

For discussion on
6 June 2015

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

Discussion of the Commission on Poverty on Retirement Protection

Purpose

This paper briefs members of the Subcommittee on the discussion of the Commission on Poverty (CoP) on retirement protection.

The CoP Meetings

2. Two CoP meetings were held on 4 May 2015 and 22 May 2015 respectively to continue discussion on retirement protection.

Meeting on 4 May

3. The Mandatory Provident Fund (MPF) Schemes form Pillar 2 under the World Bank's multi-pillar retirement protection model. After receiving a presentation on the MPF Scheme at the meeting on 27 March 2015, the CoP deliberated on the retirement protection functions of Pillar 4 (covering various public services, including medical services, public housing, long-term care services and public transportation, etc.) at the meeting on 4 May 2015.

4. CoP members agreed that Pillar 4 was as important as other pillars in terms of retirement protection. In 2014-15, government spending on this pillar amounted to \$30 billion (excluding public housing expenditure), which exceeded the total expenditure of \$26 billion on social security schemes for the elderly under Pillar 0.

5. Ageing population will lead to a significant increase in demand for public services. Given that these services are funded by the public coffer, and that most of them are non-means tested, they will impose huge pressure on public finances in the long run. In view of the constraints in finances, manpower and land, etc., CoP members considered that while the Government should continue to increase the supply of services based

on the current modes, it should also enhance the long-term planning of both infrastructure and manpower provision. On family support, CoP members noted that 76 per cent of the elderly were currently living with their spouse, children or relatives, reflecting the importance of family values in society, and that there were also various policy initiatives in place to encourage families and children to take care of their elderly family members.

6. Apart from public services and family support, Pillar 4 also covers the assets of the elderly. CoP members were briefed at the meeting on the Reverse Mortgage Programme by representatives from the Hong Kong Mortgage Corporation Limited.

7. In addition, CoP members noted that the Government would commission two independent consultancy teams to assist with the public consultation on retirement protection in the fourth quarter of this year. The teams will assist in arranging different consultation events, consolidating and analysing the views collected, as well as conducting surveys, etc. The recruitment of the independent consultancy teams will be carried out later.

Meeting on 22 May

8. Under Hong Kong's retirement protection regime, Pillar 0 covers all social security schemes funded by public coffers, including the Comprehensive Social Security Assistance (CSSA) Scheme, the Old Age Living Allowance (OALA), the Old Age Allowance (OAA) and the Disability Allowance (DA). About 74 per cent of the elderly population benefit from these schemes. At the meeting on 22 May 2015, CoP members were briefed on the social security system and the elderly poverty situation in Hong Kong. CoP members also deliberated on the retirement protection functions of Pillar 0.

9. The poverty figures show that there has been a marked improvement in the elderly poverty situation since the full implementation of the OALA in April 2013. After recurrent cash policy intervention, the elderly poverty rate saw a drastic decrease of 14.4 percentage points in 2013, down from 44.9 per cent to 30.5 per cent, which was notably higher than the corresponding decrease recorded in 2012. Nevertheless, the CoP agreed that under the existing social security system, some elderly persons were still not adequately cared for and were in need of further assistance.

10. Separately, following the briefing on the MPF Scheme at the meeting on 27 March 2015, the CoP received further information provided by the MPF Schemes Authority. CoP members had a follow-up discussion on how to enhance the functions of the MPF as a pillar of retirement protection.

Conclusion

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

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