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Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of meeting
held on Monday, 26 October 2015, at 9:00 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 Albert HO Chun-yan
Hon LEUNG Yiu-chung
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Frankie YICK Chi-ming, JP
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan

Member attending : Hon WU Chi-wai, MH

Public Officers attending : Item I

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 Marion CHAN Shui-yu
Assistant Commissioner for Census and Statistics
(Social)

Ms Sharon NG Pun-wai
Senior Statistician (Census & Demographic)
Census and Statistics Department

**Attendance
by invitation** : Item I

Alliance for Universal Pension

Mr LAU Cheuk-kei
Member of Secretariat

Mr TONG Yiu-keung
Organizer

Democratic Alliance for the Betterment and Progress of
Hong Kong

Mr CHOI Tin-yam
Deputy Spokesperson

The Hong Kong Federation of Trade Unions

Mr KWAN Shing-kit
Secretary, Rights & Benefits Committee

**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. Election of Chairman and Deputy Chairman (if required)

Members agreed that it was not necessary to re-elect the Chairman and Deputy Chairman for the Subcommittee in the 2015-2016 session.

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

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

3. The Subcommittee received oral representations from three proponents of the retirement protection options covered in the "Research Report on Future Development of Retirement Protection in Hong Kong" ("the Research Report") which was released by the consultancy team led by Professor Nelson CHOW. Members also noted that Dr C K LAW had provided the Subcommittee with his views on the future development of retirement protection in Hong Kong with reference to the latest population projections released by the Census and Statistics Department ("C&SD"). Major views of the depositions are summarised below -

- (a) in the light of the elderly poverty rate remaining at 30%, consideration should be given to implementing the universal retirement protection scheme as a measure to prevent the elderly from falling into the poverty trap. A universal retirement protection option should be included in the public consultation on retirement protection ("the public consultation") to be launched in December 2015;
- (b) concerns were raised about extending the projection period from 30 years to 50 years in the updated set of population projections released by C&SD. In addition, there were discrepancies between projections of elderly population and decline in labour force in different updating exercises as well as discrepancies between the actual size of labour force and the projected declining trend. Concern was also expressed about whether policy changes had been taken into consideration when conducting the population projections; and

- (c) there were concerns about the Administration's intention of using the updated set of population projections as an excuse of not pursuing a universal retirement protection scheme.

4. One deputation, on the other hand, expressed reservation about the implementation of non-means-tested universal retirement protection. In its view, limited public resources should be targeted at needy elderly and that each pillar of the existing multi-pillar retirement protection regime in Hong Kong, in particular the Mandatory Provident Fund system, should be examined and strengthened with a view to providing more appropriate assistance for the needy elderly.

5. Most members expressed concern that the Administration made use of the 50-year population projections as a delaying tactic in taking forward the subject of retirement protection. There was a view that C&SD should work with relevant policy bureaux when conducting population projections. Members expressed strong reservations about the Administration's remark that the elderly poverty situation with reference to the definition of poverty line might be overstated, having regard to the fact that some low-income elderly did possess high asset.

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

- (a) in the light of the challenges posed by an ageing population, retirement protection was an important social issue. The Administration acknowledged the need to promote in-depth, informed, objective and rational discussion of various sectors of the community on the subject during the public consultation which would run from December 2015 till June 2016;
- (b) whilst the elderly poverty rate stood at around 30%, it was noteworthy that household income had been adopted as the single poverty indicator without considering assets. As most of the elders did not have income from work, they were likely to be classified as poor under the narrow definition of poverty line. As such, there were some "income-poor, asset-rich" elderly and the poverty situation among elders might be overstated. According to C&SD's findings, about 140 000 of some 250 000 poor elders residing in non-CSSA households claimed to have no financial needs;

- (c) to enable in-depth discussion based on concrete data, the Commission on Poverty ("CoP") members agreed to use the latest 50-year population and labour force projections released recently by C&SD to update the financial assessments of the five proposals put forward by different parties and covered in the Research Report, the "Demo-grant" proposal advocated by the consultancy team, and another annuity scheme;
- (d) the consultation document would provide a simple and easy-to-understand framework to compare one single universal proposal against another non-universal proposal, in terms of the overall and extra financial commitments required during the projection period, as well as the additional subsidy amount received by different groups of elderly. CoP agreed to use the "Demo-grant" proposal from the consultancy team as the basis for analysing universal retirement protection proposals. As to non-universal proposals, a concrete proposal would be formulated for comparison with reference to the two non-universal proposals covered in the Research Report. It was hoped that the future direction of retirement protection in Hong Kong could be identified within the current term of Government; and
- (e) having regard to the sustainability of the universal option of retirement protection and its impact on public finance, as well as the guiding principle that allocation of public resources should be directed to help the under-privileged, the Administration had reservation about the universal option.

