

立法會
Legislative Council

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by the Administration)

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Subcommittee on Retirement Protection

Minutes of meeting
held on Saturday, 29 April 2017, at 9:00 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 Tommy CHEUNG Yu-yan, GBS, JP
Hon Starry LEE Wai-king, SBS, 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 Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH
Dr Hon CHIANG Lai-wan, JP
Hon Andrew WAN Siu-kin
Hon CHU Hoi-dick
Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon LUK Chung-hung
Hon KWONG Chun-yu
Hon Nathan LAW Kwun-chung
Dr Hon LAU Siu-lai

Members absent : Hon Jeffrey LAM Kin-fung, GBS, JP
Hon WONG Kwok-kin, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon KWOK Ka-ki
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Alvin YEUNG
Hon HUI Chi-fung

[According to the Judgment of the Court of First Instance of the High Court on 14 July 2017, LEUNG Kwok-hung, Nathan LAW Kwun-chung, YIU Chung-yim and LAU Siu-lai have been disqualified from assuming the office of a member of the Legislative Council, and have vacated the same since 12 October 2016, and are not entitled to act as a member of the Legislative Council.]

Public Officers attending : Item I

Mr Stephen SUI, JP
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 Eric LEE
Principal Economist(1)
Economic Analysis and Business Facilitation Unit of
the Financial Secretary's Office

Ms Vivian HAU
Chief Social Security Officer (Social Security)2
Social Welfare Department

Attendance by invitation : Item I

The Hong Kong Federation of Trade Unions

Mr TANG Ka-piu

Individuals

Dr Raymond YEUNG Wai-man, Assistant Professor,
Department of Economics and Finance, Hong Kong
Shue Yan University

Dr POON Che-cheong, Associate Professor, Department of
Economics and Finance, Hong Kong Shue Yan
University

Dr YUEN Wai-kee, Associate Head, Department of
Economics and Finance, Hong Kong Shue Yan
University

Prof Kevin TSUI, Associate Professor, The John E. Walker
Department of Economics, Clemson University

Prof WONG Hung, Associate Professor, Department of
Social Work, The Chinese University of Hong Kong

Mr LEE Kim-ming, Senior Lecturer, Community College
of City University

Prof WONG Yu-cheung, Associate Professor, Department
of Social Work, The Chinese University of Hong Kong

Alliance for Universal Pension

Mr Nick CHAN
Organizer

Mr LAU Cheuk-kai

Individual

Mr Henry MOK Tai-kee, Researcher, Hong Kong Social
Security Society

Neighbourhood and Worker's Service Centre

Mr WONG Yun-tat

Individual

Dr CHUNG Kim-wah, Director, Centre for Social Policy
Studies, The Hong Kong Polytechnic University

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

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

Ms Kiwi NG
Legislative Assistant (2) 1

I. Financial arrangements for universal retirement protection

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

2. The Subcommittee received oral representations from 12 deputations/academics attending the meeting. Most attending deputations/academics were in support of the implementation of a universal retirement protection scheme. Their major views and concerns are summarized as follows:

- (a) in light of the challenges of an ageing population and the repeated strong community call for retirement protection over several decades, the Administration should provide all elderly persons with an old age pension to help them address the risk of long life expectancy and lead a dignified and financially secured life in their twilight years. Having regard to the considerable fiscal reserve and the Chief Executive ("CE")'s pledge in his election manifesto in respect of setting aside adequate money in a special Fund for the purpose of making improvement to retirement protection, the Government should implement a non-means-tested universal retirement protection scheme without further delay. It was also inappropriate to deliberate the subject from the perspective of poverty alleviation;

