

**立法會**  
***Legislative Council***

LC Paper No. CB(2)1988/15-16  
(These minutes have been  
seen by the Administration)

Ref : CB2/PL/WS

**Panel on Welfare Services**

**Minutes of special meeting  
held on Monday, 18 April 2016, at 5:30 pm  
in Conference Room 1 of the Legislative Council Complex**

- Members present** : Hon CHEUNG Kwok-che (Chairman)  
Hon CHAN Yuen-han, SBS, JP (Deputy Chairman)  
Hon Albert HO Chun-yan  
Hon LEUNG Yiu-chung  
Hon Frederick FUNG Kin-kee, SBS, JP  
Dr Hon LEUNG Ka-lau  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Hon Frankie YICK Chi-ming, JP  
Hon YIU Si-wing, BBS  
Hon Gary FAN Kwok-wai  
Hon CHAN Chi-chuen  
Dr Hon Fernando CHEUNG Chiu-hung  
Dr Hon Helena WONG Pik-wan  
Hon POON Siu-ping, BBS, MH  
Hon CHUNG Kwok-pan  
Hon Alvin YEUNG Ngok-kiu
- Members absent** : Hon LEUNG Che-cheung, BBS, MH, JP  
Hon TANG Ka-piu, JP

**Public Officers attending** : Item I

Mr Stephen SUI, JP  
Under Secretary for Labour and Welfare  
Labour and Welfare Bureau

Mr Eric LEE  
Principal Economist (3)  
Economic Analysis and Business Facilitation Unit  
Financial Secretary's Office

**Attendance by invitation** : Item I

Department of Mathematics and Statistics, School of  
Decision Sciences, Hang Seng Management College

Dr LEE Wing-yan  
Assistant Professor

Department of Economics and Finance, Hong Kong  
Shue Yan University

Dr Raymond W M YEUNG  
Assistant Professor

Department of Social Work, The Chinese University of  
Hong Kong

Professor WONG Hung  
Associate Professor

Department of Economics, Faculty of Social Science,  
The Chinese University of Hong Kong

Professor LEUNG Tin-cheuk  
Assistant Professor

Department of Economics, Faculty of Social Sciences,  
University of Macau

Dr CHAN Chi-shing  
Part-time Instructor

Hong Kong Social Security Society

Mr Henry MOK Tai-kee  
Researcher

Department of Social Work, The Chinese University of  
Hong Kong

Professor WONG Yu-cheung  
Professor

Department of Finance & Decision Sciences, Hong  
Kong Baptist University

Dr Billy MAK Sui-choi  
Associate Professor

Department of Economics and Finance, Hang Seng  
Management College

Mr LAU Tak-ching  
Lecturer

保險起動

Mr Kelvin LEE

放射良心

Mr NG Chi-kit

Miss Camile LAM

Mr Sherman CHAN

Community College of City University

Mr LEE Kim-ming  
Senior Lecturer

**Clerk in attendance** : Mr Colin CHUI  
Chief Council Secretary (2) 4

**Staff in attendance** : Miss Kay CHU  
Council Secretary (2) 4

Miss Maggie CHIU  
Legislative Assistant (2) 4

Ms Ada TANG  
Clerical Assistant (2) 4

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**I. Financial arrangements for universal retirement protection**  
[LC Paper Nos. CB(2)1301/15-16(01) to (03) and  
CB(2)1323/15-16(01) to (05)]

The Chairman invited academics/deputations/individuals to present their views. A total of 14 academics/deputations/individuals expressed their views which were summarized in the **Appendix**.

