

立法會
Legislative Council

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Subcommittee on Retirement Protection

Minutes of meeting
held on Monday, 27 November 2017, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon KWOK Wai-keung, JP (Chairman)
Hon Jimmy NG Wing-ka, JP (Deputy Chairman)
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon Paul TSE Wai-chun, JP
Hon YIU Si-wing, BBS
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Hon POON Siu-ping, BBS, MH
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon LUK Chung-hung
Hon HUI Chi-fung
- Member attending** : Hon WU Chi-wai, MH

- Members absent** : Hon Jeffrey LAM Kin-fung, GBS, JP
Dr Hon Fernando CHEUNG Chiu-hung
Dr Hon CHIANG Lai-wan, JP
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon KWONG Chun-yu
- Public Officers attending** : Item I
- Miss LI Wan-in
Principal Assistant Secretary (Welfare) 4 (Acting)
- Mr Raymond LI, JP
Executive Director and Chief Executive Officer
The Hong Kong Mortgage Corporation Limited
- Mr Colin POU
Senior Vice President (Operations)
The Hong Kong Mortgage Corporation Limited
- Mr Edmond LAU
Chief Executive Officer
HKMC Annuity Limited
- 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

I. Introduction of the Life Annuity Scheme and effectiveness of the Reverse Mortgage Programme

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

2. The Hong Kong Mortgage Corporation Limited was requested to provide a breakdown of the profiles of borrowers and types of residential property in respect of the 2 200 applications for the Reverse Mortgage Programme, together with case study analysis.

II. Any other business

3. The Chairman said that the next meeting of the Subcommittee would be held on 29 January 2018 to receive views from academics on the relationship between retirement protection system lacking the first pillar and elderly in poverty. Members agreed. The Chairman added that apart from inviting academics who had given views on the related issues, members might wish to propose other academics to be invited. A list of academics to be invited to the next Subcommittee meeting would be circulated to members for consideration.

4. There being no other business, the meeting ended at 6:10 pm.

Council Business Division 2
Legislative Council Secretariat
9 February 2018

**Proceedings of meeting of the
Subcommittee on Retirement Protection
held on Monday, 27 November 2017, at 4:30 pm
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s) / Discussion	Action Required
<i>Agenda item I - Introduction of the Life Annuity Scheme and effectiveness of the Reverse Mortgage Programme</i>			
000000 - 001049	Chairman	Opening remarks Date of and discussion item for the next meeting.	
001050 - 002809	Chairman Mr Raymond LI, Executive Director and Chief Executive Officer, Hong Kong Mortgage Corporation ("ED&CEO/HKMC")	Briefing by ED&CEO/HKMC on the effectiveness of the Reverse Mortgage Programme ("RMP") [LC Paper No. CB(2)380/17-18(02)].	
002810 - 005639	Mr Raymond LI, ED&CEO/HKMC	Briefing by ED&CEO/HKMC on the introduction of the Life Annuity Scheme ("LAS") [LC Paper No. CB(2)380/17-18(01)].	
005640 - 010537	Chairman Mr LUK Chung-hung Admin Mr Raymond LI, ED&CEO/HKMC	<p>The Chairman acknowledged that RMP and LAS provided additional financial planning options to the elderly.</p> <p>Mr LUK Chung-hung welcomed the introduction of more diversified financial products in the market, including RMP and LAS, to meet various retirement needs of different elderly groups. That said, Mr LUK stressed that the Hong Kong Federation of Trade Unions would continue to strive for the implementation of a non-means-tested universal retirement protection scheme with tripartite contribution from the Government, employers and employees and that the Government should not evade its responsibility in this regard.</p> <p>Mr LUK sought clarification as to whether the premium payment as well as the monthly payouts received by annuitants under LAS would be taken into account in the financial tests for various social security programmes.</p> <p>The Administration's advice that it was internally deliberating on the issue. The Social Welfare Department ("SWD") would announce the</p>	

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		<p>arrangements at an appropriate juncture before the launch of LAS in mid-2018.</p> <p>Mr LUK's enquiries and ED&CEO/HKMC's response that:</p> <p>(a) leased residential properties were excluded from RMP as RMP was confined to self-use property only; and</p> <p>(b) HKMC was wholly-owned by the Exchange Fund ("EF") which had its primary statutory objective. The premise for introducing LAS was that it must be financially viable and sustainable. That said, the internal rate of return for annuitants under LAS had been set at the higher end of the estimated payout levels.</p>	
010538 - 011336	<p>Chairman Mr LEUNG Che-cheung Mr Raymond LI, ED&CEO/HKMC</p>	<p>Mr LEUNG Che-cheung's concerns/enquiries and ED&CEO/HKMC's response that:</p> <p>(a) the elderly could, in the light of individual circumstances and needs, apply for both RMP and LAS such that an elderly could be guaranteed to receive total monthly payouts amounted to some \$20,000 on average; and</p> <p>(b) it was aware of the concern about whether the purchasing power of the monthly fixed payout annuity under LAS could be maintained. It was, however, noteworthy that there was currently no investment product in the financial market for hedging against the risk of inflation.</p>	
011337 - 011925	<p>Chairman Mr POON Siu-ping Mr Raymond LI, ED&CEO/HKMC</p>	<p>Mr POON Siu-ping's remarks that while LAS could provide an additional financial planning option to the elderly for their retirement life, members had all along been striving for implementation of a universal retirement protection scheme.</p> <p>ED&CEO/HKMC's responses to Mr POON's enquiries about LAS as follows:</p> <p>(a) LAS would come in the form of an immediate, lifetime guaranteed, fixed payouts to annuitants aged 65 or above after making a lump-sum premium payment. According to</p>	

