

立法會
Legislative Council

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Subcommittee on Retirement Protection

Minutes of meeting
held on Tuesday, 7 February 2017, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

Members present : Hon KWOK Wai-keung (Chairman)
Hon Jimmy NG Wing-ka, JP (Deputy Chairman)
Hon LEUNG Yiu-chung
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Paul TSE Wai-chun, JP
Hon LEUNG Kwok-hung
Hon YIU Si-wing, BBS
Hon CHAN Chi-chuen
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Hon Alvin YEUNG
Dr Hon Junius HO Kwan-yiu, JP
Hon SHIU Ka-fai
Hon LUK Chung-hung
Dr Hon LAU Siu-lai

Members absent : Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon Mrs Regina IP LAU Suk-yea, GBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick

Hon HO Kai-ming
Hon SHIU Ka-chun
Hon HUI Chi-fung
Hon KWONG Chun-yu
Hon Nathan LAW Kwun-chung

**Public Officers
attending** : Item I

Mr Stephen SUI, JP
Acting Secretary for Labour and Welfare

Mr Gordon CHONG
Principal Assistant Secretary for Labour and Welfare
(Welfare) 4

Ms Doris HO, JP
Head
Policy & Project Co-ordination Unit of Chief Secretary
for Administration's Private Office

Mr Andrew AU, JP
Deputy Government Economist
Economic Analysis and Business Facilitation Unit of
the Financial Secretary's Office

Ms Melody LUK
Assistant Commissioner for Labour
(Labour Relations)

Ms Maria LAU
Assistant Director of Social Welfare
(Social Security)

Miss Wendy CHUNG
Principal Assistant Secretary for Financial Services &
the Treasury (Financial Services) 3

**Clerk in
attendance** : Miss Betty MA
Chief Council Secretary (2) 1

Staff in attendance : Ms Rita LAI
Senior Council Secretary (2) 1

Miss Lulu YEUNG
Clerical Assistant (2) 1

I. Policy initiatives relating to retirement protection in the Chief Executive's 2017 Policy Address

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

2. The Administration was requested to provide the following information:

- (a) the respective estimated additional annual recurrent government expenditure,
 - (i) if Old Age Living Allowance ("OALA") was non-means-tested; and
 - (ii) if the asset limit for elderly singletons under OALA was increased to \$800,000 and \$1,000,000; and
- (b) in respect of elderly recipients of Comprehensive Social Security Assistance,
 - (i) the number of those who lived with their families; and
 - (ii) a breakdown of supplements and special grants payable to them, together with the respective amounts;
- (c) the projected/estimated recurrent government expenditure and commitment for the proposed enhancement measures to strengthen each of the existing pillars of the retirement protection system and welfare services in next 10 years and the proportion to the total recurrent government expenditure;
- (d) income sources for implementing various proposed enhancement measures for retirement protection; and

- (e) the rationale for proposing the level of and asset limits for the higher tier of OALA, i.e. monthly allowance of \$3,435 for elderly singletons with assets not exceeding \$144,000 or elderly couples with assets not exceeding \$218,000.

II. Any other business

- 3. The Chairman advised that members would be informed of the date of the next meeting in due course.
- 4. There being no other business, the meeting ended at 12:50 pm.

Council Business Division 2
Legislative Council Secretariat
29 March 2017

**Proceedings of meeting of the
Subcommittee on Retirement Protection
held on Tuesday, 7 February 2017, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s) / Discussion	Action Required
<i>Agenda item I - Policy initiatives relating to retirement protection in the Chief Executive's 2017 Policy Address</i>			
000000 - 001141	Chairman	Opening remarks	
001142 - 002108	Chairman Admin	Briefing by the Administration (LC Paper No. CB(2)671/16-17(01))	
002109 - 003132	Chairman Deputy Chairman Admin	<p>The Deputy Chairman's remarks that the business sector opposed abolition of the "offsetting" arrangement, under which employers were allowed to offset their payment of severance payment ("SP")/ long service payment ("LSP") against the accrued benefits from their contributions to the Mandatory Provident Fund ("MPF"). It was envisaged that the operation difficulties of small- and medium- or micro-enterprises would aggravate should the offsetting arrangement be abolished.</p> <p>The Deputy Chairman's enquiry/concern regarding the following:</p> <p>(a) whether the Government would take the lead in adopting the proposal of progressive abolition of the "offsetting" arrangement for non-civil service contract employees; and</p> <p>(b) in the event of business closure, the liabilities of sole proprietors or partners of unlimited companies in respect of SP/LSP and whether employees concerned could make applications for ex gratia payments from the Protection of Wages on Insolvency Fund ("PWIF") for outstanding wages and termination payments.</p> <p>The Administration's advice that the "offsetting" arrangement was a controversial issue and had its historical background. The arrangement for the progressive abolition of "offsetting" should be subject to the guiding principles, as set out in the Administration's paper. The Administration had thoroughly deliberated the "offsetting" package</p>	

