

立法會
Legislative Council

LC Paper No. CB(2)2709/11-12
(These minutes have been
seen by the Administration)

Ref : CB2/PS/1/10

Panel on Welfare Services

Subcommittee on Retirement Protection

Minutes of the fifth meeting
held on Monday, 31 October 2011, at 4:30 pm
in Conference Room 3 of the Legislative Council Complex

Members present : Hon CHEUNG Kwok-che (Chairman)
Hon LEUNG Yiu-chung
Hon LI Fung-ying, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon WONG Sing-chi
Hon IP Wai-ming, MH
Hon LEUNG Kwok-hung

Member absent : Hon LEE Cheuk-yan
Hon TAM Yiu-chung, GBS, JP
Hon Alan LEONG Kah-kit, SC

Member attending : Hon CHAN Kin-por, JP

Public officers attending : Item II

Mrs Polly CHAN
Principal Assistant Secretary for Labour and Welfare
(Welfare) 4

Mr Simpson LO
Assistant Secretary for Labour and Welfare
(Welfare) 4B

Miss Emmy WONG
Principal Assistant Secretary for Financial Services
and the Treasury (Financial Services) 3

**Attendance by : Item II
invitation**

The Professional Commons

Dr George W H Cautherley
Treasurer, The Professional Commons

Dr Louis NG
Honorary Associate Professor
Department of Statistics and Actuarial Science
The University of Hong Kong

Mr CHAN Kai-ming
Research Manager, The Professional Commons

Dr David CHUNG
Research Officer, The Professional Commons

Mr POON Man-hon
Policy Researcher
Hong Kong Confederation of Trade Unions

**Clerk in
attendance** : Miss Betty MA
Chief Council Secretary (2) 4

**Staff in
attendance** : Ms Maisie LAM
Senior Council Secretary (2) 5

Miss Maggie CHIU
Legislative Assistant (2) 4

Action

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

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

2. Members agreed that there was no need to re-elect a chairman for the 2011-2012 session and that election of a deputy chairman was not required.

II. Meeting with deputation and the Administration

[LC Paper Nos. CB(2)1903/10-11(01), CB(2)2350/10-11(01), CB(2)2511/10-11(01) to (02), CB(2)149/11-12(01) and CB(2)208/11-12(01) to (03)]

3. The Subcommittee received a presentation from The Professional Commons on its proposed Universal Old Age Pension Scheme. The salient points of its proposal are as follows -

- (a) all permanent residents aged 65 or above were eligible for a monthly payment of \$3,000. The payment would be adjusted annually according to the changes in inflation for the preceding year as reflected in the Consumer Price Index but no downward adjustment would be made in times of deflation. No means test would be imposed;
- (b) the Scheme would require tripartite contributions from the Government, employers and employees. The Government was required to make a one-off injection of \$50 billion to the pension fund for the first five years, followed by an injection of \$25 billion in real terms every five years thereafter. In addition to their existing mandatory contributions to the Mandatory Provident Fund ("MPF") system, both employers and employees were each required to contribute 2.5% of the employee's monthly income to the proposed scheme, subject to the maximum income level of \$50,000. Employees whose monthly income was below \$6,500 were not obliged to make contributions to the proposed scheme;
- (c) the standard payment rates for the elderly recipients under the Comprehensive Social Security Assistance ("CSSA") Scheme and the Old Age Allowance payment would be replaced by the monthly pension, with a view to avoiding the social stigma of the means-tested CSSA on the elderly recipients; and

Action

- (d) the following refinements to the MPF system were proposed: claims for payment of accrued benefits should be changed to monthly payment; measures, such as provision of low-risk investment products by the Government, should be put in place to protect the accrued benefits from being eroded by the high management fees; employers should not be allowed to use the accrued benefits to offset the severance payments or long service payments; and trustees should be required to report any delay in contribution from employers.

4. The Professional Commons stressed that its aim for putting forward the proposed scheme for consideration was to arouse community awareness about the need to enhance the retirement protection regime in Hong Kong to meet the challenges of an ageing population so as to forge a broad consensus on the issue within the community. It was open minded as to the best way forward and would welcome views from members and the public on its proposal.

