pension Scheme
Fund management	Government (or an authority designated by the Government)	Government or private sector	Government	Government (to be managed by Hong Kong Monetary Authority)	Government
Coverage	Hong Kong permanent residents aged 65 or above	Hong Kong residents aged 65 or above	Hong Kong permanent residents aged 65 or above	Hong Kong permanent residents aged 65 or above	Hong Kong permanent residents aged 65 or above
Eligibility requirements	Non-means-tested	Non-means-tested	Non-means-tested	Non-means-tested	Non-means-tested
Payment amount/rate (per month)	\$3,500 - \$4,000	\$3,000 (at 2010 price level) (to be adjusted annually according to the changes in inflation for the preceding year as reflected in the Consumer Price Index ("CPI"))	\$4,000 (at 2014 price level), i.e. a wage replacement ratio of 20% against the average monthly wage of Hong Kong for the preceding year ⁶	monthly social insurance of \$3,250 starting from 2016 (at 2013 price level) (i.e. 25% of the median monthly wage of employees in Hong Kong (excluding employees in the	\$4,000 (at 2017 price level) (to be adjusted annually according to the changes in inflation in the preceding year as reflected in CPI)

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
			<i>*Taking 2011 as the base year and assuming a 2% annual rate of increase in nominal wage, it is estimated that the payment should be \$4,000 in 2014 upon the implementation of the scheme</i>	Government as well as student interns, work experience students and live-in domestic workers as exempted by the Minimum Wage Ordinance) in the second quarter of 2013)	
Contribution	Tripartite contributions	Tripartite contributions	Tripartite contributions	Tripartite contributions starting from 2021	Tripartite contributions
Employer	5% of employee's monthly income (subject to the maximum income level of \$60,000 i.e. two times of the amount for the Mandatory Provident Fund ("MPF"))	No additional contribution Transfer of 50% of the existing mandatory MPF contributions from employers (i.e. 2.5% of employee's monthly income) (subject to the maximum income level of \$30,000) Tax revenue from the increase in the profits tax rates (<i>see the "Refinement to the existing tax regime" below</i>)	6% of employee's monthly income	1.5% of employee's monthly income from 2021 (subject to no maximum income level) (including the transfer of 1% of MPF contributions from employer)	2.5% of employee's monthly income (subject to the maximum income level of \$80,000)

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
Employee	<p>5% of employee's monthly income (subject to the maximum income level of \$60,000 and the minimum income level of \$7,100 i.e. same as that for MPF)</p> <p>Self-employed persons are required to contribute</p>	<p>No additional contribution</p> <p>Transfer of 50% of the existing mandatory MPF contributions from employees (i.e. 2.5% of employee's monthly income) (subject to the maximum income level of \$30,000 and the minimum income level of \$7,100)</p>	<p><u>Employees</u> 2% of monthly income (subject to the minimum income level of 50% of the average monthly wage)</p> <p><u>Self-employed persons</u> 4% of monthly income (subject to the minimum income level of earning two times or above of the average monthly wage)</p>	<p>1.5% of employee's monthly income from 2021 (subject to no maximum income level but the minimum income level as that for MPF)</p> <p>(including the transfer of 1% of MPF contributions from employee)</p>	<p>2.5% of monthly income (subject to the maximum income level of \$80,000 and the minimum income level of \$7,100)</p>
Government	<p>5% of employee's monthly income</p> <p>An injection of \$40 billion for five years consecutively, amounting to a total injection of \$200 billion (alternatively, an annual injection of \$50 billion for four years)</p>	<p>Transfer of recurrent funding for the Comprehensive Social Security Assistance ("CSSA") payments (standard rate) for the elderly recipients, Old Age Allowance ("OAA") and Old Age Living Allowance ("OALA") payments</p> <p>A one-off capital injection of \$50 billion as a start-up fund</p>	<p>4% of employee's income</p>	<p>A one-off capital injection of \$50 billion as a start-up fund and transfer of \$150 billion from the Land Fund in every 10 years for three times</p> <p>Transfer of 5% from annual fiscal surplus</p> <p>Transfer of recurrent funding for the CSSA payments (standard rate) for the elderly recipients, OAA and OALA payments into</p>	<p>Transfer of recurrent funding for the CSSA payments (standard rate) for the elderly recipients, OAA and OALA payments</p> <p>A one-off capital injection of \$50 billion for the first five years and an injection of \$25 billion in real terms every five years thereafter</p>