The Administration's response to academics' views

2. Under Secretary for Labour and Welfare ("USLW") thanked the academics/deputations/individuals for their views on retirement protection. He advised that any retirement protection proposal which involved a huge expenditure should be considered from the perspective of the affordability and sustainability of public finance. In addition, the suggestion of transferring half of the current contribution from employers and employees to the Mandatory Provident Fund ("MPF") system to a proposed retirement protection fund should be carefully examined, taking into account the possible adverse impact on other pillars of the existing retirement protection system and employees' views at large. He was also concerned that if considerable public resources were spent on a universal pension scheme, the Administration's financial capacity in responding to elderly persons' needs in other areas, e.g. public housing, medical services and elderly care services, might be undermined. Stressing the importance of drawing up sustainable and affordable retirement protection options which would be acceptable to the community, he said that the Administration would carefully consider the views on various issues relating to retirement protection expressed by the academics attending this meeting, and would continue to collect more public views before the end of the consultation period.

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Discussion

*Universal non-means-tested old age pension option put forth jointly by more than 180 local academics*

3. Members noted that under the Option of Academics which had been put forth jointly by more than 180 local academics, a universal non-means-tested old age monthly pension of about \$3,500 would be provided for all Hong Kong permanent residents aged 65 and above with tripartite contributions from the Administration, employers and employees. Both employers and employees would not have to make extra contribution under the proposal, but to transfer half of their respective current contribution to the MPF system to a proposed retirement protection fund. As for the Administration, it would have to transfer the 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 to the fund and to make a one-off capital injection of \$100 billion as a start-up fund. In addition, the profits tax rates for enterprises with an annual profit exceeding \$10 million would be increased by 1.9% to derive additional tax revenue for financing the scheme. Under the above financial arrangement, the retirement protection fund was projected to have a positive balance of some \$160 billion by 2064.

4. Whilst inclining to support the Option of Academics, Mr POON Siu-ping was concerned about Dr Raymond YEUNG's view that the Administration should be required to inject an additional \$50 billion into its \$100 billion start-up fund in order to maintain the sustainability of the non-means-tested old age pension option. He invited the academics attending the meeting to give further views in this regard.

5. Declaring that he was a member of the consultancy team led by Professor Nelson CHOW, Professor WONG Yu-cheung said that the 50-year projections on the increased expenditure under the Option of Academics were made based on the estimated investment return rates (i.e. 0%, 0.5%, 1%, 1.5% and 2%) of the foreign currency reserves. However, the aforesaid projections would be affected by two factors, i.e. the change of proportion of elderly persons who were receiving CSSA and whether the age limit of monthly pension beneficiaries would be raised in view of the increasing longevity.

6. Reiterating uncertainties of the investment return rates of the Exchange Fund, Dr Raymond YEUNG called on the some 180 academics

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who had jointly put forth the Option of Academics to make a projection of the amount of increased expenditure required by the universal non-means-tested old age pension option based on the worst scenario.

7. Whilst supporting implementation of a universal non-means-tested retirement protection scheme, the Deputy Chairman agreed to Dr Billy MAK's view that the sustainability of a retirement protection system would be challenged by three uncontrollable factors, namely the increasing longevity, inflation and government revenue. At the invitation of the Deputy Chairman, Dr Billy MAK gave further views on the future development of retirement protection. He said that the Administration should strengthen the existing retirement protection system, e.g. to relax the eligibility criteria for CSSA, so as to enhance assistance for needy elderly persons. He also reiterated that the proposal of transferring the current contribution to the MPF system or the Occupational Retirement Scheme to a retirement protection fund would give rise to the question of fairness, on the premise that each person should be responsible for his/her retirement life.

8. Mr LEUNG Yiu-chung asked if funding retirement protection by tax income could help uphold fairness, which was a concern resulting in divergent views on the proposal of tripartite contributions from the Administration, employers and employees. He also expressed concern that the proposal of transferring half of the current contribution from employers and employees to the MPF system to a retirement protection fund would further lower the already low investment return of MPF. He therefore proposed to transfer the lump sum of the current contribution to the MPF system to the retirement protection fund so as to increase the amount of monthly pension under the Option of Academics from \$3,500 to \$3,800.

9. Professor WONG Hung said that many people, especially those from the younger generation, held the view that the MPF system should cease operation. The lump sum of the current contribution to the system should be transferred to fund a universal non-means-tested retirement protection scheme. He said that the local academics who had put forth the Option of Academics considered that the aforesaid financial arrangement was feasible and could be further examined.

