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Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of meeting
held on Tuesday, 14 April 2015, at 10:45 am
in Conference Room 2B of the Legislative Council Complex

Members present : Hon CHAN Yuen-han, SBS, JP (Chairman)
Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Alan LEONG Kah-kit, SC
Hon Frankie YICK Chi-ming
Hon CHAN Chi-chuen
Hon CHAN Han-pan, JP
Dr Hon KWOK Ka-ki
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP

Member attending : Hon LEE Cheuk-yan

Members absent : Hon CHEUNG Kwok-che (Deputy Chairman)
Hon Albert HO Chun-yan
Hon Ronny TONG Ka-wah, SC
Hon LEUNG Kwok-hung
Dr Hon Fernando CHEUNG Chiu-hung

Public Officers : Item I
attending

The Administration

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

Miss Stella CHANG Lai-chu
Principal Assistant Secretary for Labour and Welfare
(Welfare) 4

Ms Susanna LAI Shuk-ching
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services) 3

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

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

Ms Kiwi NG
Legislative Assistant (2) 1

I. Future development of retirement protection in Hong Kong and related issues

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

2. With respect to the discussion of the Commission on Poverty ("CoP") on the functions of the Mandatory Provident Fund ("MPF") System in retirement protection at its meeting on 27 March 2015, members expressed grave reservations about the effectiveness of the MPF System, as one of the pillars for retirement protection, in providing adequate retirement protection in view of the arrangement of allowing employers to use the MPF accrued benefits from their contributions to offset severance payments and long service payments ("the offsetting arrangement").

3. Members sought information on the progress of the formation of a working group under CoP to undertake the preparatory work for launching the public consultation on retirement protection. Most members were of the view that the public consultation was a delay tactic employed by the Administration. These members considered that notwithstanding the community consensus on the subject, the public consultation would re-open the discussion on the fundamental question of whether a universal retirement protection scheme should be implemented. While expressing concern about the timeframe, approach and contents of the public consultation, members were concerned that even if there was a community consensus on a retirement protection proposal, the Administration would be under a very tight legislative timetable for effecting the proposal having regard to the fact that the tenure of the Fifth Legislative Council and the current-term Government would expire in 2016 and 2017 respectively.

4. Responding to members' views and concerns on the future development of retirement protection in Hong Kong and the public consultation, Secretary for Labour and Welfare ("SLW") made the following points -

- (a) while the offsetting arrangement was a complex issue with wide read-across implications, the MPF System was one of the pillars for retirement protection and had enabled more than 2.5 million employees to save for their retirement;
- (b) given that the Census and Statistics Department would release the updated population and labour projection sometime in the middle of this year, CoP members agreed to make use of the latest projection figures and the projection method adopted in the report submitted by the consultancy team led by Professor Nelson CHOW to update the projection of the relevant proposal as well as to explore the feasibility of extending the projection period;
- (c) as regards the formation of a working group on retirement protection under CoP, it was decided that the subject would be followed up by CoP and be discussed in each of the CoP meetings in the coming months so as to facilitate members' participation in the relevant discussion;

- (d) the public consultation was expected to be launched in the fourth quarter of 2015. The preliminary thinking was that one single universal retirement protection proposal as well as a concrete proposal on the means-tested non-universal retirement protection option providing targeted assistance for the elderly in need should be covered in the consultation document to facilitate public discussion. Based on the outcomes of the public consultation, the Administration would take forward the issue of retirement protection; and
- (e) members' views on the future development of retirement protection in Hong Kong and the public consultation would be relayed to the Chief Secretary for Administration ("CS"), who was Chairman of CoP, and CoP for consideration.

5. In respect of the MPF System, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)³ made the following points -

- (a) the Administration was aware of the different concerns of the community over the offsetting arrangement, which involved the interests of various stakeholders, in particular the retirement benefits of employees and operating costs of employers. The Administration would continue to listen to the views of different sectors and examine the issue in a holistic and careful manner; and
- (b) the Mandatory Provident Funds Schemes Authority ("MPFA") and the Administration had been pursuing various measures to lower MPF fees and increase employees' control on investment made. Notably, following the implementation of the Employee Choice Arrangement in November 2012, a number of funds had reduced their management fees. Currently, there were more than 170 low-fee funds available in the market. To facilitate greater scope for fee reduction, the Government and MPFA aimed to introduce a "core fund" as the default fund, which would be subject to fee control and based on long-term investment strategy that was consistent with retirement saving objectives, in each MPF scheme by 2016. In addition, MPFA had strengthened publicity and public education efforts on MPF investments.

6. Members agreed that the Subcommittee would discuss and receive views from deputations on specific aspects of retirement protection, as discussed or to be discussed by CoP in the coming months. In this connection, the Administration was requested to provide the Subcommittee with the relevant discussion papers of CoP on retirement protection. SLW undertook to convey the request to CS for consideration.

