

**立法會**  
***Legislative Council***

LC Paper No. CB(2)2799/11-12

(These minutes have been  
seen by the Administration)

Ref : CB2/PS/1/10

**Panel on Welfare Services**

**Subcommittee on Retirement Protection**

**Minutes of the eighth meeting  
held on Tuesday, 21 February 2012, at 10:45 am  
in Conference Room 3 of the Legislative Council Building**

**Members present** : Hon CHEUNG Kwok-che (Chairman)  
Hon LEE Cheuk-yan  
Hon TAM Yiu-chung, GBS, JP  
Hon LI Fung-ying, SBS, JP  
Hon Ronny TONG Ka-wah, SC  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung

**Members absent** : Hon LEUNG Yiu-chung  
Hon WONG Sing-chi  
Hon IP Wai-ming, MH

**Public officers attending** : Item I  
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 I  
invitation**

Hong Kong Social Security Society

Miss H T CHOW  
Executive Committee Member

Mr Man CHEUNG  
Executive Committee Member

Dr CHUNG Kim-wah  
Research Officer

Dr MOK Tai-kee  
Research Officer

**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. 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)1081/11-12(01) and  
CB(2)1206/11-12(01)]

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

2. The Subcommittee received a presentation from the Hong Kong Social Security Society ("HKSSS") on its proposed Universal Retirement Protection Scheme which comprised two tiers. The salient points of its proposal are as follows -

(a) *non-means-tested first tier Universal Old Age Pension Scheme:*

Action

- (i) all Hong Kong permanent residents aged 65 or above would be eligible for the Scheme. The monthly payment would be determined in accordance with the wage replacement ratio of 20% against the average monthly wage of Hong Kong for the preceding year, and it was estimated that the payment rate would be \$3,800 in 2014 upon the implementation of the scheme;
  - (ii) tripartite contributions from the Government, employers and employees were required under the proposed scheme. Notably, employers were required to make a contribution of 6% of the employee's monthly income, and the employee had to make a contribution of 2% of his monthly income (subject to the minimum income level of 50% of the average monthly wage). As for the self-employed persons, they were required to make a contribution amounting to 4% of their monthly income (subject to the minimum income level of earning two times or above of the average monthly wage). The Government had to make contribution amounting to 4% of the employee's income; and
  - (iii) the existing Old Age Allowance payment and the standard rate payments for elderly Comprehensive Social Security Assistance recipients would be replaced by the Universal Old Age Pension Scheme, on the assumption that the needy elders were allocated with free public rental housing flats;
- (b) *second tier Central Provident Fund:*
- (i) the Fund would be administered by the Government to enhance the retirement protection system through some refinements to the operation of the existing Mandatory Provident Fund ("MPF") system, such as the introduction of a minimum guaranteed real rate of return of 2% of the funds; and
  - (ii) while participation was on a voluntary basis, both the working population and persons not in employment could participate in the scheme. There would be a one-to-one dollar matching contribution from the employers on contributions from their employees.

Action

3. Noting that the first tier Universal Old Age Pension Scheme did not seek to impose a maximum income limit for making contributions from the Government, employers and employees, some members expressed concern that the high income group as well as the employers would strongly oppose the proposal. HKSSS pointed out that the respective contribution rate of 2% and 6% from employees and employers under the Scheme, together with the contribution rates of 5% from employees and employers under the second tier Central Provident Fund, was on par with the contributions to the universal old age pension funds by employers and employees in other Asian countries which were on average 11% and 7% of employees' income respectively. It was also worthy to note that making a contribution of 6% of employees' income by employers would have little financial impact on the employers, as the labour cost represented only 20% to 30% of the total operation cost.

4. On some members' concern about the Administration's reservation to implement a non-means-tested universal retirement protection system, HKSSS stressed that given the growing disparity of income in Hong Kong and the challenges to be brought about by an ageing population, it was incumbent upon the Administration to promote wealth redistribution to ensure that all elders could lead a financially-secured life in their old age. Its flat-rate first tier Universal Old Age Pension Scheme which was funded by tripartite contributions from employees, employers and the Government would have a wealth redistribution effect, and was also financially more sustainable than a non-contributory means-tested scheme solely funded by the general reserve.

