

立法會
Legislative Council

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Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of meeting
held on Wednesday, 15 July 2015, at 2:30 pm
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 TAM Yiu-chung, GBS, JP
Hon LEUNG Kwok-hung
Hon Frankie YICK Chi-ming, JP
Hon CHAN Chi-chuen
Dr Hon Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH

Members absent : Hon Albert HO Chun-yan
Hon LEUNG Yiu-chung
Hon Ronny TONG Ka-wah, SC
Hon Alan LEONG Kah-kit, SC
Hon CHAN Han-pan, JP
Dr Hon KWOK Ka-ki
Hon TANG Ka-piu, JP

Public Officers attending : Item II

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

Miss Wendy CHUNG
Principal Assistant Secretary for Financial Services and
the Treasury (Financial Services) 3

**Attendance
by invitation** : Item II

Alliance for Universal Pension

Mr Nick CHAN
Organizer

Mr LAU Cheuk-kei
Member of Secretariat

The Hong Kong Federation of Trade Unions Rights &
Benefits Committee

Mr PANG Kong-cheung
Deputy Director

Mr KWAN Shing-kit
Secretary

The Professional Commons

Mr George Cautherley
Treasurer

**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. Extension of period of work of the Subcommittee

The Chairman sought members' views on the need for the Subcommittee to further extend the period of its work and continue to operate in the 2015-2016 session. Members agreed. The Chairman said that the Subcommittee would seek the endorsement of the Panel on Welfare Services and the approval of the House Committee of the proposal accordingly.

II. Financial arrangements for retirement protection options listed in the "Research Report on Future development of retirement protection in Hong Kong"

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

3. The Subcommittee received oral representations from three proponents of the retirement protection options included in the "Research Report on Future Development of Retirement Protection in Hong Kong" ("the Research Report") released by the consultancy team led by Professor Nelson CHOW on the financial arrangements of their respective proposals. Members also noted that Dr C K LAW who had briefed the Commission on Poverty ("CoP") at its meeting on 26 June 2015 on his annuity proposal had provided the Subcommittee with information on his proposal. Major views of the deputations are summarised below -

- (a) in light of the challenges of an ageing population and a considerable number of the elderly living in poverty, there was a pressing need for the implementation of a non-means-tested retirement protection scheme with tripartite contributions from the Government, employers and employees without further delay so as to ensure that the elderly could lead a dignified and financially-secured life in their twilight years;

- (b) there was concern about the timeframe and contents of the public consultation exercise on retirement protection to be launched in the fourth quarter of 2015 ("the public consultation exercise"). When devising the framework and approach for the public consultation exercise, CoP should also receive views from all the proponents of various retirement protections proposals included in the Research Report; and
- (c) given that a community consensus had been reached on the issue of retirement protection, the public consultation exercise should focus on the financial arrangements for a retirement protection scheme to be implemented in Hong Kong. The six retirement protection options listed in the Research Report as well as the consultancy team's recommendation on the setting up of the "demo-grant" should be included in the public consultation. The Administration should draw up a concrete timetable and a roadmap for the implementation of a universal retirement protection scheme as soon as practicable.

4. Members in general were of the view that the Administration should squarely address the issue on retirement protection which had been deliberated by the community over the years and having regard to the challenges brought about by the ageing population. Most members shared the view that a universal retirement protection scheme should be implemented without further delay. These members expressed grave concern about the timeframe and approach of the impending public consultation exercise on retirement protection. Queries were raised as to whether a retirement protection policy would be duly mapped out for implementation within the current-term Government given that the tenure of the Fifth Legislative Council and the current-term Government would expire in 2016 and 2017 respectively. Some other members, however, raised concern about the sustainability of a universal retirement protection scheme and were of the view that the finite public resources should be targeted at the elderly in need.

5. In response to the views of deputations and members, the Secretary for Labour and Welfare made the following points -

- (a) in light of the challenges of an ageing population, the Administration was very concerned about the subject of retirement protection which was highly complex and would affect all Hong Kong people. It also had far-reaching impact on the fiscal sustainability and socio-economic developments in Hong Kong. The Administration was open-minded on the way forward for retirement protection in Hong Kong. In fact, about 80% of elderly already received retirement protection under the existing social security system funded by public coffers, which included about 220 000 elderly receiving monthly Old Age Allowance, more than 420 000 elderly receiving monthly Old Age Living Allowance, about 150 000 elderly being on the Comprehensive Social Security Assistance Scheme and over 30 000 elderly receiving monthly Disability Allowance. To further demonstrate the Government's determination and commitment in improving protection for needy citizens after retirement, \$50 billion was earmarked to provide for future needs;
- (b) CoP had commissioned Professor Nelson CHOW and his consultancy team to undertake a study on future development of retirement protection in Hong Kong so as to identify the way forward. Following the release of the Research Report compiled by the consultancy team in August 2014, CoP agreed to conduct a public consultation on retirement protection in Hong Kong in the fourth quarter of 2015;
- (c) given that the Census and Statistics Department ("C&SD") was updating the population and labour projection, CoP members agreed to make use of the latest projection figures and the projection method adopted in the Research Report to update the projection of the relevant proposals in the Research Report as well as to explore the feasibility of extending the projection period;
- (d) the public consultation exercise was expected to be launched in the fourth quarter of 2015 and there was an enormous amount of preparatory work for the consultation document. It was agreed that the consultation document should set out a

simple and clear analytical framework to assist the public in making an informed choice. The preliminary thinking was that a 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; and

- (e) views and concerns expressed by depositions and members on the subject of retirement protection and the public consultation exercise would be relayed to CoP for consideration.