II. Any other business

7. The Chairman advised that members would be informed of the date of next meeting in due course.

8. There being no other business, the meeting ended at 12:10 pm.

Council Business Division 2
Legislative Council Secretariat
8 May 2015

**Proceedings of meeting of the Subcommittee on Retirement Protection
held on Tuesday, 14 April 2015, at 10:45 am
in Conference Room 2B of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action Required
<i>Agenda item I - Future development of retirement protection in Hong Kong and related issues</i>			
000000 - 000622	Chairman	Opening remarks	
000623 - 001037	Admin	Briefing by the Administration on the Commission on Poverty ("CoP")'s discussion on retirement protection at its meeting on 27 March 2015.	
001038 - 001058	Chairman Mr POON Siu-ping Admin	<p>Mr POON Siu-ping's enquiries and the Administration's response regarding the following -</p> <p>(a) whether abolition of the arrangement of allowing employers to use the Mandatory Provident Fund ("MPF") accrued benefits from their contributions to offset severance payments and long service payments ("the offsetting arrangement") would be studied by CoP and the Government in the light of its adverse impact on the functions of the MPF System in retirement protection; and</p> <p>(b) timeframe and contents of the public consultation on retirement protection to be launched ("the public consultation") and the next course of action to be taken.</p>	
001059 - 002314	Chairman Mr LEUNG Yiu-chung Admin	<p>Mr LEUNG Yiu-chung's concerns/enquiries and the Administration's response regarding the following -</p> <p>(a) how the Administration would address the offsetting arrangement when deliberating the issue of retirement protection;</p> <p>(b) approach and contents of the public consultation;</p> <p>(c) whether the Administration would merely enhance the existing multi-pillar retirement protection system, in particular the MPF System, for the purpose of strengthening retirement protection; and</p>	

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		<p>(d) details of the working group to be formed under CoP to undertake the preparatory work for the public consultation.</p> <p>Mr LEUNG's suggestion of receiving deputations' views on (a) above and inviting CoP members to Subcommittee meetings to exchange views with members on the public consultation.</p>	
002315 - 002848	Chairman Mr LEE Cheuk-yan Admin	<p>Mr LEE Cheuk-yan sought further clarifications about the formation of a working group under CoP.</p> <p>Mr LEE's query about the need to update the population figures by the Census and Statistics Department and to explore the feasibility of extending the projection period beyond 2041 given that the ageing population was expected to peak at 2041. His comment that it was a delay tactic of the Administration not to take forward the issue of retirement protection.</p> <p>Mr LEE's view that the public consultation should be launched as soon as practicable and his concern about the timeframe of the public consultation. His worries that even if there was a community consensus on a retirement protection option, the Administration would be under a very tight legislative timetable for effecting the proposal.</p> <p>The Administration's response as follows -</p> <p>(a) CoP members agreed to make use of the latest projection figures and the projection method adopted in the report submitted by the consultancy team led by Professor Nelson CHOW to update the projection of the relevant proposal as well as to explore the feasibility of extending the projection period; and</p> <p>(b) the current-term Government would endeavour to enhance protection for needy citizens after retirement.</p>	

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002849 - 003538	Chairman Admin	<p>In response to the Chairman's enquiry, the Administration elaborated the preparatory work for the public consultation to be undertaken by CoP, including devising a framework and setting out the details.</p> <p>Referring to the decision made at last meeting that the Subcommittee should discuss the preparatory work for the public consultation in tandem with relevant discussions held by CoP, the Chairman requested the Administration to provide relevant discussion papers of CoP to the Subcommittee for reference.</p> <p>The Administration agreed to relay the request to the Chief Secretary for Administration ("CS"), who was Chairman of CoP, for consideration.</p>	Admin
003539 - 004140	Chairman Mr LEUNG Yiu-chung Admin	<p>Mr LEUNG Yiu-chung's request for provision of a concrete timeframe for conducting the public consultation.</p> <p>Given the completion of the study undertaken by the consultancy team led by Professor Nelson CHOW ("the consultancy study"), Mr LEUNG queried the need for CoP to examine the five pillars for retirement protection put forward by the World Bank. His worries that the Administration would merely enhance the existing multi-pillar retirement protection system, in particular the MPF System, for the purpose of improving retirement protection.</p> <p>The Administration's response as follows -</p> <p>(a) Professor CHOW was commissioned to lead the consultancy team to undertake a study on future development of retirement protection in Hong Kong, and not a study on universal retirement protection;</p> <p>(b) having regard to the finite public resources which should be targeted at the needy senior citizens, the Government had reservations about implementing a universal non-means-tested retirement protection system; and</p>	