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		<p>the preliminary estimation, the monthly fixed payouts of a male annuitant at the entry age of 65 would be around \$5,800 for each \$1 million premium, and that for a female annuitant would be around \$5,300;</p> <p>(b) target issue amount for first tranche was \$10 billion. A cap on the premium amount for each annuitant would be set at \$1 million, taking into account all relevant considerations such as encouraging more market participation. Subject to prudent risk management principles, consideration would be given to increasing the subscription quota of LAS if the market response to the launching of the Scheme was favourable; and</p> <p>(c) LAS was a long-term insurance product designed to provide a lifelong stable stream of income for retirement. While annuitants might opt to surrender the policy before receiving 105% of the premium paid, they were not encouraged to do so in view of the depreciation involved.</p>	
011926 - 012628	<p>Chairman Mr Alvin YEUNG Mr Raymond LI, ED&CEO/HKMC</p>	<p>Mr Alvin YEUNG's view that the launching of RMP and LAS could by no means replace the need for implementation of a universal retirement protection scheme for all the elderly.</p> <p>To facilitate members' understanding of the financial needs of retired people, Mr YEUNG asked about a breakdown of the profiles of borrowers and types of residential property in respect of the 2 200 applications for RMP. The Chairman added that case study analysis would enhance further understanding of RMP.</p> <p>ED&CEO/HKMC's advice that relevant information was available on HKMC's website. It was noteworthy that there was a wide range of appraised property values under RMP, which served to meet the financial planning requirements of different borrowers. Nevertheless, he agreed to provide the requisite information after the meeting.</p> <p>Mr Alvin YEUNG's enquiry about the communication between the Administration and HKMC with regard to the implementation of RMP and launching of LAS.</p>	<p>HKMC</p>

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		<p>ED&CEO/HKMC's advice that the Financial Secretary was the Chairman and Executive Director of HKMC's Board of Directors. HKMC had been maintaining close communication with the Administration in its work, including those in relation to the implementation of RMP and LAS.</p>	
<p>012629 - 013525</p>	<p>Chairman Mr LEUNG Yiu-chung Mr Raymond LI, ED&CEO/HKMC Admin</p>	<p>Mr LEUNG Yiu-chung expressed concern about LAS as follows:</p> <p>(a) whether in the long run the monthly fixed payout annuity for \$1 million of premium (i.e. around \$5,800 for male annuitants and \$5,300 for female annuitants) would be sufficient to support the basic livelihood of the annuitants who most probably resided in private housing estates; and</p> <p>(b) it would not be affordable for most of the elderly residing in public rental housing estates to make premium payment of \$1 million and that the corresponding monthly payouts of their premium amount, say \$200,000 to \$300,000, would not be sufficient to provide financial security for their retirement life.</p> <p>Mr LEUNG echoed the view that the premium payment under LAS as well as the monthly payouts received by annuitants should not be taken into account in the asset and income assessment in determining the eligibility criteria for various social security programmes. He called on HKMC to consider raising the monthly payouts to a higher and more attractive level for providing better retirement protection for the elderly.</p> <p>ED&CEO/HKMC's response that LAS would provide an additional financial planning option to the elderly to help them turn cash lump sums into lifelong streams of fixed monthly income which could partially help meet the demand for retirement financial planning support. Given that commitments to the annuitants under LAS would be lifetime in nature, HKMC had to achieve a reasonable level of long-term return out of the investment of the premiums collected under the Scheme so as to be able to provide a sustainable, fixed amount of income to the annuitants. The plan was to invest the premiums collected under LAS with EF and it was noteworthy that no</p>	

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		<p>management fee would be charged by EF. Meanwhile, HKMC had to ensure that the relevant risks would be properly managed. It was believed that LAS would be an attractive and yet financially sustainable life annuity scheme.</p> <p>The Administration's reiteration that it was internally deliberating on the treatment of the premium payment and monthly payouts under LAS in the context of the various social security programmes, with a view to enhancing retirement protection for elderly persons of different strata. SWD would announce the arrangements at an appropriate juncture before the launch of LAS in mid-2018.</p>	
013526 - 014413	Chairman Mr Raymond LI, ED&CEO/HKMC	<p>The Chairman's enquiries and ED&CEO/HKMC's response that:</p> <ul style="list-style-type: none"> (a) under RMP, elderly could also use their life insurance policies as an additional collateral to borrow from banks. HKMC would shoulder the risks associated with fluctuation in residential property value and interest rate; (b) HKMC had made various assumptions, including prudent assumptions on the average life expectancy of an ageing population, in conducting its actuarial analysis for designing RMP and LAS; (c) applicants for LAS would not be required to undergo medical check-up; and (d) the investment performance of HKMC would have no bearing on the fixed payouts receivable by annuitants under LAS. Leveraging on the investment management expertise and experience of Hong Kong Monetary Authority, it was believed that investment risks could be prudently managed. 	
014414 - 014522	Chairman	Closing remarks.	