5. In response to the concern raised by some members about the sustainability of the proposed scheme, The Professional Commons advised that a respective surplus of \$310.1 billion and \$404 billion could be attained in 2023 and 2060 respectively if the proposed model was to be implemented in 2012. The Professional Commons cautioned that the estimated surplus to be accumulated in the first five years of implementation would be reduced from \$68.6 billion to \$57.4 billion if the implementation date was delayed from 2012 to 2017, as this would have direct impact on the annualised return in the subsequent years.

6. To facilitate the assessment of the sustainability of the various retirement protection models, The Professional Commons agreed to prepare a list for the provision of statistical data by the Administration. The Administration agreed to provide the requisite data as far as practicable.

(Post-meeting note: The list of the requisite statistical data provided by The Professional Commons and the Administration's response were circulated to members vide LC Paper No. CB(2)794/11-12 and CB(2)1845/11-12 on 11 January and 27 April 2012 respectively.)

III. Date of next meeting

7. The Chairman reminded members that the next meeting of the Subcommittee would be on 28 November 2011 to receive a briefing by

Action

another community organisation/political group on its proposed retirement protection model.

8. There being no other business, the meeting ended at 6:33 pm.

Council Business Division 2
Legislative Council Secretariat
24 August 2012

**Proceedings of the fifth meeting of the
Subcommittee on Retirement Protection
on Monday, 31 October 2011, at 4:30 pm
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>			
000218 - 000257	Chairman Mr WONG Sing-chi	Election of Chairman	
<i>Agenda item II – Meeting with deputation and the Administration</i>			
000258 - 000717	Chairman	Opening remarks	
000718 - 004238	The Professional Commons Chairman	Presentation of the proposed Universal Old Age Pension Scheme as detailed in its submission and Powerpoint presentation materials [LC Paper Nos. CB(2)149/11-12(01) and CB(2)208/11-12(01)].	
004239 - 004925	Mr CHAN Kin-por Chairman The Professional Commons	<p>Mr CHAN Kin-por's view that the coverage of a pension scheme needed not to be universal; and his enquiry about the feasibility of not subjecting the higher-income population to the benefit of a monthly pension but requiring them to make a contribution at a rate lower than the proposed contribution of 2.5% of the employee's monthly income, so that the needy covered by the scheme could receive a higher monthly payment.</p> <p>The Professional Commons' response that the main objective of its model was to address the problem of inadequate retirement protection for the elderly through the introduction of a universal pension scheme, rather than addressing the issue of disparity between the rich and the poor. Hence, those who made contributions would be entitled to benefits under its proposed scheme.</p>	
004926 - 010047	Mr LEUNG Yiu-chung Chairman The Professional Commons Administration	<p>Mr LEUNG Yiu-chung's enquiries about the sustainability of the proposed scheme and whether consideration could be given to requiring employers and employees each to contribute a fixed amount if the monthly income of an employee was higher than \$50,000, rather than capping the income level for contributions at \$50,000</p> <p>The Professional Commons' responses -</p> <p>(a) its model would require the Government to make a one-off injection of \$50 billion to the pension fund for the first five years, followed</p>	