*Other suggestions of and concerns about financial arrangements*

10. Mr CHUNG Kwok-pan suggested that in addition to transferring half of the current contribution to the MPF system to a retirement protection fund, the Administration should consider making use of the investment return of the some \$3,000 billion foreign currency reserves to fund either a universal

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or non-universal retirement protection scheme. He also considered it unnecessary to increase the profits tax given that the Administration would not deploy any additional tax income to fund retirement protection.

11. Principal Economist (3) responded that the some \$3,000 billion foreign currency reserves had a major function to maintain the stability of the Linked Exchange Rate System. Within the foreign currency reserves, there was a fiscal reserve of some \$800 billion, which was the total amount of resources at the Administration's disposal to cover its expenditure on various government policies. Given that the present value of the overall increased expenditure required by the simulated "regardless of rich or poor" option would be about \$1,500 billion, which was nearly double the fiscal reserve, he called on the community to take account of public's affordability in discussing the subject of retirement protection.

12. Noting that the Administration had directed considerable public resources to the "Future Fund", various infrastructural projects and civil service pension schemes, Mr LEUNG Kwok-hung urged the Administration to consider increasing tax to provide a higher amount of OAA or OALA for eligible elderly persons to improve their retirement life. He also called on academics to understand the hardship of grassroot elderly persons, and review the proposals on retirement protection with an aim to address the crux of the problem.

13. Dr Fernando CHEUNG commended Professor WONG Yu-cheung for his innovative idea to compare the projected amount of increased expenditure under the simulated "regardless of rich or poor" option till 2064 (i.e. \$2,395 billion) and the projected expenditure on infrastructural projects for the same period (i.e. \$4,400 billion). In response to Dr CHEUNG's question, Professor WONG Yu-cheung said that according to the consultation document on retirement protection, the Administration would be required to raise the rates of profits tax and salaries tax by about an additional 4.2 percentage points and 8.3 percentage points respectively for implementing the simulated "regardless of rich or poor" option. On this basis, he roughly estimated that the Administration had to at least double the increase of the rates of profits tax and salaries tax to 8 percentage points and 15 percentage points respectively in order to cover the aforesaid expenditure on infrastructural projects.

*Effects of different retirement protection options*

14. Expressing concern about the high elderly poverty rate, Dr Fernando CHEUNG sought information on the estimated reduction in the

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post-intervention poverty rate of elderly persons if the simulated "those with financial needs" option was implemented. USLW undertook to provide the requisite information after the meeting, and advised that of the elderly persons who were living below the poverty line, most of them were either already supported by CSSA or claimed to have no financial needs.

15. The Chairman asked how implementation of universal retirement protection, which was considered beneficial to the development of "grey hair market", would stimulate the economy. In response, Dr Raymond YEUNG expressed worry that the growth of the "grey hair market" might push up inflation rates. Dr Billy MAK estimated that the "grey hair market" would boost the local economy by about two percentage points, taking into account the amount of the current annual retail sales in Hong Kong and the projected size of the elderly population in 2040, as well as his observation that needy elderly persons would utilize their monthly pensions while wealthy elderly persons might not.

16. Dr Fernando CHEUNG said that as he was entitled to a monthly pension payment from the Government of the United States of America to support his retirement life, he could feel at ease and his spending was not very conservative. He suggested that the Administration should examine how provision of a non-means-tested monthly pension would stimulate the local economy and change the expenditure patterns of elderly persons, so as to facilitate members of the public to understand and express their views on the subject of retirement protection. USLW noted Dr CHEUNG's suggestion.