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		<p>which would form the basis for further discussion. The Administration would in the next three months engage the business and labour sectors, MPF trustees and relevant advisory boards in thorough discussions, explain to them the Administration's proposal of progressively abolishing the "offsetting" arrangement and listen to their views. The aim was to revert to the Executive Council for decision on the finalized proposal before end June of 2017. On the issue of PWIF, the Administration advised that employees whose employers had become insolvent and could not pay their wages and termination payments might apply to PWIF for ex-gratia payment specified by the Protection of Wages on Insolvency Ordinance.</p>	
003133 - 003700	Chairman Mr LUK Chung-hung Admin	<p>Mr LUK Chung-hung's views regarding the following:</p> <ul style="list-style-type: none"> (a) in adopting the World Bank multi-pillar retirement protection model, the Administration had deliberately refrained from establishing the Pillar One or the contributory universal pension pillar, and failed to address the community call for non-means-tested retirement protection; (b) the addition of a higher tier of assistance for elderly persons with more financial needs under the Old Age Living Allowance ("OALA") had recast the existing social security system for elderly persons into a four-tiered one i.e. the elderly Comprehensive Social Security Assistance ("CSSA"), Old Age Allowance ("OAA"), OALA and a higher tier of OALA. Consideration should be given to simplifying it by subsuming OALA under the higher tier of OALA; and (c) while the proposed progressive abolition of the "offsetting" arrangement was an improvement measure, there was concern that the total amount of SP/LSP to be received by employees would be reduced with a revised formula for calculating SP/LSP. <p>The Administration's response that while the World Bank advocated the multi-pillar retirement protection model, it stressed that there was no single system suitable for all economies and it was not necessary to put in place all five pillars. Each economy should</p>	

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		<p>develop its retirement protection system in the light of its own historical background and situation. The multi-tiered assistance under the social security system was meant to address the varying needs of elderly persons. There was some overlapping in functions between those of SP/LSP and MPF which warranted the consideration of a reduced SP/LSP rate.</p>	
003701 - 004318	Chairman Dr KWOK Ka-ki Admin	<p>Dr KWOK Ka-ki's views/queries regarding the following:</p> <p>(a) strong dissatisfaction was expressed about the Administration's reluctance to implement a universal non-means-tested retirement protection system with tripartite contributions from the Government, employers and employees, which was projected to be sustainable by 2064 and supported by the community at large, as recommended in the Research Report on Future Development of Retirement Protection in Hong Kong which was prepared by the research team led by Professor Nelson CHOW ("the Research Report"); and</p> <p>(b) it would be unreasonable to provide government subsidies to large enterprises to share their part of SP/LSP expenditure if the "offsetting" arrangement was abolished. Consideration should be given to providing government subsidies only to enterprises with an annual profit not exceeding a specified amount.</p> <p>The Administration's advice that as revealed in the Working Group on Long-Term Fiscal Planning's report, a structural deficit might surface in 2029 with an ageing population and a shrinking workforce and that tax reform might be necessary. The Administration considered that Hong Kong should continue to adopt a multi-pillar retirement protection model and strengthen each of the existing pillars while maintaining the sustainability and financial viability of the system. Also, due consideration should be given to resources allocation and targeting at those in need.</p>	

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004319 - 004932	Chairman Ms Alice MAK Admin	<p>Ms Alice MAK's appeal to the Administration to abolish the "offsetting" arrangement without further delay, having regard to its adverse impact on the grassroots workers.</p> <p>Ms MAK's enquiries regarding the following:</p> <p>(a) in the light of opposing views of the business sector, whether the Administration was confident of implementing the "offsetting" package to abolish the "offsetting" arrangement progressively;</p> <p>(b) whether the Administration would, in light of suggestions put forward by stakeholders, consider fine-tuning the "offsetting" package. For instance, maintaining the existing formula in the calculation of SP/LSP from the Effective Date of the "offsetting" package; and</p> <p>(c) whether the Administration would consider the recommendation of setting up a seed fund with contributions from the Government and the business sector to help small and medium enterprises ("SMEs") meet the extra payments of SP and LSP arising from the abolition of the "offsetting" arrangement.</p> <p>The Administration's advice that it was open-minded and would be willing to listen to the views of stakeholders. The Government Economist would assist in conducting assessment on relevant proposals put forward by stakeholders with a view to facilitating an informed discussion on the subject on the basis of objective analysis. The Administration stressed the importance of striking a balance between employers' affordability and employees' benefits in addressing the subject of the "offsetting" arrangement.</p>	
004933 - 005459	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing's grave concern about the heavy financial burden on employers in the long run, having regard to the Government's finite financial commitment in the "offsetting" package.</p> <p>Mr YIU's remarks regarding the following:</p> <p>(a) should the "offsetting" arrangement be abolished, it would be a severe blow to the operation of SMEs. It was envisaged that there would be</p>	