7. As regards population projections 2015-2064, Assistant Commissioner for Census and Statistics (Social) made the following points -

- (a) the population projections were regularly updated at two to three years' interval to take account of information on the latest developments of the population, including the most up-to-date information on fertility, mortality and movement patterns of the population which had emerged since the last set of population projections was produced as well as the prevailing government policies and external factors. In

preparing the updated set of projections, C&SD noted a population decline in 20 to 30 years' time and made reference to the practice of other advanced economies in extending the projection period from 30 years to 50 years to better discern the trends and profile of the future population;

- (b) population ageing was expected to continue. Excluding foreign domestic helpers ("FDHs"), the proportion of elderly persons aged 65 and over was projected to rise markedly, from 15% in 2014 to 36% in 2064; and
- (c) C&SD also updated the labour force projections with the availability of the latest population projections. Based on the updated labour force projections, the total labour force (excluding FDHs) was projected to increase slightly from 3.60 million in 2014 to 3.65 million in 2018, and then decrease to 3.11 million in 2064. The overall labour force participation rate (i.e. the proportion of the labour force in the population aged 15 and over) was projected to decrease from 59.3% in 2014 to 48.6% in 2064. The decrease in the size of the labour force as compared to the last projection exercise was mainly due to a smaller projected inflow of One-Way Permit holders based on actual figures of inflow in recent years.

8. The Chairman put the following motion moved by Dr Fernando CHEUNG and seconded by Mr CHAN Chi-chuen to vote -

"香港退休保障制度已討論多年，老人貧窮率長期高企達三成，「衰仔紙」令不少老人對綜援卻步。本小組委員會反對政府走回頭路，在周永新教授的報告完成後仍要作方向性的諮詢，並促請政府立即提出退休保障具體方案及落實時間表。"

(Translation)

"That, given that the retirement protection system in Hong Kong has been under discussion for many years, whilst the elderly poverty rate stands persistently as high as 30% and many elders are reluctant to apply for the Comprehensive Social Security Assistance due to the requirement of making declaration of non-provision of financial support by their children; this Subcommittee opposes the Government's taking a step backward to

conduct a consultation on the development direction of retirement protection even after Professor Nelson CHOW Wing-sun's report has been completed, and urges the Government to put forward a specific proposal and the implementation timetable for retirement protection immediately."

Seven members voted for the motion, and no member voted against it or abstained from voting. The Chairman said that all members present unanimously voted for the motion and declared that the motion was carried.

[The Chairman advised that the meeting would be extended by 15 minutes.]

9. In concluding the discussion, the Chairman expressed grave concern that deliberations on the subject of retirement protection in the community had lasted for several decades and reiterated strong dissatisfaction about the Administration's remark that the elderly poverty situation might be overstated. She requested the Administration to revert to the Subcommittee on the preliminary findings of the public consultation in mid-May 2016 as far as practicable.

III. Any other business

10. The Chairman said that the House Committee at its meeting on 9 October 2015 had given permission for the Subcommittee to continue to operate for three more months up to 31 December 2015 in the first instance. Thereafter, the Subcommittee would be put on the waiting list for re-activation. It was expected that the Subcommittee could be re-activated in around April 2016. The Chairman suggested that when the Subcommittee was held in abeyance, consideration could be given to following up the subject of retirement protection by the Panel on Welfare Services, if so needed.