6. In respect of the Mandatory Provident Fund ("MPF") System, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)³ made the following points -

- (a) as one of the pillars for retirement protection, the MPF System assisted the working population to save for their retirement based on the long-term investment strategy. According to the statistics of the Mandatory Provident Funds Schemes Authority ("MPFA"), the total accrued benefits of MPF Schemes were \$635.9 billion as of May 2015. The annualised internal rate of return (net of fees) of the MPF System since inception was 5.1%, compared with the annualised Composite Consumer Price Index change of 1.7% over the same period; and
- (b) 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, the management fees of over 200 funds had been reduced. 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 legislation to mandate trustees to provide a "core fund" as the default fund of each MPF scheme by end of this year, with a view to introducing the "core fund" by 2016. The default fund would be subject to fee control and based on long-term investment strategy that was consistent with retirement saving objectives.

III. Any other business

7. The Chairman said that pending the release of the updated population and labour projection figures by C&SD, the next meeting of the Subcommittee would tentatively be held in September 2015. Members would be informed of the meeting date in due course.

8. There being no other business, the meeting ended at 4:30 pm.

Council Business Division 2
Legislative Council Secretariat
7 September 2015

**Proceedings of meeting of the Subcommittee on Retirement Protection
held on Wednesday, 15 July 2015, 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 - Extension of period of work of the Subcommittee</i>			
000000 - 001101	Chairman	Need for the Subcommittee to further extend the period of its work and continue to operate in the 2015-2016 session. Date of the next Subcommittee meeting	The Secretariat
<i>Agenda item II - Financial arrangements for retirement protection options listed in the "Research Report on Future development of retirement protection in Hong Kong"</i>			
001102 - 001409	Chairman	Meeting arrangements for receiving views from proponents of various retirement protection options listed in the "Research Report on Future Development of Retirement Protection in Hong Kong" ("the Research Report") released by the consultancy team led by Prof Nelson CHOW on the financial arrangements of their respective proposals.	
001410 - 001649	Chairman Admin	Briefing by the Administration on the Commission on Poverty ("CoP")'s discussion on retirement protection at its meeting on 26 June 2015 and the launching of the public consultation exercise on retirement protection in the fourth quarter of 2015 ("the public consultation exercise").	
001650 - 001955	Chairman Admin	The Administration's response to the Chairman's request that the Subcommittee be provided with the updated population and labour projection figures to be released by the Census and Statistics Department ("C&SD").	
001956 - 002449	Chairman Dr Fernando CHEUNG Admin	Dr Fernando CHEUNG's suggestion that in addition to receiving Dr C K LAW's briefing on his annuity proposal, CoP should also receive views from other proponents of various retirement protection proposals included in the Research Report. The Administration's response that it would relay Dr Fernando CHEUNG's suggestion to CoP for consideration.	Admin

Time marker	Speaker(s)	Subject(s)	Action Required
002450 - 003809	Chairman Mr LAU Cheuk-kei and Mr Nick CHAN, Alliance for Universal Pension ("the Alliance")	Presentation of views with the aid of powerpoint presentation	
003810 - 004521	Chairman Mr PANG Kong-cheung and Mr KWAN Shing-kit, The Hong Kong Federation of Trade Unions Rights & Benefits Committee ("HKFTU")	Presentation of views	
004522 - 004851	Chairman Mr George Cautherley, The Professional Commons	Presentation of views	
004852 - 005352	Chairman Admin	<p>The Administration's response to the views of deputations and its advice regarding relaying to CoP the following requests from deputations -</p> <p>(a) in addition to Dr C K LAW's annuity proposal, CoP should receive views from other proponents of retirement protection proposals included in the Research Report; and</p> <p>(b) the six retirement protection options listed in the Research Report as well as the consultancy team's recommendation on the setting up of the "demo-grant" should be included in the public consultation exercise.</p>	Admin
005353 - 010800	Chairman Admin Mr Nick CHAN and Mr LAU Cheuk-kei, the Alliance Mr KWAN Shing-kit, HKFTU	<p>The Administration's response to further views from deputations.</p> <p>The Administration's emphasis on the complexity of the issue on retirement protection and its sincerity in commissioning the study on retirement protection by the consultancy team led by Prof Nelson CHOW and its earmarking of \$50 billion in connection with retirement protection. CoP would devise a framework and set out the details in the public consultation exercise.</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
		Request for attendance of the meeting by CoP members.	
010801 - 011640	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's grave concern that one-third of the elderly were living below the poverty line. With reference to overseas study, his view that elderly poverty could be effectively addressed by setting the monthly old age pension above the poverty line under a universal retirement protection scheme.</p> <p>Dr CHEUNG sought clarifications and the Administration's response regarding the following -</p> <p>(a) whether the retirement protection functions of the Mandatory Provident Fund ("MPF") System and the social security schemes would be included as retirement protection options in the public consultation exercise; and</p> <p>(b) the availability of a concrete timeframe and contents of the public consultation exercise.</p>	
011641 - 012410	Chairman Mr LEUNG Kwok-hung Admin	<p>Mr LEUNG Kwok-hung expressed concern about the gravity of inadequate retirement protection and elderly poverty situation in Hong Kong as compared with other places. His view that given the huge fiscal reserve, the Administration should address these issues without further delay.</p> <p>Mr LEUNG's query/enquiry and the Administration's response regarding the following -</p> <p>(a) attendance of Subcommittee meetings by CoP members; and</p> <p>(b) whether the current-term Government was determined to map out a retirement protection policy.</p>	