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		<p>massive lay-offs which would create moral hazards and sour the labour relations; and there would be knock-on effect on monopolistic competition arising from business closure of SMEs; and</p> <p>(b) the Administration should listen to the views of the business sector and modify the proposed "offsetting" package, including the suggestion of setting up a seed fund by the Government to assist the business sector to meet the extra payments of SP and LSP arising from the abolition of the "offsetting" arrangement if there was a consensus among the business sector and the labour sector.</p> <p>The Administration's advice that it was prepared to listen to the views of stakeholders including the business sector.</p>	
005500 - 010141	Chairman Mr POON Siu-ping Admin	<p>Mr POON Siu-ping's view that given there was an unequivocal community call for implementation of universal retirement protection, the Administration could hardly address such call by merely introducing a package of measures to strengthen each of the existing pillars of the retirement protection system.</p> <p>Mr POON's concerns regarding the following:</p> <p>(a) the Administration should address the retirement needs of homemakers who could not benefit under MPF and other occupation-based retirement savings schemes;</p> <p>(b) the Administration should adjust upwards the asset limits for the proposed higher tier of OALA;</p> <p>(c) in respect of the "offsetting" package, rationale for adopting the revised formula in calculating the amount of SP/LSP, which would be reduced by some 16.7% and that the duration of Government's provision of subsidies to employers should be shortened from 10 years to six years;</p> <p>(d) whether the Administration would consider the suggestion of setting up a seed fund by the Government to assist the business sector to meet the extra payments of SP and LSP arising from</p>	

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		<p>the abolition of the offsetting arrangement should there be a consensus between the business sector and the labour sector; and</p> <p>(e) whether the next term Government would accordingly implement the "offsetting" package to be finalized in June 2017.</p> <p>The Administration's advice as follows:</p> <p>(a) as mentioned in the retirement protection consultation document, the Commission on Poverty had considered providing tax concessions to incentivize married employees to make voluntary MPF contributions for their non-working spouses, but there were also concerns that given the low tax rate and the need to make separate arrangement under the current tax regime, the measures might not be very effective. The Government would continue to explore options on this front;</p> <p>(b) it was estimated that the proposed higher tier of OALA would benefit around 80% of existing OALA recipients who had more financial needs. The asset limits for the proposed higher tier of OALA were therefore considered appropriate; and</p> <p>(c) as regards MPF "offsetting", it was open-minded and would be willing to listen to the views of relevant stakeholders.</p>	
010142 - 011028	Chairman Mr LEUNG Yiu-chung Admin	<p>Mr LEUNG Yiu-chung's views/concerns regarding the following:</p> <p>(a) the Administration's refusal to implement a universal non-means-tested retirement protection system as recommended in the Research Report or the Academics' proposal, which was projected to be sustainable in the long run with tripartite contributions from the Government, employers and employees. Instead, the Government resorted to enhancing OALA funded by public money, notwithstanding that it envisaged an inevitable structural deficit in the forthcoming years;</p> <p>(b) consideration should be given to abolishing the means test for OALA so as to reduce the administration cost so incurred; and</p>	