5. In response to members' concern about the sustainability of the first tier Universal Old Age Pension Scheme, HKSSS advised that there was a pressing need for the Administration to introduce a universal retirement protection system when the elderly dependency ratio remained relatively low. With the accumulation of the surplus left after the payout of the pension payments from the contributions of the current generation of the working population, it was estimated that its proposed Scheme would still sustain in 2039 when the population aged 65 or above increases to 2.49 million if the Scheme was to be implemented in 2014. HKSSS urged the Administration to launch a consultation exercise on retirement protection in 2012 with a view to forging consensus in the community for the introduction of the relevant legislation in 2013, so that the implementation of a universal retirement protection system could take place in 2014 the latest.

6. To facilitate the assessment of the viability and sustainability of its retirement protection model, HKSSS advised that it would prepare a list for

Action

the provision of statistical data by the Administration, in particular on the projection of future population profile for the years after 2039. The Administration agreed to provide the requisite data as far as practicable.

(*Post-meeting note:* The list of the requisite statistical data provided by HKSSS and the Administration's response were circulated to members vide LC Paper No. CB(2)1279/11-12 and CB(2)1845/11-12 on 15 March and 27 April 2012 respectively.)

**II. Date of next meeting**

7. The Chairman reminded members that the next meeting of the Subcommittee would be held on 16 March 2012 to receive a briefing by the Civic Party on its proposed retirement protection model.
8. There being no other business, the meeting ended at 12:12 pm.

Council Business Division 2  
Legislative Council Secretariat  
19 September 2012

**Proceedings of the eighth meeting of the  
Subcommittee on Retirement Protection  
on Tuesday, 21 February 2012, at 10:45 am  
in Conference Room 3 of the Legislative Council Complex**

<b>Time marker</b>	<b>Speaker(s)</b>	<b>Subject(s)</b>	<b>Action required</b>
<i>Agenda item I – Meeting with deputation and the Administration</i>			
000059 - 000425	Chairman	Opening remarks	
000426 - 001452	Hong Kong Social Security Society ("HKSSS") Chairman	Presentation by HKSSS on the proposed Universal Retirement Protection Scheme as detailed in its submission and powerpoint presentation materials [LC Paper Nos. CB(2)1081/11-12(01) and CB(2)1206/11-12(01)].	
001453 - 002712	Administration Chairman HKSSS	<p>The Administration's expression of reservation about the introduction of a non-means-tested universal retirement protection system; and its enquiry about the refinements to the existing Mandatory Provident Fund ("MPF") system under the second tier of the proposed scheme, and the adequacy of the monthly pension payment of \$3,800 (if the non-means-tested first tier Universal Old Age Pension Scheme was implemented in 2014), as compared to the existing monthly elderly Comprehensive Social Security Assistance ("CSSA") payment of about \$4,600 for a single person, in meeting the needs of the elders.</p> <p>HKSSS responses that -</p> <ul style="list-style-type: none"> <li>(a) under its proposal, a second tier Central Provident Fund administered by the Government would be established to enhance the retirement protection system through some refinements to the operation of the existing MPF system, such as a minimum guaranteed real rate of return of the funds. Participation in the second tier scheme was on a voluntary basis;</li> <li>(b) the CSSA Scheme only provided a safety net for about one-fifth of the elders aged 65 or above. There was a pressing need for the Administration to introduce a universal retirement protection scheme to meet the challenges to be brought about by an ageing population so that all elders could lead a financially-secured life in their old age; and</li> <li>(c) at present, a maximum rent allowance of \$1,335 would be provided to single elderly CSSA recipients for meeting accommodation expenses. It was proposed that the needy elders should be allocated with free public rental housing units under the first tier of the proposed scheme.</li> </ul>	

