

Universal Old Age Pension Scheme – FAQs and Response

The Professional Commons

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Sustainability of CSSA System

- No. of Elderly Recipient
- Stabilized, but why Stabilized?

YYYY/MM	No. of Recipients aged ≥ 60		Elderly aged ≥ 65	
	No.	%	No.	%
2001/12	149 726	100.0	767 000	100.0
2003/12	163 511	109.2	812 500	105.9
2005/12	170 734	114.0	846 700	110.4
2007/12	171 690	114.7	878 800	114.6
2009/12	172 523	115.0	906100	118.1
2010/6	172 187	115.0	912 000	118.9

Filial Responsibilities > < Erosion of Family Support System 1

- Definition Problem of Dependency Ratio
 - Existing formula: No. of persons aged under 15 and those aged 65 and over per 1000 persons between 15-64
 - Changes in ed policy and system (e.g. 12-yr free ed, expansion of tertiary ed) → Under-estimation and over-estimation
 - Dependency Ratio
 - 2039: Overall: 625?; Child: 171?; Elderly: 454?
 - Revised formula (?): No. of persons aged under 20 (?) per 1000 persons between 20-64

Filial Responsibilities > < Erosion of Family Support System 2

- Fertility Rate
 - 1.1 (2010; all new born babies in HK?)
 - Fertility rate excluding children of Mainland parents (both)?
- Average household size
 - 3.1 (2001), 3.0 (2006), 2.9 (2010)
 - One couple → one child

Filial Responsibilities > < Erosion of Family Support System 3

- No. of adults without children?
 - No. of persons aged > 40 who is never married?
 - No. of couple (the wife aged > 40) without children



Filial Responsibilities > < Erosion of Family Support System 4

- No. of Divorce/Marriage
 - 13,425/32,825(40% ; 2001)
 - 17,424/50,328(1/3 ; 2006)
 - 18,167/52,558(1/3 ; 2010)
- No. of divorced parents without custody of their children?

OAP \doteq CSSA Standard Rate

- Proposed rate
 - \$3,000/mth (2012)
 - Inflation-adjusted only
 - x \$4,000/mth, x \$5,000/mth, x \$6,000/mth
- Too generous
 - \$3,000/mth (\$2,680/mth x 112%)
 - \$3,000/mth (\$2,827/mth x 106%; 2011 CPI: 5.5%)
- The under-privileged
 - + CSSA supplements and special grants

Investment Return – Too Optimistic?

Investment Return of Exchange Fund (on annually compounded basis)

2010	3.6%
3-yr average (2008-10)	1.2%
5-yr average (2006-10)	4.9%
10-yr average (2001-10)	4.9%
Average since 1994	5.9%

Annualized Internal Rate of Return of the MPF System

12.2000 – 6.2011	5.1%
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Exchange Fund - Last Resort?

- Placements by Fiscal Reserves
 - General Revenue Account, Land Fund, Capital Works Reserve Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Lotteries Fund, Capital Investment Fund, Loan Fund
- Placements by HKSARG Funds and Statutory bodies
 - Research Endowment Fund, Bond Fund, Housing Authority, WKCD Authority, Deposit Protection Scheme Fund

1%/yr Real Increase in Wage - Too Optimistic?

Real Indices of Payroll Per Person of All Selected Industry Sections (1st Q 1999 = 100)

2010 Q3	106.9
2010Q4	107.4
2011 Q1	116.5
2011 Q2	105.2

Govt Injection Too Optimistic on Budget Surplus?

Consolidated Surplus/Deficit	
	(HK\$mill)
10-yr average (2001-2011)	15,106
14-yr average (1997-2011)	15,486

Cost Benefit Analysis

– Personal Perspective

- Median Age of Women at First Childbirth
 - 29.4 (2001), 29.2 (2006), 29.9 (2010)
- Median Age of Men at First Childbirth?
 - First parent aged 65: Contributor aged 35

Thank You!