

Legislative Council Panel on Education

Revision of the Early Retirement Scheme for Aided Primary School Teachers

Purpose

This paper seeks Members' view on the proposal to revise the eligibility criteria of the Early Retirement Scheme for Aided Primary School Teachers (ERS).

Background

2. On 27 February 2004, the Finance Committee of the Legislative Council approved the setting up of an Early Retirement Ex-gratia Payment Fund of \$700 million for implementing the ERS initially for three years. Teachers in aided primary schools with surplus teaching staff, who choose to retire early and whose applications are supported by the principals/School Management Committees (SMCs), will be eligible for an ex-gratia payment to be paid out from the Fund.

3. The objectives of the ERS are to provide an incentive in the form of ex-gratia payment for some teachers of aided primary schools to retire early so as to ease the problem of surplus teachers in schools where there is an under-enrolment of students and make available more teaching posts to accommodate fresh graduates, thereby maintaining a healthy turnover in the teaching force.

4. The main features of the ERS are –

- (a) The ERS is open to all teachers who have been appointed as regular teachers in aided primary schools which face class reduction, initially in the 2004/05 to 2006/07 school years, irrespective of rank but excluding teachers with less than five years of service before the normal retirement age of 60, or with less than ten years of service.

- (b) The ex-gratia payment is a one-off grant calculated on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognized service in the school sector, subject to a cap of 12 months' salary.
- (c) Having regard to the estimated supply and demand of teachers at the time and the availability of funding, the Education and Manpower Bureau will determine every year the number of teachers who will be allowed to join the ERS.
- (d) Teachers who have received the early retirement ex-gratia payment are required to sign an undertaking to the effect that he or she will not take up teaching employment in government, aided, caput and direct subsidy scheme schools starting from the date of early retirement, normally September in the following school year.

The Proposal

5. It is proposed that the following revision be made to the ERS to take effect before the commencement of the 2005/06 school year -

- (a) that the Scheme be open to teachers of all aided primary schools, instead of confining to those serving in schools which face class reduction; and
- (b) the ERS be open to teachers with less than five years of service before the normal retirement age of 60 (i.e. at or above the age of 55) as well, but the ex-gratia payment for them will be discounted by the scale of -

Age at 1 September of the year	55	56	57	58	59
Discount factor	0%	25%	50%	75%	100%

Justifications

6. With the implementation of the ERS before the commencement of the 2004/05 school year, 508 teachers joined the ERS. This has helped to vacate teaching posts for the continued employment of surplus teachers in the 2004/05 school year, and to provide teaching posts for accommodating fresh graduates, thereby maintaining a healthy turnover in the teaching force. The total ex-gratia payment amounts to \$174 million or about \$342,300 per ERS recipient on average. The age profile of the ERS recipients is as follows –

Age Group	No. of ERS Recipients
30 - 34	10
35 - 39	23
40 - 44	48
45 - 49	103
50 - 54	324
Total	508

7. The ERS is well received as reflected by the number of teachers joining the Scheme. Many school principals and teachers have requested relaxation of the eligibility criteria to cover all aided primary schools under the Scheme and to allow teachers at or above the age of 55 to join the Scheme.

Restriction on schools

8. When the ERS was first implemented in March this year, schools which did not face class reduction were not included as the Scheme aimed to tackle the problem of surplus teachers in schools with class reduction. In the light of the experience of the operation of the Scheme in the first year, it is considered desirable to open the ERS to those aided primary schools without class reduction too as the teaching vacancies freed up in these schools would help alleviate the overall

surplus teacher situation in the aided primary school sector.

Restriction on age of teachers

9. When the Scheme was first implemented, those teachers with less than five years of service before the normal retirement age of 60 were not eligible to join. The age profile of the ERS recipients in the 2004/05 school year reflects that teachers above the age of 50 generally found the Scheme more attractive. The reason may be that teachers in that age group usually have more years of service, and are therefore likely to receive the maximum ex-gratia payment, i.e. 12 months' salary. By relaxing the age limit to allow those aged at or above 55 to retire early, we would be able to retain experienced teachers of the lower age groups to serve the education sector for a longer period of time.

10. Under the current formula, a retiree will receive an ex-gratia payment calculated at one month of his/her last substantive salary for every two complete years of recognized service in the school sector, subject to a cap of 12 months' salary. We propose to open the ERS to teachers at or above the age of 55. However, as these teachers have fewer years of service to "forgo", it is considered appropriate to introduce a sliding scale proportionate to the teacher's remaining years of service in calculating their ex-gratia payments under the ERS, as follows -

Age at 1 September of the year	55	56	57	58	59
Discount factor	0%	25%	50%	75%	100%

11. The ex-gratia payment will be calculated first according to the current formula and then be discounted according to the above scale. In other words, ex-gratia payment for teachers at the age of 56, 57 and 58 will be capped at 9, 6 and 3 months of their last substantive salaries respectively. Ex-gratia payment for teachers at the age of 55 will not be discounted because we want to provide the incentive for those aged 54 in

the 2004 exercise to leave the service to create vacancies for injection of new blood. Teachers at the age of 59 will not be eligible for any ex-gratia payment as it would be hard to justify why additional money should be paid to them out of public fund when they will retire in one year in any case. The discount factor is derived to ensure that no additional funding would be incurred and that the revised Scheme would be reasonably attractive to this age group.

12. The restriction that teachers with less than ten years of service are not eligible for the ERS will continue to apply.

13. At the level of the whole aided primary school sector, revision of the eligibility criteria as set out in paragraphs 8 – 11 above will together widen the source of candidates for ERS, and provide a more ready exit for those teachers who wish to leave earlier, thus helping to create vacancies for accommodating surplus teachers and for absorbing fresh graduates. At the level of individual schools, the revision will also give the SMCs more flexibility in deploying teachers to meet the operational needs.

Financial Implications

14. The proposed relaxation in eligibility criteria will not result in additional financial implications for the Government, as we will continue to implement the ERS up to the 2006/07 school year using the grant of \$700 million approved by the Finance Committee. Taking into account the proposed discount factor, the Fund should be able to support ex-gratia payments for about 1 700 teachers as originally planned.

Public Consultation

15. We have informally sounded out the concerned school council, teachers unions and major school sponsoring bodies on the proposal. They all welcome the proposed relaxation of the eligibility criteria of the ERS.

Way Forward

16. Subject to Members' views, we will seek approval from the Finance Committee of the Legislative Council on the proposed revision of the ERS and implement the changes with effect from the 2005/06 school year.

**Education and Manpower Bureau
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