- (b) these deputations/academics were in support of a partially pre-funded universal retirement protection scheme under the "2064 Universal Old Age Pension Option" or "the 2064 Option" (previously known as the Option of Academics), which proposed, among others, that a universal non-means-tested old age monthly pension of about \$3,500 (at the 2016 price level) would be payable to all Hong Kong permanent residents aged 65 or above. Both employers and employees would not have to make extra contribution under the proposal, but to transfer half of their respective current contributions to the Mandatory Provident Fund ("MPF") System to the proposed retirement protection fund. As for the Government, it would need to set up a start-up fund by transferring the recurrent funding for the Comprehensive Social Security Assistance payments (standard rate) for elderly recipients, Old Age Allowance ("OAA") and Old Age Living Allowance ("OALA") payments to the fund and making a one-off capital injection of \$100 billion. In addition, the profit tax rate for enterprises with an annual profit exceeding \$10 million would be increased by 1.9% to derive additional tax revenue for financing the proposed scheme. It was projected that the proposed financial arrangements could be sustainable and have a considerable surplus by 2064;
- (c) dissatisfaction was expressed at the Administration's reluctance to implement a non-means-tested universal retirement protection scheme but merely proposed in the 2017 Policy Address to add a higher tier of means-tested OALA and relax the asset limits of the existing OALA. Concern was also expressed about the ethical risk arose from the introduction of the enhanced OALA, as it was anticipated that the number of cases where elderly recipients of OALA might transfer their assets to their family members would increase in a bid to meet the asset limits; and
- (d) concern was raised about whether the \$50 billion earmarked for retirement protection had already been used for other purposes, such as financing the enhancement measures under OALA and providing subsidies for employers under the proposed package of progressively abolishing the MPF "offsetting" arrangement, i.e. employers could offset his severance payments and long service payments against the accrued benefits from their MPF contributions.

3. Some academics, on the other hand, had reservations over implementation of non-means-tested universal retirement protection. Drawing reference from overseas experience in implementing similar system, it was envisaged that given the longer average life expectancy, coupled with low fertility rate and slackening in wage adjustment and increasing fragmented employment, the implementation of a universal pension scheme would expose the public finance to considerable financial risk. These academics were not in support of transferring part of the MPF contributions from both employers and employees to a retirement protection fund as it would undermine MPF's retirement protection function. Instead, efforts should be made to strengthen the existing pillars of the retirement protection system in Hong Kong. For instance, consideration could be given to increasing the coverage and monthly amount of OAA, say, to \$3,000. They also cautioned that in case universal retirement protection were to be implemented, the Administration should consider adopting complementary measures, such as deferring the eligible age for receiving the old age pension, reducing pension amount and introducing new form of tax, as and when necessary. As regards the proposed public annuity scheme, consideration should be given to expanding the coverage of the scheme.

4. Some members expressed grave dissatisfaction at the Administration's refusal to adopt the 2064 Option which, in their view, was responding to the strong community call for retirement protection over several decades and was projected to be sustainable on the basis of actuarial studies. These members shared the views of most deputations/academics that entitlement to universal retirement protection was the basic right of elderly persons in recognition of their past contribution to the society. It was inappropriate to require elderly persons to undergo a means test to receive an old age pension.

5. In response to the views and concerns of the deputations/academics attending the meeting and members, the Administration made the following points:

- (a) based on the multi-pillar model advocated by the World Bank, the retirement protection system in Hong Kong comprised four pillars that were complementary to one another in addressing the varying needs of elderly persons. 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 the five pillars. Each economy should develop its

retirement protection system in the light of its own historical background and situation. As elderly persons had diverse retirement needs, while some had to rely on social security, others might only require some living allowances and the rest were self-sufficient, there was no one-size-fits-all approach for retirement protection;

- (b) 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. Building a new pillar at the expense of destabilising or undermining other pillars was highly debatable;
- (c) to demonstrate the Government's determination and commitment to protect needy persons after retirement, as stated in the 2015 Policy Address, \$50 billion had been earmarked to provide for future needs. Having regard to the views collected from the public engagement exercise on retirement protection, the Government considered the existing multi-pillar retirement protection system targeting at those in need should continue to be adopted. At the same time, the Government should enhance the effectiveness of each pillar while maintaining the sustainability and financial viability of the existing system. Moreover, 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 being 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 targeted approach;
- (d) as set out in the 2017 Policy Address and Estimates of Expenditure 2017-2018, the Government had proposed a series of initiatives to strengthen various pillars. Notably, the MPF pillar would be enhanced to increase the protection for some three million employees, including lowering the administration fees through implementing the Default Investment Strategy and developing eMPF and making proposals to progressively abolish the MPF "offsetting"