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		(c) it was important for CoP to examine each of the five pillars for retirement protection with a view to making improvement to retirement protection for Hong Kong people.	
004141 - 004709	Chairman Dr KWOK Ka-ki Admin	<p>Dr KWOK Ka-ki's dissatisfaction that the Chief Executive had not honoured his pledge made in his election manifesto in respect of making improvement to retirement protection. Notwithstanding the financial sustainability of various universal retirement protection options was affirmed by the actuarial projection in the Research Report on Future Development of Retirement Protection in Hong Kong" ("the Research Report") submitted by the consultancy team led by Professor Nelson CHOW, the Administration had resorted to a delay tactic in taking forward the subject and that the public consultation would re-open the discussion on the fundamental question of whether universal retirement protection should be implemented.</p> <p>Dr KWOK highlighted that as stated in the Research Report, the means-tested retirement protection proposals would increase the public expenditure on social security payments as compared with the non-means-tested with tripartite contribution proposals put forth by the community groups.</p> <p>Dr KWOK's suggestion of inviting CoP members and Professor CHOW to the Subcommittee meetings to exchange views on the contents of the public consultation.</p> <p>The Administration's reiteration of the objective of consultancy study. Its emphasis that both universal non-means-tested and means-tested retirement protection options would be included in the public consultation.</p>	

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004710 - 005217	Chairman Mr LEE Cheuk-yan Admin	<p>Mr LEE Cheuk-yan's criticism about the ineffectiveness of the MPF System in providing retirement protection because of the offsetting arrangement. He sought clarification as to whether the discussion on the functions of the MPF System in retirement protection would cover the possibility of abolishing the offsetting arrangement.</p> <p>Mr LEE's remarks that as the Administration did not accept the findings and recommendations in the Research Report, the public consultation was employed as a delay tactic in taking forward the issue. His query about the Administration's intention of not implementing a universal non-means-tested retirement protection scheme.</p> <p>The Administration's advice of the complexity of the issue on retirement protection. The consultancy study had laid a solid and objective foundation for CoP's further deliberation on the subject. The public consultation was expected to be launched in the fourth quarter of 2015.</p>	
005218 - 010052	Chairman Admin	<p>The Chairman's remarks that upon release of the Research Report, there was thorough discussion on its findings and recommendations among relevant community groups. She pointed out that in anticipation of the increasing public expenditure on social security payments arising from the ageing population, a considerable number of the youth were also concerned about retirement protection. The Administration should squarely address the issue without further delay.</p> <p>In the light of CoP's deliberation on the framework of the public consultation in the coming months, the Chairman suggested that the Subcommittee should receive views from deputations on the areas of concern being or to be deliberated by CoP. Her reiteration of the request for the Administration to provide the Subcommittee with relevant discussion papers of CoP on the issue of retirement protection.</p>	

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		<p>The Administration's advice that it would continue to suitably report CoP's discussion on retirement protection to the Subcommittee. It would relay the request to CS for consideration.</p>	<p>Admin</p>
<p>010053 - 011513</p>	<p>Chairman Mr LEUNG Yiu-chung Admin</p>	<p>Mr LEUNG Yiu-chung's disappointment that the Administration had employed a delay tactic in taking forward the issue of retirement protection. His enquiry about the objective, approach and concrete contents of the public consultation.</p> <p>The Administration's advice that the objective of the public consultation was to identify the way forward for retirement protection in Hong Kong as appropriate, including examining the efficacy of the existing retirement protection system and whether the finite public resources should be targeted at the needy senior citizens. Its emphasis that an enormous amount of work was involved in connection with making preparation for the consultation document and that there would be options on retirement protection in the public consultation for consideration.</p> <p>Mr LEUNG's reiteration of his concern that the Administration would merely enhance the existing multi-pillar retirement protection system, in particular the MPF System, for the purpose of improving retirement protection.</p> <p>The Chairman's enquiry and the Administration's response regarding the concrete timeframe of the public consultation, i.e. lead time for the preparatory work with options on retirement protection for public consideration, analysis of the findings and identification of the way forward.</p> <p>In response to the Chairman's request for compressing the timetable for the public consultation, the Administration stressed that it would take time to undertake the preparatory work for the public consultation and analyse the findings. It undertook to relay the concern about the timeframe of the public consultation to CS and CoP.</p>	<p>Admin to relay to CS and CoP</p>

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011514 - 012017	Chairman Mr LEE Cheuk-yan Admin	<p>Mr LEE Cheuk-yan's concern that given the expiry of the tenure of the current-term Government in 2017, it was unrealistic for it to complete the follow-up work on the way forward for retirement protection, even if a proposal was worked out after the public consultation.</p> <p>Mr LEE's view that given the uncertain political development in Hong Kong beyond 2047, it was not necessary to update the projection on the sustainability of different retirement protection proposals for an extended period of time.</p> <p>Mr LEE's concerns and the Administration's response regarding the options to be included in the public consultation.</p> <p>Mr LEE's view that the offsetting arrangement should be abolished irrespective of the outcome of the public consultation and that a universal non-means-tested retirement protection scheme should be implemented.</p>	
012018 - 012552	Chairman Mr LEE Cheuk-yan Mr Alan LEONG	<p>Arrangements for subsequent meetings of the Subcommittee.</p> <p>Concluding remarks.</p>	