

政府總部
勞工及福利局
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政府總部



LABOUR AND WELFARE BUREAU
GOVERNMENT SECRETARIAT

Central Government Offices
Tim Mei Avenue
Tamar, Hong Kong

本函檔號 Our Ref.: LWB T4/18/43

來函檔號 Your Ref.:

21 August 2018

Miss Betty MA
Clerk to Subcommittee on Retirement Protection
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Miss MA,

**Subcommittee on Retirement Protection
Follow-up to meeting on 9 June 2018**

At the meeting of the Legislative Council Subcommittee on Retirement Protection held on 9 June 2018, Members requested the Government to provide supplementary information related to the expenditure on retirement protection (including the elderly social security enhancements) and the Hong Kong Mortgage Corporation's (HKMC) Annuity Plan. Having consulted relevant Government departments and the HKMC Annuity Limited (HKMCA), I am authorised to reply as follows.

Expenditure on retirement protection (including the elderly social security enhancements)

The Government announced in early 2017 a series of measures (including the two enhancements to the Old Age Living Allowance (OALA), i.e. relaxing the asset limits of Normal OALA and introducing Higher OALA, extending the medical fee waiving arrangement for public healthcare services to older recipients of Higher OALA, and lowering the eligibility age for the

Elderly Health Care Voucher Scheme) as a comprehensive response to the public aspiration for enhancing retirement protection for elderly persons. The entire package of measures is estimated to incur an expenditure of over \$90 billion in the first ten years, which is significantly higher than the \$50 billion reserved for retirement protection in the 2015-16 Budget.

Regarding Members' enquiry on the estimated long-term expenditure on elderly social security (including Higher OALA), as set out in the Government's reply to the Subcommittee on 16 March 2018 (LegCo paper CB(2)1067/17-18(01)), based on the Hong Kong Population Projections 2017-2066 released by the Census and Statistics Department and 2018 price levels, it is roughly estimated that under the baseline scenario without taking into account the enhancements to OALA, the average recurrent Government expenditure on social security for elderly persons during the 49-year period between 2018 and 2066 would be around \$49.3 billion per annum. After taking into account the two enhancements to OALA announced in early 2017, the average recurrent expenditure would increase to around \$60.9 billion per annum, i.e. an increase of around \$11.6 billion per annum on average.

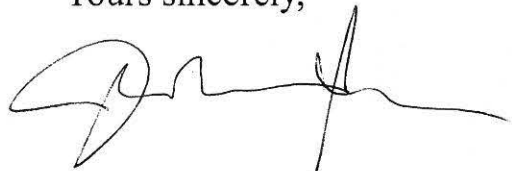
It should be noted that the above estimation covers an extremely long period of time and hence the relevant figures are subject to significant limitations and uncertainties. As the two enhancements to OALA were only recently implemented, the actual application caseload remains to be seen. In addition, the Government does not have comprehensive data on assets owned by elderly persons (such as the total amount of cash/bank deposits or the value of shares/investment funds in hand). There will be discrepancies between our estimations and the eventual figures.

HKMC Annuity Plan

Regarding Members' enquiry on the financial risk of participating in the HKMC Annuity Plan, the HKMCA has explained on various occasions that life annuity plan is different from general saving and financial investment products. It is a long-term insurance product that may provide participants with long-term stable income, but loss may be incurred if it is prematurely surrendered or the participant opts for a one-off death benefit. Therefore the Annuity Plan is suitable for participants who have sufficient funds. Please refer to the relevant press release of the HKMCA for details (https://www.hkmca.hk/eng/information_centre/press_releases.html).

As regards whether to participate in annuity scheme, this is a matter of personal decision of elderly persons. We will closely monitor the application and relevant expenditures on OALA (including Normal OALA and Higher OALA).

Yours sincerely,

A handwritten signature in black ink, appearing to be 'LI Wan-in', written in a cursive style.

(Miss LI Wan-in)

for Secretary for Labour and Welfare

c.c.

Head of Human Resources Planning and Poverty Co-ordination Unit, Chief
Secretary for Administration's Private Office
(Attention: Mr Charles NG)

Government Economist
(Attention: Dr Kelvin WONG)

Director of Social Welfare
(Attention: Ms Vivian HAU)

Chief Executive, HKMC Annuity Limited