arrangement. On the social welfare front, measures would be introduced to enhance OALA. The estimated increase in annual recurrent expenditure up to 2064 stemming from the proposed OALA enhancements was on average \$11.3 billion, which was only about one-fifth of the estimated increase in annual expenditure of the 2064 Option. In terms of the public services pillar, the Government would improve the Health Care Voucher and various elderly services, including elderly care services and medical care services. Moreover, financial products, such as Silver Bonds, would be developed to help elderly persons make good use of their assets to increase the stability of their post-retirement investment income. The proposed annuity scheme would also strengthen the voluntary savings pillar. In addition, a tax policy unit in the Financial Services and the Treasury Bureau would be set up to actively study ways to foster the development of local industries through tax measures and to enhance the tax regime, so as to ensure that adequate resources were available to support the sustainable development of the society; and

- (e) the Government had to strike a balance between the financial assistance and non-financial assistance (including means-tested and non-mean-tested assistance programmes) provided to the elderly persons taking into account of their varying needs and having regard to prudent use of public resources.

II. Any other business

6. The Chairman said that the next meeting of the Subcommittee would be tentatively scheduled for 13 June 2017 at 2:30 pm to discuss the proposal of abolishing "offsetting" arrangement progressively. Members agreed to receive public views on the subject.

7. There being no other business, the meeting ended at 11:22 am.

**Proceedings of meeting of the
Subcommittee on Retirement Protection
held on Saturday, 29 April 2017, at 9:00 am
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s) / Discussion	Action Required
<i>Agenda item I - Financial arrangements for universal retirement protection</i>			
000000 - 000819	Chairman	Opening remarks Meeting arrangements for this meeting and the next meeting.	
000820 - 001326	Chairman Mr TANG Ka-piu, The Hong Kong Federation of Trade Unions	Presentation of views	
001327 - 001945	Chairman Dr Raymond YEUNG Wai-man, Assistant Professor, Department of Economics and Finance, Hong Kong Shue Yan University ("HKSJU")	Presentation of views	
001946 - 002637	Chairman Dr POON Che-cheong, Associate Professor, Department of Economics and Finance, HKSJU	Presentation of views [LC Paper No. CB(2)1280/16-17(01)]	
002638 - 003151	Chairman Dr YUEN Wai-kee, Associate Head, Department of Economics and Finance, HKSJU	Presentation of views	
003152 - 003718	Chairman Prof Kevin TSUI, Associate Professor, The John E. Walker Department of Economics, Clemson University	Presentation of views [LC Paper No. CB(2)1280/16-17(02)]	
003719 - 004337	Chairman Prof WONG Hung, Associate Professor, Department of Social Work, The Chinese University of Hong Kong ("CUHK")	Presentation of views	

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004338 - 005113	Chairman Mr LEE Kim-ming, Senior Lecturer, Community College of City University ("CCCU")	Presentation of views	
005114 - 005507	Chairman Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK	Presentation of views [LC Paper No. CB(2)1280/16-17(03)]	
005508 - 010252	Chairman Mr Nick CHAN and Mr LAU Cheuk-kai, Alliance for Universal Pension ("the Alliance")	Presentation of views [LC Paper Nos. CB(2)1392/16-17(01) and (02)]	
010253 - 010946	Chairman Mr Henry MOK Tai-kee, Researcher, Hong Kong Social Security Society ("HKSSS")	Presentation of views [LC Paper Nos. CB(2)1280/16-17(04) to (06)]	
010947 - 011520	Chairman Mr WONG Yun-tat, Neighbourhood and Worker's Service Centre	Presentation of views	
011521 - 012231	Chairman Dr CHUNG Kim-wah, Director, Centre for Social Policy Studies, The Hong Kong Polytechnic University	Presentation of views	
012232 - 012814	Chairman Mr SHIU Ka-chun Admin	<p>Mr SHIU Ka-chun's declaration that he was one of the proponents of the 2064 Universal Old Age Pension Option ("the 2064 Option").</p> <p>Mr SHIU sought explanation for the Administration's refusal to adopt the 2064 Option and queried whether it was due to its impact on the Mandatory Provident Fund ("MPF") as one of the pillars for retirement protection.</p> <p>The Administration's advice that based on the multi-pillar approach advocated by the World Bank, Hong Kong's retirement protection system comprised four pillars that were complementary to</p>	