Time marker	Speaker(s)	Subject(s)	Action required
002713 - 003542	Mr Alan LEONG Chairman HKSSS	<p>Mr Alan LEONG's enquiry about whether economically inactive persons could participate in the second tier Central Provident Fund, and the contribution rate by the participants and their employers.</p> <p>Advice of HKSSS that the establishment of the proposed second tier Central Provident Fund was aimed at providing the working population with an alternative option to the existing MPF system. It was proposed that both the working population and persons not in employment could participate in the scheme to enjoy a minimum guaranteed real rate of return of 2%. There would also be a one-to-one dollar matching contribution from the employers on contributions from their employees.</p> <p>In response to Mr Alan LEONG's concern about the reservation of the Administration in implementing a non-means-tested universal retirement protection system, HKSSS advised that it was difficult, if not impossible, to detect and prevent fraud under a means-tested scheme. In addition, its flat-rate first tier Universal Old Age Pension Scheme funded by tripartite contributions from employees, employers and the Government would have an income redistribution effect, and would also be financially more sustainable.</p>	
003543 - 005103	Mr LEE Cheuk-yan Chairman HKSSS	<p>Mr LEE Cheuk-yan's expression of support of the adoption of a tripartite contribution approach in funding the non-means-tested first tier Universal Old Age Pension Scheme; and his concern about the possible opposition from the high income group and the employers to the arrangement of not imposing a maximum income limit for making contributions.</p> <p>Advice of HKSSS that the contributions paid into the common pool should be regarded as a form of taxation for the purpose of income redistribution. In addition, the proposed respective contribution rate of 2% and 6% from employees and employers, together with the mandatory contribution rate of 5% under the MPF system, were relatively low when compared to the contributions to the universal old age pension funds by employers and employees in overseas places.</p> <p>On Mr LEE Cheuk-yan's proposal that an alternative to the establishment of the proposed second tier Central Provident Fund was to incorporate into the existing MPF system the element of a minimum guaranteed rate of return of 2% by the Government, HKSSS advised that it was open-minded on the various options to improve the MPF system.</p>	

Time marker	Speaker(s)	Subject(s)	Action required
005104 - 010557	Chairman HKSSS	<p>In response to the Chairman, HKSSS's further advice that the existing MPF system could be refined to become the second tier Central Provident Fund. In such case, the proposed respective contribution rate of 2% and 6% from employees and employers under the first tier Universal Old Age Pension Scheme, together with the contribution rates of 5% from employees and employers under the second tier Central Provident Fund, would be on par with the contributions to the universal old age pension funds by employers and employees in other Asian countries which were on average 11% and 7% of employees' income respectively.</p> <p>On the Chairman's concern about the sustainability of the pay-as-you-go Universal Retirement Protection Scheme, HKSSS advised that the existence of a reserve fund under its proposed model by accumulating the surplus left after the payout of the pension payments from the contributions at times when the elderly dependency ratio remained low would make provisions for the future pension costs. Based on the assumptions that the proposed model was to be implemented in 2014 and there would be a nil wage increase in real terms, the proposed scheme would still sustain in 2039 when the population aged 65 or above increases to 2.49 million.</p>	
010043 - 010525	Chairman HKSSS	<p>The Chairman's concern about the sustainability of the proposed model for the period of 2039 to 2064 when the 2.49 million elders remained pension recipients.</p> <p>Response of HKSSS that it lacked the statistical data on projection of future population profile for the years after 2039; and its suggestion that the next population projection exercise of the Census and Statistics Department should cover 75 years from 2011 to 2086.</p> <p>In response to the Chairman, HKSSS's advice that the existing Old Age Allowance payment and the standard rate payments for elderly CSSA recipients would be replaced by the Universal Old Age Pension Scheme, on the assumption that needy elders were allocated with free public rental housing flats.</p>	
010526 - 011550	Administration Chairman HKSSS	<p>In response to the Administration, HKSSS's elaboration on the pension payments for the elderly population in Shenzhen.</p> <p>Discussion on the issue of population projection and HKSSS's undertaking to compile a list for the provision of statistical data by the Administration for the assessment of the sustainability of its proposed model.</p>	

Time marker	Speaker(s)	Subject(s)	Action required
011551 - 012602	Mr LEUNG Kwok-hung Chairman HKSSS	Mr LEUNG Kwok-hung's view that the Administration should put forward its proposed retirement protection model for public consultation with a view to forging consensus in the community.  HKSSS's concurrence with Mr LEUNG Kwok-hung's view, and its highlight of the findings of the survey conducted by the Hong Kong Polytechnic University in 2010 which revealed that about 80% of the respondents expressed support for the implementation of a universal retirement protection scheme in Hong Kong.	
<i>Agenda item II – Any other business</i>			
012603 - 012745	Chairman	Concluding remarks  Date of next meeting	

Council Business Division 2  
Legislative Council Secretariat  
19 September 2012