Time marker	Speaker(s)	Subject(s)	Action required
		<p>by an injection of \$25 billion every five years thereafter. Surplus could be attained under the pension scheme throughout the period; and</p> <p>(b) the Professional Commons had no strong view on capping of the income for contributions at \$50,000. The current maximum level was proposed in response to the public concern over its original model where the ceilings on income level for contributions had not been capped. Where necessary, further amendments to this as well as other parameters of the proposed scheme could be considered in the light of the public views.</p>	
010048 - 010306	Mr LEUNG Yiu-chung Chairman Administration	<p>Mr LEUNG Yiu-chung's view that there had been consensus within the community to proceed with a universal retirement protection scheme, albeit that the community might yet come to consensus on the details of the scheme; and his request for details of the relevant studies conducted by the Central Policy Unit ("CPU").</p> <p>The Administration's response that to ensure the sustainability of a universal retirement protection system, it would inevitably have to increase tax for a bigger commitment, and require both employers and employees to shoulder heavier contributions. The Administration considered it impractical to expect the community to reach a consensus on this matter within a short period of time.</p>	
010307 - 011105	Ms LI Fung-ying Chairman The Professional Commons	Ms LI Fung-ying's concern about the impact to be brought to the sustainability of the proposed scheme if the annual rate of wage increase turned out to be lower than the assumed level of 1% in real terms and the unemployment rate stood unexpectedly high for three consecutive years or so.	
011106 - 011833	Mr LEUNG Kwok-hung Chairman The Professional Commons	Mr LEUNG Kwok-hung's view that given its huge surplus and fiscal reserve, there was no ground to cast doubt on the viability for the Government to implement a universal retirement protection scheme.	
011834 - 012141	Mr CHAN Kin-por Chairman The Professional Commons	Mr CHAN Kin-por's remarks that consideration could be given to stepping up the promotion of the economic and social benefits to the society to be brought about by the introduction of a universal pension scheme.	
012142 - 012823	Chairman The Professional Commons	In response to the Chairman's enquiry about the projection that the implementation of the proposed pension scheme would result in an extra 1% increase in the total operating cost, The Professional Commons' explanation in respect of the calculation	

Time marker	Speaker(s)	Subject(s)	Action required
		<p>basis of the projection.</p> <p>The Chairman's concern about the sustainability of the proposed scheme if the implementation date was delayed from 2012 to 2017, as well as the impact on the public expenditure on old age Comprehensive Social Security Assistance and Old Age Allowance if the Government did not implement a universal retirement protection scheme.</p> <p>The Chairman's suggestion that The Professional Commons should conduct a public opinion survey on its proposal of requiring employers and employees to make contributions in addition to their mandatory contributions to the Mandatory Provident Fund ("MPF") system, and include in its proposal the scenarios that there would be an economic depression every five to seven years.</p>	
012824 - 013135	Mr IP Wai-ming Chairman The Professional Commons	Mr IP Wai-ming's suggestion of reducing the salaries tax rate to relieve the financial burden to be shouldered by the working population in making contributions to the proposed pension fund in addition to their contributions to the MPF system, and increasing the profit tax rates to provide the Government with additional income for injection into the pension fund.	
013136 - 013748	Mr LEUNG Kwok-hung Chairman	Mr LEUNG Kwok-hung's view that it was incumbent upon the Administration to map out a sustainable retirement protection regime for Hong Kong by putting forward a wide range of options for community-wide consultation with a view to forging broad consensus on the issue within the community; and his request for details of the CPU's studies.	
013749 - 014653	Mr LEUNG Yiu-chung Chairman The Professional Commons	<p>Mr LEUNG Yiu-chung's view that to ease the burden of the working population, in particular the low-income group, in making contributions to the proposed pension scheme, consideration could be given to abolishing the MPF system or making the contributions to the MPF system a voluntary option.</p> <p>The Professional Commons' advice that its proposal was to make some refinements to the MPF system so that it could provide better return for those working population who had made contributions to the MPF system. This would also minimize the possible objection from the financial sector.</p>	
014654 - 015015	Mr LEUNG Kwok-hung Chairman	Mr LEUNG Kwok-hung's remarks that given its huge surplus and fiscal reserve, the Government should provide the seed money to kick start a universal retirement protection scheme.	

Time marker	Speaker(s)	Subject(s)	Action required
015016 - 015818	The Professional Commons Chairman	The Professional Commons agreed to compile a list for the provision of statistical data by the Administration for the assessment of the sustainability of the various retirement protection models.	
015819 - 020149	Administration Chairman The Professional Commons	In response to the Administration's enquiry about the sustainability of the proposed pension scheme, The Professional Commons' advice that its scheme was in between a fully-funded and a pay-as-you-go model.	
020150 - 020351	Mr LEUNG Yiu-chung Chairman The Professional Commons Administration	Undertaking of the Administration to provide the statistical data requested by The Professional Commons as far as practicable.	Admin
<i>Agenda item III – Any other business</i>			
020352 - 020417	Chairman	Date of next meeting	

Council Business Division 2
Legislative Council Secretariat
24 August 2012