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
				the Comprehensive Retirement Protection Scheme	
Refinement to the existing tax regime	Nil	Increase the profits tax rates by 1-2% for enterprises with an annual profit exceeding \$10 million to derive tax revenue for injection into the Scheme	Nil	Increase the profits tax rates by 1% for enterprises with an annual profit exceeding \$10 million to derive tax revenue for injection into the Scheme	Nil
Refinement to the existing social security system	<p>CSSA payments (standard rate) for the elderly recipients, OAA, and OALA payments are replaced by the Universal Old Age Pension Scheme payments</p> <p>The Government would provide subsidised healthcare and housing to the needy elderly</p>	<p>CSSA payments (standard rate) for the elderly recipients, OAA and OALA payments are replaced by the Universal Old Age Pension Scheme</p> <p>The Government would provide subsidised healthcare and housing to the needy elderly</p>	CSSA payments for the elderly recipients, OAA and OALA payments are replaced by the Universal Old Age Pension Scheme payments	<p>Amount of CSSA payments would be deducted if the recipients also receive the social insurance under the Scheme</p> <p>Abolition of the requirement for social security applicants to make declaration of non-provision of financial support from their family members</p>	CSSA payments (standard rate) for the elderly recipients, OAA and OALA payments replaced by the Universal Old Age Pension Scheme, with the special grants under the CSSA Scheme remain unchanged

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
Refinement to the existing MPF system	Mandatory contributions to the MPF system would be abolished five years after the implementation of the Universal Old Age Pension Scheme. Employees may choose to make voluntary contributions to the funds or withdraw their accrued benefits and abolish their accounts according to their own needs	Mandatory contributions from employers and employees under the MPF system be refined as 2.5% of the employees' relevant monthly income (subject to the maximum income level of \$30,000 and the minimum income level of \$7,100)	MPF be refined as a Central Provident Fund administered by the Government (second tier of the model) under which all Hong Kong permanent residents are eligible to join on a voluntary basis - <ul style="list-style-type: none"> - Minimum guaranteed real rate of return of 2% - Allow early withdrawal of the accrued benefits for payment of medical treatment if the annual personal/household medical expenditure reached the level of \$20,000 or above - Employers will not be allowed to use the accrued benefits to offset the severance payments or long service payments 	Transfer of 1% MPF contributions from both employers and employees to the Scheme from 2021 Employers will not be allowed to use the accrued benefits to offset the severance payments or long service payments Reduction of the administration fee and subject to a cap Public fund to be set up to offset inflation	Mandatory contributions from employers and employees to the MPF system remain unchanged

	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
			<ul style="list-style-type: none"> - Matching contribution from employer (subject to a maximum rate of 5% of employee's income) - Contributions subject to a cap of eight times of the average wage - Employees are free to choose between the Government and insurance companies for fund management 		
Sustainability of the Scheme	Still sustains when the population aged 65 or above reaches a peak level	A predicted reserve of \$120 billion can be attained for 2041	Still sustains in 2041 when the population aged 65 or above will increase to some 2.54 million	Still sustains in 2041 when the population aged 65 or above will increase to 2.54 million	A respective predicted surplus of \$619.8 billion and \$591.8 billion can be attained for 2047 and 2060 if the Scheme is implemented in 2017

Assumptions	Neighbourhood and Worker's Service Centre¹	Alliance for Universal Pension²	Hong Kong Social Security Society³	The Hong Kong Federation of Trade Unions⁴	Professional Commons⁵
		<ul style="list-style-type: none"> - Population projection based on the "Hong Kong Population Projection 2010-2039" by the Census and Statistics Department ("C&SD") 	<ul style="list-style-type: none"> - Population projection based on the "Hong Kong Population Projection 2012-2041" by C&SD - A labour force participation rate of 65% - An unemployment rate of 4% - Rate of wage increase equals to the inflation rate - 5% of the eligible elderly will not receive the monthly old age pension 	<ul style="list-style-type: none"> - Population projection based on the "Hong Kong Population Projection 2012-2041" by C&SD - Elderly CSSA recipients will not opt for the Old Age Pension Scheme 	<ul style="list-style-type: none"> - Population projection based on the "Hong Kong Population Projection 2012-2041" by C&SD - Population projection for 2042-2060 based on The University of Hong Kong's population database - Unemployment rate of 4.5% for 2017-2060 - An annual rate of wage increase of 1% in real terms - An annual return rate of 4.9% (based on the average investment return rate of the Exchange Fund from 2004 to June 2010) - Proportion of elders applying for CSSA and OALA remains at the existing level

¹ Please refer to LC Paper Nos. CB(2)1603/13-14(01) and CB(2)1638/13-14(01) for details of the Neighbourhood and Worker's Service Centre's proposal

² Please refer to LC Paper No. CB(2)1638/13-14(02) for details of the Alliance for Universal Pension's proposal and the assumptions

³ Please refer to LC Paper No. CB(2)1638/13-14(03) for details of the Hong Kong Social Security Society's proposal and the assumptions

⁴ Please refer to LC Paper No. CB(2)1638/13-14(04) for details of the Hong Kong Federation of Trade Unions' proposal and the assumptions

⁵ Please refer to LC Paper No. CB(2)1582/13-14(01) for details of the Professional Commons' proposal and the assumptions