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		<p>one another in serving the varying needs of elderly persons. The Administration was committed to strengthening each of the existing pillars while maintaining the sustainability and financial viability of the retirement protection system.</p>	
012815 - 013511	<p>Chairman Dr Fernando CHEUNG Admin</p>	<p>Dr Fernando CHEUNG's declaration that he was also one of the proponents of the 2064 Option.</p> <p>Dr CHEUNG's criticism that the Administration was reluctant to implement non-means-tested universal retirement protection regardless of the considerable fiscal reserve and the fact that various proposals of such had been put forward by community concern groups over the years. His emphasis that universal retirement protection was a basic right of the elderly persons and should not be considered from the perspective of poverty alleviation. It was stressed that the 2064 Option was sustainable based on the related actuarial studies.</p> <p>Dr CHEUNG's dissatisfaction that the public had not been duly consulted on the proposed higher tier of Old Age Living Allowance ("OALA"). His concern about the funding sources for implementation of the enhanced measure.</p> <p>The Administration's advice as follows:</p> <p>(a) public views as to whether the "regardless of rich or poor" or "those with financial needs" principle should be adopted to improve the retirement protection system had been collected during the public engagement exercise from December 2015 to June 2016. The Government proposed to provide a higher tier of OALA and relax the asset limits of the existing allowance so as to strengthen the social security pillar after taking into account public views received and the need to ensure the financial sustainability of the system. It was expected that the above proposed measures to enhance the OALA would benefit around 500 000 elderly persons in the first year of full implementation; and</p> <p>(b) the proposed measures to enhance OALA would involve an additional recurrent expenditure of over \$75.5 billion in the first</p>	

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		<p>10 years. In addition, a tax policy unit in the Financial Services and the Treasury Bureau would be set up to actively study ways to foster the development of local industries through tax measures and to enhance the tax regime and explore broadening the tax base and increasing revenue, so as to ensure that adequate resources were available to support the sustainable development of the society.</p>	
013512 - 014248	Chairman Mr LEUNG Kwok-hung	<p>Mr LEUNG Kwok-hung's strong view that the Administration should provide non-means-tested universal retirement protection to the elderly persons in recognition of their contribution to the economic prosperity in the past years.</p> <p>Mr LEUNG highlighted the difficulties of low-income earners to make preparation for their retirement life. His view that the subject of retirement protection could be addressed by redistribution of public resources and wealth. His criticism that the Administration had not made use of the Future Fund to implement universal retirement protection.</p> <p>The Chairman's remarks on his support of making use of the Future Fund to implement universal retirement protection.</p>	
014249 - 014823	Chairman Mr CHAN Chi-chuen Admin	<p>Mr CHAN Chi-chuen's criticism that the Administration was not prepared to implement universal retirement protection regardless of the huge fiscal reserve and had never responded to the 2064 Option. His enquiry about the availability of the \$50 billion earmarked for retirement protection.</p> <p>The Administration's reiteration of adoption of a multi-pillar model for Hong Kong's retirement protection system. It comprised four pillars which were complementary to one another in addressing the diverse retirement needs of elderly persons. To this end, the 2017 Policy Address proposed a series of initiatives to strengthen various pillars. On the social welfare front, measures to be introduced to enhance OALA would involve an additional recurrent expenditure of over \$75.5 billion in the first 10 years. Together with the proposed improvements to the public services (lowering the eligibility age for</p>	