17. Noting that many surveys conducted by community groups or political parties in the past two years indicated that a majority of Hong Kong people called for implementation of universal retirement protection, Mr Frederick FUNG expressed dissatisfaction about the Administration's pre-conceived position on the way forward for retirement protection, i.e. having reservations over any options that were not means-tested. He was also concerned that the consultation document on retirement protection did not mention the importance of paying respect to elderly persons, and the current-term Government did not have the sincerity to take forward the subject of retirement protection. USLW advised that as a responsible government, the Administration had to clearly explain to Hong Kong people that it had reservations over any options that were not means-tested (i.e. applied equally to all elderly persons regardless of being rich or poor), taking into account the affordability and sustainability of public finance and any adverse impacts on Hong Kong's economy and social development that might bring about by such options.

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18. Stressing that provision of a monthly pension could give elderly persons a sense of security, the Deputy Chairman was of the view that retirement protection should not be negated by elderly persons' needs in other areas, such as housing and medical services. She also encouraged academics having different views on retirement protection to discuss their considerations, listen to stakeholders' views and examine the subject in a wider perspective. Despite divergent views on retirement protection which had been deliberated for several decades, she was not pessimistic about the future development of retirement protection.

19. The Chairman said that the Subcommittee on Retirement Protection under the Panel on Welfare Services could be re-activated in May or June 2016, if the Subcommittee on Health Protection Scheme under the Panel on Health Services completed its work and a vacant slot arose as a result.

**II. Any other business**

20. There being no other business, the meeting ended at 7:32 pm.

Council Business Division 2  
Legislative Council Secretariat  
22 August 2016

## Panel on Welfare Services

Special Meeting on Monday, 18 April 2016 at 5:30 pm

## Financial arrangements for universal retirement protection

## Summary of views and concerns expressed by academics/deputations/individuals

No.	Deputation/individual	Views
1.	Dr LEE Wing-yan, Assistant Professor, Department of Mathematics and Statistics, School of Decision Sciences, Hang Seng Management College	<ul style="list-style-type: none"> <li>• A comprehensive retirement protection system should cover various aspects, such as income protection, healthcare services and long-term care services.</li> <li>• The Administration should consider adopting the simulated "those with financial needs" option to ensure the sustainability of the enhanced retirement protection system and to better utilize public resources in the face of the growing ageing population.</li> </ul>
2.	Dr Raymond WM YEUNG, Assistant Professor, Department of Economics and Finance, Hong Kong Shue Yan University	<ul style="list-style-type: none"> <li>• Under the universal non-means-tested old age pension option put forth jointly by more than 180 local academics ("the Option of Academics"), a one-off capital injection of \$100 billion should be made by the Administration as a start-up fund. Taking into account the investment return rates of the Exchange Fund and inflation from 1994 to 2015, the Administration should be required to inject an additional \$50 billion or even \$100 billion into the aforesaid start-up fund to ensure its sustainability.</li> <li>• Objecting to the proposal of transferring half of the current contribution from employers and employees to the Mandatory Provident Fund ("MPF") system to a retirement protection fund under the Option of Academics, given that such an arrangement was not in line with the world trend and might bring about moral hazard.</li> <li>• The Administration should consider introducing a commodity and service tax to fund implementation of universal retirement protection.</li> </ul>
3.	Professor WONG Hung, Associate Professor, Department of Social Work, The Chinese University of Hong Kong	<ul style="list-style-type: none"> <li>• Explaining the financial arrangement for the Option of Academics with the aid of powerpoint presentation.</li> <li>• According to the Option of Academics, there would be a positive balance of some \$160 billion by 2064 while implementation of the simulated "regardless of rich or poor" option might result in a negative balance of some \$500 billion by the same year. The considerable difference in the balance was attributable to the adoption of a lower level of monthly pension (i.e. \$3,500, at 2016 price level) and a higher proportion of elderly persons receiving the Comprehensive</li> </ul>