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012411 - 013024	Chairman Mr POON Siu-ping Admin	<p>The Administration's response to Mr POON Siu-ping's enquiries regarding the following -</p> <p>(a) whether all retirement protection options listed in the Research Report would be updated by making use of the latest projection figures to be released by C&SD; and</p> <p>(b) duration and approach of the public consultation exercise.</p> <p>The Administration's concurrence to Mr POON's view that the consultation document should be simple and clear to facilitate the public's understanding and making an informed choice.</p>	
013025 - 013348	The Chairman Mr Frankie YICK Admin	<p>Mr Frankie YICK's remarks that the Liberal Party was in support of providing retirement protection to the needy elderly under a means-tested retirement protection scheme. The Administration should consider conducting sensitivity analysis to examine the resources implications of the proposed retirement protection options and increasing the amount of start-up fund for retirement protection as appropriate so as to ensure the sustainability of the proposed retirement protection scheme.</p> <p>Mr YICK's suggestion of waiving the requirement of the elderly making a declaration on non-provision of financial support by their family members under the Comprehensive Social Security Assistance Scheme.</p> <p>The Administration's advice that concern about the sustainability of a retirement protection scheme and the suggestion of conducting sensitivity analysis would be related to CoP for consideration.</p>	Admin
013349 - 014123	Chairman Mr TAM Yiu-chung Admin	Mr TAM Yiu-chung's remarks that the Democratic Alliance for the Betterment and Progress of Hong Kong was in support of a Three-tier Retirement Protection Old Age Pension Scheme.	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>The Administration's response to Mr TAM's concern about the role of the MPF System as one of the pillars in providing retirement protection for the working population, and that the annualised internal rate of return of the MPF System since inception was 5.1%, compared with the annualised Composite Consumer Price Index change of 1.7% for the same period. The Administration then supplemented on the various measures implemented and planned initiatives by MPFA to further lower MPF fees and increase employees' control on investment made.</p>	
014124 - 014447	<p>Chairman Mr Nick CHAN, the Alliance Admin</p>	<p>The Administration's response to the following queries/enquiries raised by the deputation -</p> <ul style="list-style-type: none"> (a) the Government would need to address the great pressure arising from the projected public expenditure for elderly welfare under the existing social security system by 2041; (b) whether the current-term Government was sincere to map out a retirement protection policy; (c) whether all retirement protection options listed in the Research Report would be included in the public consultation exercise; and (d) whether the framework for the public consultation exercise would be made public by September 2015. 	
014448 - 014837	<p>Chairman Mr KWAN Shing-kit, HKFTU Admin</p>	<p>The deputation's views and the Administration's response in respect of the following -</p> <ul style="list-style-type: none"> (a) a balanced view on the implementation of a retirement protection system should be presented in the public consultation exercise; and (b) a retirement protection scheme should be implemented without further delay, having regard to the severe elderly poverty situation. 	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>The Administration's reiteration that about 80% of the elderly benefited from the existing social security system.</p> <p>The Chairman cautioned that should a retirement protection scheme not be implemented, the ageing population would also impose heavy fiscal pressure on the existing social security system as pointed out in the Research Report.</p>	
014838 - 015224	Chairman Mr LAU Cheuk-kei and Mr Nick CHAN, the Alliance Admin	<p>The deputation highlighted the sustainability of the retirement protection options listed in the Research Report based on the actuarial studies.</p> <p>The Administration's response to the deputation's queries regarding the following -</p> <p>(a) the need for conducting sensitivity analysis for the retirement protection options listed in the Research Report; and</p> <p>(b) the effectiveness of the Old Age Living Allowance in addressing the issue of elderly poverty.</p>	
015225 - 015539	Chairman Mr LEUNG Kwok-hung	<p>Mr LEUNG Kwok-hung's view that the Administration could set aside more funding to address the issue of sustainability of a retirement protection scheme under the principle of "pay as you go".</p> <p>Mr LEUNG's strong criticism that given the huge fiscal reserve, the Administration failed to implement a retirement protection scheme in recognition of the past contribution of the elderly to the society.</p>	
015540 - 020049	Chairman Mr Frankie YICK	Date of next meeting.	