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		Elderly Health Care Voucher and extending the medical fee waiver for older and more needy OALA recipients in receiving public medical services), the proposed measures would involve an additional expenditure of over \$90 billion in the coming 10 years, which far exceeded the \$50 billion earmarked for retirement protection.	
014824 - 015134	Chairman Dr LAU Siu-lai	<p>Dr LAU Siu-lai's remarks that given the considerable fiscal reserve, there should be no problem about the funding source for implementing universal retirement protection. Her dissatisfaction at the Administration's refusal to implement universal retirement protection as proposed under the 2064 Option, which was sustainable according to the related actuarial studies.</p> <p>Dr LAU urged the Administration to seriously consider implementing universal retirement protection having regard to its effectiveness of cultivating a sense of belonging to the community as shown from overseas experience.</p> <p>(The Chairman directed that the meeting be extended by 15 minutes.)</p>	
015135 - 015515	Chairman Mr Nick CHAN Mr LAU Cheuk-kai, the Alliance	Presentation of further views	
015516 - 015540	Chairman Mr Henry MOK Tai-kee, HKSSS	Presentation of further views	
015541 - 015741	Chairman Prof WONG Hung, CUHK	Presentation of further views	
015742 - 015946	Chairman Mr LEE Kim-ming, CCCU	Presentation of further views	
015947 - 020157	Chairman Dr Raymond YEUNG Wai-man, HKSYU	Presentation of further views	
020158 - 020306	Chairman Dr POON Che-cheong, HKSYU	Presentation of further views	

Time marker	Speaker	Subject(s) / Discussion	Action Required
020307 - 020515	Chairman Mr SHIU Ka-chun	<p>Mr SHIU Ka-chun's reiteration of his concern about the Administration's refusal to adopt the 2064 Option.</p> <p>Mr SHIU's query about the long-term income source for the proposed higher tier of assistance under OALA and whether it would have to be financed by an increase in taxation.</p> <p>Mr SHIU's dissatisfaction that the \$50 billion earmarked by the Government to provide for future needs of improving retirement protection had already been redeployed for funding other public services.</p>	
020516 - 020803	Chairman Mr LEUNG Kwok-hung	<p>Mr LEUNG Kwok-hung's view that the call for implementation of a universal retirement protection system was similar to a public annuity scheme under which individual elderly would be provided with a monthly pension to support their livelihood.</p> <p>(The Chairman suggested and members agreed to further extend the meeting to 11:30 am.)</p>	
020804 - 021020	Chairman Mr KWONG Chun-yu	<p>Mr KWONG Chun-yu's view that universal retirement protection was the basic right of elderly persons in recognition of their past contribution to the society. Hence, it should be non-means-tested.</p> <p>Mr KWONG's dissatisfaction that the Administration provided no explanation for its refusal of adopting the 2064 Option.</p>	
021021 - 021233	Chairman Dr Fernando CHEUNG Prof WONG Hung, CUHK	<p>At Dr Fernando CHEUNG's invitation, Prof WONG Hung explained the ethical risk associated with transfer of wealth by the elderly recipients to others for the purpose of meeting the eligibility criteria for the means-tested OALA.</p>	
021234 - 021517	Chairman	<p>The Chairman raised the following questions:</p> <p>(a) given the great disparity between the rich and the poor in Hong Kong and the ineffectiveness of the taxation system and social security schemes in addressing the poverty problem, whether the Government would consider implementing universal retirement protection to enhance the effectiveness of redistribution of wealth and alleviate elderly poverty;</p>	

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		<p>(b) having regard to the means-tested eligibility criteria for certain social security schemes and the fact that some elderly applicants would transfer their assets so as to meet the asset limits, whether the Government had conducted assessment on the associated ethical risk and related issues; and</p> <p>(c) in the light of the high living costs, the current cohort of younger generation would encounter greater difficulties than the current elderly population to save for their retirement needs. He was concerned about the long-term measures taken by the Administration to address the above problem.</p>	
021518 - 022234	Admin	The Administration's consolidated response to the views and concerns of members and deputations/individual academics.	
022235 - 022335	Chairman	Closing remarks.	