No.	Deputation/individual	Views
		<p>Social Security Assistance ("CSSA") in the calculation under the Option of Academics.</p> <ul style="list-style-type: none"> <li>• The Administration would not deploy the investment returns of the foreign currency reserves to fund retirement protection, having regard to various factors of political consideration.</li> </ul>
4.	Professor LEUNG Tin-cheuk, Assistant Professor, Department of Economics, Faculty of Social Science, The Chinese University of Hong Kong	[LC Paper No. CB(2)1323/15-16(01)]
5.	Dr CHAN Chi-shing, Part-time Instructor, Department of Economics, Faculty of Social Sciences, University of Macau	<ul style="list-style-type: none"> <li>• Having regard to invariable discrepancies in the financial forecasts made by the Financial Secretary ("FS") and the Working Group on Long-Term Fiscal Planning which was appointed by FS, the Administration should allocate more resources to improve its performance in this regard.</li> <li>• Dr CHAN considered that the Administration was not prepared for a fiscal deficit in view of its proposals to give out "candies" in the recent Budgets and the considerable public resources directed to large-scale infrastructural projects.</li> </ul>
6.	Hong Kong Social Security Society	[LC Paper No. CB(2)1301/15-16(03)]
7.	Professor WONG Yu-cheung, Professor, Department of Social Work, The Chinese University of Hong Kong	[LC Paper No. CB(2)1323/15-16(02)]
8.	Dr Billy MAK Sui-choi, Associate Professor, Department of Finance and Decision Sciences, Hong Kong Baptist University	<ul style="list-style-type: none"> <li>• Sustainability of a retirement protection system was mainly challenged by three uncontrollable factors, namely the increasing longevity, inflation and government revenue, which would vary with the economic situation and demographic changes.</li> <li>• On the premise that each person should be responsible for his/her retirement life, stakeholders had divergent views on the source of retirement protection fund and expressed concern about fairness if part of the current contribution to the MPF system was transferred to implement universal retirement protection.</li> <li>• Explaining limitations on the deployment of the foreign currency reserves and its investment returns.</li> <li>• Provision of a monthly pension was a welfare policy which</li> </ul>

No.	Deputation/individual	Views
		would incur recurrent expenditure while directing public resources to infrastructural development was an investment which would bring about more job opportunities and economic growth.
9.	Mr LAU Tak-ching, Lecturer, Department of Economics and Finance, Hang Seng Management College	<ul style="list-style-type: none"> <li>• Whilst supporting the "Demo-grant" proposal put forth by the consultancy team led by Professor Nelson CHOW, Mr LAU was worried about the sustainability of the aforesaid proposal in the face of the growing ageing population, shrinking labour force and increasing dependency ratio in the coming few decades.</li> </ul>
10.	保險起動	<ul style="list-style-type: none"> <li>• The Administration might introduce new taxes to tackle a structural deficit, which was predicted by the Working Group on Long-Term Fiscal Planning to strike in during 2029-2030. Taking into account the time value of money principle, the representative of the deputation supported early implementation of universal non-means-tested retirement protection, which would subsequently cost the younger generation less but benefit them more with income protection in their old age.</li> </ul>
11.	放射良心	[LC Paper No. CB(2)1323/15-16(03)]
12.	Miss Camile LAM	<ul style="list-style-type: none"> <li>• The Administration never responded to the public views that implementation of universal retirement protection could facilitate the development of "grey hair market" and enable elderly persons to enjoy their twilight years.</li> <li>• The Administration should explain the adverse impact of increasing taxes for implementing universal retirement protection on the economy.</li> </ul>
13.	Mr Sherman CHAN	<ul style="list-style-type: none"> <li>• Expressing concerns about the deficiencies in CSSA, the Old Age Living Allowance, Old Age Allowance and the MPF system.</li> <li>• The Administration should seriously consider implementing the "Demo-grant" proposal or the Option of Academics, which were considered financially sustainable, to address the problems of wealth gap and elderly poverty.</li> </ul>
14.	Mr LEE Kim-ming, Senior Lecturer, Community College of City University	<ul style="list-style-type: none"> <li>• Development of the "grey hair market" could help stabilize the economy.</li> <li>• Implementation of universal retirement protection would have a positive impact on the physical and psychological health of elderly persons, who were facing the risks arising from increasing longevity.</li> </ul>