

For discussion on
15 July 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 Meeting

2. The CoP held a meeting on 26 June 2015 to continue the previous discussions on retirement protection. CoP members deliberated on the retirement protection functions of Pillar 3 under the multi-pillar retirement protection model put forward by the World Bank. Pillar 3 comprises voluntary savings which in Hong Kong's context include the voluntary contributions under the Mandatory Provident Fund Scheme and retirement savings-related insurance and other products. At the meeting, CoP members were briefed by the representatives from the Office of the Commissioner of Insurance (OCI) on savings-related life insurance products as well as the current situation of the provision of annuity products by insurance companies.

3. Nowadays, many insurance companies have launched savings-related life insurance products which entitle the insured person to receive various kinds of protection (against events including death, dreadful diseases and accidents) from the policy on one hand, and facilitate the insured person to do long-term savings on the other. The insured person may withdraw the savings by a lump sum or instalments which would form a stable source of income upon retirement. At present, there are 11 million effective life insurance policies, of which around 64 per cent (around 7 million) is savings-related. A large proportion of these policies are believed to be retirement-related. CoP members noted that the life insurance market played a crucial role in strengthening the retirement protection functions of Pillar 3.

4. At the meeting, representative of the OCI also introduced the current situation of the provision of annuity products by insurance companies. CoP members noted that the size of the local annuity market was relatively small and the number of products was limited. There were only annuity products with a fixed term in the market while life-long annuity products rarely exist. One possible reason was the lack of quality matching assets in the market for insurance companies to hedge against longevity and inflation risk. This discouraged the insurance companies from developing the annuity market.

5. Besides, a member of CoP, Dr CK Law, briefed the meeting on his public annuity scheme proposal put forward in 2011. The report submitted by the team led by Professor Nelson Chow had not discussed in detail the proposal. Noting that the proposal could facilitate elderly persons to convert their savings into a steady stream of monthly income with possible top-up from the Government depending on the elderly's financial situation, CoP members agreed in principle that further study should be conducted on the proposal. Areas requiring further examination may include the financial sustainability of the proposal, the viability of launching a public annuity scheme in Hong Kong, the interface between the proposal and other elderly social security programmes, etc. CoP members took the view that if further study indicates that the proposal was viable and practicable, consideration could be given to including the proposal in the consultation document for the purpose of inviting public views.

Conclusion

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

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