For discussion
on 16 June 2000

FCR(2000-01)33

ITEM FOR FINANCE COMMITTEE

HEAD 120 - PENSIONS
Subhead 015 Public and judicial service pension benefits and compensation
Ex-gratia payment for management-initiated retirement scheme

Members are invited to approve the grant of an ex-gratia payment to officers who retire under the management-initiated retirement scheme at the rate of six months' of the officer's final substantive salary.

PROBLEM

The Administration has decided to introduce a management-initiated retirement (MIR) scheme for the retirement of directorate civil servants on permanent and pensionable terms. Officers will be retired with the same retirement arrangement under the pensions legislation as in redundancy on abolition of office. We need to grant an ex-gratia payment to officers who retire under the MIR scheme in line with the normal practice for staff retiring on abolition of office terms.

PROPOSAL

2. We propose to grant to officers who retire under the MIR scheme an ex-gratia payment at the rate of six months' of the officer's final substantive salary.

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JUSTIFICATION

3. Under the Civil Service Regulations[1], a permanent and pensionable civil servant may be required to retire on redundancy on abolition of office, or to facilitate improvement in the organisation of the department or grade to which he belongs in order to effect greater economy or efficiency. An officer who is required to retire in these circumstances will be granted immediate and enhanced pension benefits in accordance with the pensions legislation. Apart from the entitled pension benefits, it is the normal practice in cases of redundancy on abolition of office that an ex-gratia payment amounting to six times an officer's final monthly salary would be granted to the officers affected for loss of fringe benefits.

4. The Chief Executive in Council has decided that an MIR scheme should be introduced in the Civil Service as a management tool to provide for the retirement of directorate civil servants on permanent and pensionable terms to facilitate improvement in the government organisation. The officers will be retired in accordance with the Civil Service Regulations as set out in paragraph 3 above and will thus be eligible to be granted immediate and enhanced pension benefits on the same basis as redundancy on abolition of office in accordance with the pensions legislation.

5. Apart from the pension entitlements, we also propose that, in line with the prevailing policy in respect of redundancy on abolition of office, an ex-gratia payment at the same rate of six months' of an officer's final substantive salary should also be granted to the officers who are directed to retire under the MIR scheme for the same consideration, that is, the consequent loss of fringe benefits.

6. The MIR scheme is intended to be invoked only if it can be established that the retirement of an officer from his present office is in the interest of organisational improvement of a department or a grade, and there are severe management difficulties to accommodate the officer elsewhere in the service.

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[1] CSR 383 provides that –

"An officer may be compulsorily retired at any time during his service –

(a) if the office which he occupies is to be abolished; or

(b) to facilitate improvement in the organisation of the department to which he belongs in order to effect greater economy or efficiency.

If a Head of Department considers that an officer is redundant for either of these reasons he should forward recommendations to the Secretary for the Civil Service together with all relevant supporting data, stating whether there is any other office in the service elsewhere for which the officer might be suitable."

FINANCIAL IMPLICATIONS

7. The implementation of the MIR scheme will give rise to pension payments (including the enhancement) as prescribed under the pensions legislation. Given the very small number of retirees under the Scheme, the pension expenditure will be met from the approved provision under Head 120 Pensions Subhead 015 Public and judicial service pension benefits and compensation as needed. As regards the one-off ex-gratia payments calculated on the basis of the retiree's six months of final substantive salary, subject to Members' approval, we will charge them to non-recurrent commitments to be created under delegated authority as and when needed.

BACKGROUND INFORMATION

8. The MIR scheme was first proposed as part of the Civil Service Reform announced in March 1999, as an exit mechanism to allow pensionable civil servants to be directed by the management to retire early to cater for management needs. The scheme is considered necessary as an exit avenue in addition to the existing ones which are limited to specific circumstances mainly relating to serious misconduct, non-performance, medical condition or staff surplus situation. The proposed MIR scheme will provide a management tool to cater for situations where individual senior officers cannot meet the changing needs of the organisation. It will help to create space at the senior echelons for injection of new blood where necessary, and to maintain the quality of senior management.

9. We have conducted consultation with the staff sides and the departmental management on the detailed proposals regarding the objectives, criteria, procedures and compensation package of the scheme. The staff sides objected to the scheme in principle because they considered that civil servants performing faithfully and dutifully in their jobs should not be retired on management grounds. On the other hand, the majority of departmental and grade management and some individual officers supported the proposed scheme as a management tool to facilitate organisational improvement. Having regard to the comments and views reflected, the Administration has formulated detailed procedures of the scheme.

10. The proposed scheme and the detailed procedures were considered and approved by the Chief Executive in Council on 30 May 2000 for implementation. The details of the scheme are set out in a Legislative Council Brief issued to Members on 9 June 2000 (ref.: CSBCR/AP/5-090-005/11 Pt.4/99).

Civil Service Bureau
June 2000