

For discussion on  
27 January 2015

**Legislative Council Panel on Welfare Services  
Subcommittee on Retirement Protection**

**2015 Policy Address  
Issues Pertaining to Retirement Protection**

**Purpose**

This paper briefs Members of the Subcommittee on the content pertaining to retirement protection in the 2015 Policy Address.

**2015 Policy Address**

2. The Chief Executive delivered the 2015 Policy Address on 14 January 2015. The part concerning retirement protection is set out in paragraphs 114 to 119 of the Policy Address, as follows –

*Retirement Protection*

*114. The Old Age Living Allowance (OALA) was implemented shortly after I assumed office. The allowance has benefited more than 420 000 elderly people, or 40% of the elderly population.*

*115. After the release of the report on the “Future Development of Retirement Protection in Hong Kong” submitted by a research team led by Professor Nelson Chow last August, there have been divergent views on the issue in the community. Some supported the “demo-grant” proposed by the consultancy team, considering that “non-means-tested, universal and uniform payment level” retirement protection is the basic right of the elderly. Yet, a considerable number of people opposed any options that are non-means-tested, maintaining that public resources should be devoted to the most needy elderly people. They also raised crucial questions such as financial sustainability and “Who pays?” It is estimated that the retirement fund of the four universal retirement protection options (including that of the*

*non-means-tested demo-grant) mentioned in the report will be exhausted between 2030 and 2050. Overseas experience shows that universal retirement protection schemes operating on the “pay-as-you-go” principle are bound to result in financial problems, entailing a long and painful financial adjustment process that usually involves extension of retirement age, reduction of retirement payment or upward adjustment to contribution rate.*

*116. As pointed out in the report, we cannot rely solely on the Government for universal retirement protection. It is also a shared responsibility of both employers and employees. However, public discussions reveal that both employers and employees resist additional contributions or additional taxation. We are therefore not optimistic a consensus on retirement protection financing arrangements can be reached.*

*117. Retirement protection is a very important social issue. In the coming few months, the Commission on Poverty will devise a framework and set out the details for a public consultation in the latter half of this year. I look forward to rational and pragmatic discussions with a view to arriving at a community consensus.*

*118. In exploring the issue of retirement protection, we must fully consider the adequacy, sustainability, affordability and robustness of various policy options. Hong Kong’s long-term economic growth will decelerate over time due to an ageing population. The Government will face increasing fiscal pressure in the medium to long terms. If we were to deploy our financial resources to benefit all, the benefits received by elderly people in financial need would inevitably be reduced. In addition, we should take into full account the functions of the various pillars under the existing retirement protection system and explore possible necessary enhancement measures. We should also have regard to the traditional values cherished by our community, including self-reliance, focusing social resources on helping those most in need and mutual support among family members. We will continue to improve the Mandatory Provident Fund arrangements, including the introduction of a “core fund” with fee control to address the concerns over “high fee” and “difficulty in making fund choices”.*

*119. The Government agrees that protection for needy citizens after retirement should be improved. To demonstrate our determination and commitment, I have asked the Financial Secretary to earmark \$50 billion to provide for future needs.*

The Commission on Poverty will convene a meeting shortly to follow up the relevant issues.

3. For details of the report on the “Future Development of Retirement Protection in Hong Kong” submitted by Professor Nelson Chow’s team, please refer to LC Paper No. CB(2)2237/13-14(01).

### **Conclusion**

4. Members of the Subcommittee are invited to note the content of this paper.

Labour and Welfare Bureau  
January 2015