11. The Chairman further said that members would be informed of the date of next meeting in due course.

12. There being no other business, the meeting ended at 11:15 am.

**Proceedings of meeting of the Subcommittee on Retirement Protection
held on Monday, 26 October 2015, at 9:00 am
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action Required
<i>Agenda item I - Election of Chairman and Deputy Chairman (if required)</i>			
000000 - 000317	Chairman Mr Albert HO Mr POON Siu-ping Mr CHUNG Kwok-pan	Chairmanship and Deputy Chairmanship of the Subcommittee.	
000318 - 000527	Chairman	Subcommittee's extension of work period.	
<i>Agenda item II - Future development of retirement protection in Hong Kong and related issues</i>			
000528 - 000739	Chairman Mr TONG Yiu-keung, Alliance for Universal Pension ("the Alliance")	Opening remarks	
000740 - 001618	Chairman Admin	Briefing by the Administration on the discussion of the Commission on Poverty ("CoP") on retirement protection.	
001619 - 003749	Chairman Admin	Powerpoint presentation by the Census and Statistics Department ("C&SD") on population projections 2015-2064.	
003750 - 004543	Chairman Mr Albert HO Mr LAU Cheuk-kei, the Alliance	Presentation of views [LC Paper No. CB(2)123/15-16(01)]	
004544 - 005252	Chairman Admin	The Administration's response to the views/queries/request of the Alliance regarding the following - (a) reasons for the discrepancies in projections of elderly population and labour force at different time periods as well as discrepancies between the actual size of labour force and the projected declining trend, and the limitations of such projections; (b) whether policy changes had been taken into consideration when conducting population projections;	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>(c) provision of further statistics on working population;</p> <p>(d) in the light of the elderly poverty rate standing at 30% persistently, whether universal retirement protection would be considered as a measure to prevent elderly from falling into the poverty trap; and</p> <p>(e) whether universal retirement protection option would be put forth in the public consultation on retirement protection ("the public consultation") to be launched in December 2015; and whether it would include certain revised retirement protection proposals put forward recently by some community groups.</p>	
005253 - 005534	<p>Chairman Mr CHOI Tin-yam, Democratic Alliance for the Betterment and Progress of Hong Kong ("DAB")</p>	<p>Presentation of views</p>	
005535 - 005649	<p>Chairman Admin</p>	<p>The Administration shared DAB's views that finite public resources should be targeted at needy elderly and that each pillar of the existing multi-pillar retirement protection regime in Hong Kong, in particular the Mandatory Provident Fund ("MPF") system, should be improved and strengthened with a view to providing more appropriate assistance for the needy elderly.</p>	
005650 - 005929	<p>Chairman Mr KWAN Shing-kit, The Hong Kong Federation of Trade Unions ("HKFTU")</p>	<p>Presentation of views</p>	
005930 - 010219	<p>Chairman Admin</p>	<p>The Administration's response to the following enquiries of HKFTU -</p> <p>(a) rationale for extending the projection period from 30 years to 50 years in the updated set of population projections</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>2015-2064; and whether it was initiated by C&SD; and</p> <p>(b) accuracy and reliability of C&SD's population projections; and how the projected data would be used in the deliberations on the subject of retirement protection.</p>	
010220 - 010916	Chairman Mr LEUNG Yiu-chung Admin	<p>Mr LEUNG Yiu-chung's enquiries/queries and the Administration's response regarding the following -</p> <p>(a) whether the population projections were reliable and how the Administration would make use of the projected data;</p> <p>(b) whether the Administration would take account of the impact of social policy on population changes and socio-economic circumstances when conducting population projections; and</p> <p>(c) whether the Administration had already taken a stance of implementing non-universal retirement protection, i.e. directing the public resources at needy elderly.</p>	
010917 - 011924	Chairman Mr Albert HO Admin	<p>Mr Albert HO's view that intervention of Government's policy, such as extending the retirement age, and introducing measures to encourage child-bearing and facilitate immigration, would have impacts on population and labour force projections. As such, C&SD should work with other policy bureaux when conducting the projections and the Administration's response.</p> <p>Mr HO's further enquiries and the Administration's response regarding -</p> <p>(a) reasons for the projections for decline of female labour force participation rate from 2014;</p> <p>(b) whether mobile population had been included in the labour force and labour force participation rate projections;</p>	