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		<p>(c) whether the next term Government would duly follow up on the "offsetting" package to be finalized in June 2017.</p> <p>The Administration's advice as follows:</p> <p>(a) the administration cost for implementing the means-tested OALA amounted only to \$40 million or 0.3% of the OALA expenditure of \$13.5 billion;</p> <p>(b) the Administration had to strike a balance between the financial assistance and non-financial assistance provided to the elderly persons taking into account of their varying needs. In fact, the results of two polls conducted separately and independently by the University of Hong Kong and the Chinese University of Hong Kong revealed that when asked to choose between the universal and targeted approaches, the results were largely a tie, indicating that there was a strong body of opinion in the community supporting a target approach;</p> <p>(c) regarding the proposal of transferring half of the MPF contributions to fund universal pension, there were concerns that the transfer from individual contribution accounts to a central pool was tantamount to taxation and whether this was appropriate. In terms of system design, such transfer would seriously undermine the retirement protection function of the MPF pillar; and</p> <p>(d) as for the proposed MPF "offsetting" measures, the next term Government would need to take heed of any proposals having wide community support.</p>	
011029 - 011601	Chairman Mr CHAN Chi-chuen Admin	<p>Mr CHAN Chi-chuen's view that a higher tier of OALA could not address the community call for implementation of universal retirement protection.</p> <p>Mr CHAN's view/enquiry regarding the stringent asset limit of \$329,000 for elderly singletons and whether the Administration would consider further relaxing the limit.</p> <p>The Administration's advice that by adding a higher tier of assistance for elderly persons with more</p>	

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		<p>financial needs who were eligible for the allowance by providing a higher monthly allowance of \$3,435 per person and by relaxing the existing asset limits for OALA to \$329,000 for elderly singletons and \$499,000 for elderly couples, it was estimated that these two measures could benefit about 500 000 elderly persons (or around 40% of the elderly population) in the first year of full implementation, including about 81% of existing OALA recipients (or 365 900) who had more financial needs. It was also noteworthy that the OALA applications could be made on an individual or couple basis and the means test for OALA was more lenient than that for CSSA.</p> <p>The Administration's reiteration that retirement protection encompassed not just financial assistance, but an array of public services such as housing, medical and residential care services which the Government would continue to provide under a heavily-subsidized mode.</p> <p>The Administration was requested to provide information on the respective estimated additional recurrent government expenditure if the asset limit for elderly singletons under OALA was relaxed to \$800,000 and \$1,000,000.</p>	Admin
011602 - 012259	Chairman Dr CHIANG Lai-wan Admin	<p>Dr CHIANG Lai-wan's suggestions/query regarding the following:</p> <ul style="list-style-type: none"> (a) lowering the eligibility age for OAA from 70 to 65; (b) increasing the standard rate for CSSA elderly recipients; and (c) rationale for maintaining the so-called "bad son statement" for those elderly CSSA applicants who lived with their family members, i.e. requiring their family members to make a declaration on whether they had provided financial support to the elderly applicants. <p>The Administration's response that limited public resources should be targeted at elderly persons who had financial needs. Apart from the social security pillar, other pillars should complement one another to provide retirement protection for elderly persons. As regards the CSSA Scheme which provided a safety net for those who could not provide for</p>	

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		<p>themselves financially, it was the backbone of the Scheme that applications should be made on a household basis. Family members living together and sharing the same household facilities should support one another and first use their own resources to cope with basic necessities.</p> <p>The Administration was requested to provide the following information:</p> <p>(a) a breakdown of supplements and special grants payable to elderly CSSA recipients, together with the respective amounts; and</p> <p>(b) the number of elderly CSSA recipients living with their families.</p>	<p>Admin</p>
<p>012300 - 012727</p>	<p>Chairman Dr Junius HO Admin</p>	<p>Dr Junius HO welcomed the Administration's proposed measures for enhancing retirement protection, including introducing a higher tier of OALA, as set out in the 2017 Policy Address.</p> <p>Dr HO's concern about the financial implications on the public finance in implementing various enhancing measures for retirement protection. The Administration was requested to provide the following information:</p> <p>(a) the estimated additional recurrent government expenditure for implementing non-means-tested OALA;</p> <p>(b) the projected/estimated recurrent government expenditure and commitment for the proposed enhancement measures to strengthen each of the existing pillars of the retirement protection system and welfare services in next 10 years and the proportion to the total recurrent government expenditure; and</p> <p>(c) income sources for implementing various proposed enhancement measures for retirement protection.</p>	<p>Admin</p>
<p>012728 - 013549</p>	<p>Chairman Admin</p>	<p>The Chairman's view that the Administration's proposed package of measures to strengthen each of the existing pillars of the retirement protection system still could not fully address the unequivocal community call for implementation of non-means-tested universal retirement protection.</p>	