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		<p>(c) definition of "income-poor, asset-rich" elderly in determining the elderly poverty rate; and</p> <p>(d) whether the actuarial studies of various retirement protection options would be provided in the public consultation document.</p>	
011925 - 012404	Chairman Mr CHUNG Kwok-pan Admin	<p>Mr CHUNG Kwok-pan's expression of the following views -</p> <p>(a) it was necessary to conduct population projections even though there might be discrepancies with the actual situation; and</p> <p>(b) limited public resources should focus on improving the retirement protection of the elderly in need. There was concern about the possible abuse of public resources if universal retirement protection was to be implemented.</p> <p>The Administration's response to Mr CHUNG's enquiry in respect of assessing financial implications of implementing universal retirement protection, for instance, elderly receiving a non-means-tested monthly payment of \$3,000, with a view to facilitating in-depth discussion on the subject.</p>	
012405 - 012448	Chairman	Extension of meeting by 15 minutes.	
012449 - 012955	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 the public consultation sessions and the views of stakeholders so collected would be uploaded online for public's viewing;</p> <p>(b) timeframe for formulating a specific retirement protection option after the public consultation exercise; and</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>(c) how the Administration would handle the situation if there were dividing views on whether universal retirement protection should be implemented.</p> <p>The Administration's advice that it was hoped that the development direction of retirement protection in Hong Kong could be made within the current term of Government.</p> <p>The Chairman's request for the Administration to revert to the Subcommittee on the preliminary findings of the public consultation in mid-May 2016.</p>	Admin
012956 - 013527	Chairman Mr TANG Ka-piu Dr Fernando CHEUNG	<p>Dr Fernando CHEUNG's grave concerns about the following -</p> <p>(a) elderly poverty rate standing at 30% regardless of the welfare assistance under the existing social security system; and</p> <p>(b) notwithstanding the release of the "Research Report on Future Development of Retirement Protection in Hong Kong" by the consultancy team led by Professor Nelson CHOW and the huge fiscal reserve, the Administration was reluctant to implement the recommended demo-grant and put forth a specific retirement protection option, but decided to conduct the public consultation afresh on the subject.</p>	
013528 - 014039	Chairman Mr TANG Ka-piu Admin	<p>Mr TANG Ka-piu's queries/enquiries and the Administration's response in respect of the following -</p> <p>(a) whether the 50-year population projections was a delaying tactic adopted by the Administration in taking forward the subject of retirement protection; and</p> <p>(b) whether issues relating to abolition of the arrangement of offsetting severance payments and long service payments against MPF accrued benefits ("the offsetting arrangement") and the relevant</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>financial implications would be included in the public consultation.</p> <p>The Administration's clarifications that C&SD had followed the international practice when conducting the 50-year population projections. Its emphasis that efficacy of each of the pillars under the existing multi-pillar retirement protection system in Hong Kong, including the MPF system and the offsetting arrangement, would be included in the public consultation.</p>	
014040 - 014553	Chairman Deputy Chairman Admin	<p>The Deputy Chairman's enquiry about whether the Administration would consider the latest revised retirement protection proposal put forward by Professor Nelson CHOW. His concern that the Administration might have over-estimated the number of needy elderly as "income-poor, asset-rich".</p> <p>The Administration's explanation of the limitations of the definition of the poverty line and its elaboration on the poverty situation of the elderly.</p>	
014554 - 015059	Chairman Mr CHAN Chi-chuen Admin	<p>Mr CHAN Chi-chuen's grave concern that the Administration had manipulated the findings of the 50-year population projections and exaggerated the ageing trend and decline in labour force.</p> <p>Mr CHAN's query that the Administration had a pre-conceived position on the way forward for retirement protection.</p> <p>The Administration's advice on its consideration in expressing reservation about a universal option for retirement protection.</p>	
015100 - 015227	Chairman Dr Fernando CHEUNG Mr CHAN Chi-chuen	<p>Dr Fernando CHEUNG moved a motion on retirement protection, which was seconded by Mr CHAN Chi-chuen.</p> <p>The Chairman put the motion to vote and declared that all members present at the meeting supported the motion, and the motion was carried.</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
015228 - 015737	Chairman Mr LEUNG Che-cheung Admin	<p>Mr LEUNG Che-cheung's declaration that he was a CoP member.</p> <p>Mr LEUNG's remarks that DAB did not object the implementation of universal retirement protection in the long run. His view that DAB's three-tier retirement protection proposal sought to address concerns about the sustainability of a universal retirement protection proposal from the outset, in particular opposition from employers to make contribution.</p> <p>Mr LEUNG's view that apart from providing a monthly subsidy, other support services, such as healthcare services, were of equal importance to the elderly. His enquiry about the timeframe of conducting a comprehensive review of the elderly welfare policy.</p> <p>The Administration's advice on the Government's spending on elderly welfare and its determination to continue improving the protection for needy citizens after retirement.</p>	
015738 - 020250	Chairman Mr LEUNG Kwok-hung	<p>Mr LEUNG Kwok-hung's view that the subject of retirement protection could be addressed by redistribution of public resources and wealth. His suggestion that the profits tax rate could be increased by 1% for enterprises with an annual profit exceeding \$10 million to derive revenue for injection into a universal retirement protection scheme.</p> <p>His further view that the "demo-grant" proposal advocated by Professor Nelson CHOW should be implemented without further delay and be fine-tuned if considered necessary.</p>	
020251 - 020756	Chairman Mr Alan LEONG	<p>Mr Alan LEONG's query about the Administration's saying that the elderly poverty situation might be overstated. His view that it was based on a misleading conclusion of related survey results of C&SD.</p>	

Time marker	Speaker(s)	Subject(s)	Action Required
		<p>Mr LEONG's disappointment that the Administration had adopted a delaying tactic in taking forward the subject of retirement protection. In his view, the Administration should formulate appropriate policies to address the disparity in wealth distribution and public resources when deliberating on the subject of retirement protection.</p>	
<p>020757 - 021719</p>	<p>Chairman Admin</p>	<p>The Chairman's grave concern that deliberations on the subject of retirement protection in the community had lasted for several decades. Her dissatisfaction that the Administration failed to respond to enquiries and queries raised by deputations attending the meeting.</p> <p>The Chairman's strong reservations about the Administration's remark that the elderly poverty situation might be overstated and the decline of labour force from 2018.</p> <p>The Administration's clarifications on the following -</p> <ul style="list-style-type: none"> (a) the elderly poverty situation was premised on the survey findings of C&SD and the definition of poverty line; and (b) frequency for conducting population projections and length of period for projecting the trend of labour force. <p>The Chairman's reiteration of the schedule of the Subcommittee's work.</p> <p>Next meeting in November 2015</p>	