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		<p>His view that the next term Government should squarely address such request.</p> <p>The Chairman's concerns/views in respect of the following:</p> <p>(a) having regard to the progressively diminishing government subsidy to employers in the 10-year reimbursement period under the proposed "offsetting" package and the fact that the last month's wage of employees would be the critical factor in the calculation of SP/LSP payable for the employment period, some of the employers might dismiss their employees in the first few years after the policy change and re-employ the employees concerned under new contracts; and</p> <p>(b) the eligibility age for receiving OAA, which was considered as a token of respect for elderly persons, should be lowered from 70 to 65 to align with issuance of Senior Citizen Card to Hong Kong residents aged 65 or above.</p> <p>The Administration's response that different public services and social security programmes for elderly persons had their own objectives and intents. In deciding their respective coverage and age for eligibility, proper use of public money, as well as the affordability and sustainability of public finance were important considerations. On the proposed "offsetting" package, the Administration kept an open-mind to views of stakeholders.</p>	
013550 - 014316	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's enquiry and the Administration's response in respect of its stance on whether it was part of employers' responsibility to provide retirement protection to their employees.</p> <p>Dr CHEUNG's view that given a majority of employers' accrued benefits under MPF had been offset against SP/LSP payable to their employees, employers' responsibility of providing retirement protection for their employees had not been fulfilled. The Administration's clarification that based on the administrative records of the Mandatory Provident Fund Scheme Authority, less than 2% of enrolled employees were affected by the "offsetting" arrangement, which involved about 5-6% of employers.</p>	

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		<p>Dr CHEUNG also cast doubt about the Government's long-term financial commitment in respect of the proposed enhancement measures to strengthen each of the existing pillars of the retirement protection system.</p> <p>The Administration's advice that it had fully considered the financial implications of the proposal, although the next term of Government would need to look into the issue of widening sources of revenue to address the possible structural deficit in 2029-2030 regardless of whether any enhancement measures for the retirement protection would be introduced as projected in the Working Group on Long-Term Fiscal Planning's report.</p>	
014317 - 015005	Chairman Mr LEUNG Kwok-hung Admin	<p>Mr LEUNG Kwok-hung's view that implementation of universal retirement protection would result in redistribution of wealth. Large enterprises with considerable profit should provide retirement protection for their employees.</p> <p>Mr LEUNG's criticism of the Government's refusal to implement universal retirement protection but only setting up a Future Fund.</p> <p>The Administration's reiteration that the affordability and sustainability of public finance were important considerations in devising the retirement protection package. The average annual increased expenditure up to 2064 stemming from the proposed OALA enhancements was estimated to be only about one-fifth of that from the Academics' proposal.</p>	
015006 - 015904	Chairman Mr Jeffrey LAM Admin	<p>Mr Jeffrey LAM's stress that retirement protection was the collective responsibility of individual employees, employers and the Government. Employers' responsibilities had been realized by making contributions to MPF. Notably, employees subject to "offsetting" were payable with accrued benefits withdrawn from employers' MPF contribution, i.e. paid by employers. In his view, the performance of MPF schemes would improve if the fund management fees could be reduced, thereby enhancing the retirement protection function of MPF accordingly.</p> <p>Mr LAM's view that the Government should make long term commitment and shoulder more responsibility in the subject of retirement protection.</p>	

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		<p>It should actively consider the Business and Professionals Alliance for Hong Kong's proposal to, inter alia, set up a government fund to assist employers to meet the SP/LSP expenditure if the offsetting arrangement was to be abolished.</p> <p>The Administration's advice that channels or platforms for discussion on the "offsetting" package could be set up if necessary. The Administration would liaise with the stakeholders, including the business sector and labour organizations, as appropriate. In addition, the Administration had studied the impact of abolishing the "offsetting" arrangement on businesses and could share the findings with Members in due course.</p>	<p>Admin</p>
015905 - 020347	Chairman Dr CHIANG Lai-wan	<p>Dr CHIANG Lai-wan's view that the proportion of government subsidy reimbursed to employers under the "offsetting" package should increase, having regard to the financial pressure facing SMEs in the implementation of the progressive abolition of the "offsetting" arrangement.</p> <p>Dr CHIANG's disappointment that the huge fiscal reserve had not been properly used to improve the livelihood of grassroots elderly. The Administration was requested to explain the rationale for proposing the level of asset limits for the higher tier of OALA, i.e. monthly allowance of \$3,435 for elderly singletons with assets not exceeding \$144,000 or elderly couples with assets not exceeding \$218,000.</p>	<p>Admin</p>
020348 - 020705	Chairman	<p>The Chairman's view on the merits of abolishing the "offsetting" arrangement, including retention of staff and increasing the cost for business closure. He considered that it was an opportune time to abolish the "offsetting" arrangement.</p> <p>Date of next meeting.</p>	