

立法會
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Subcommittee on Retirement Protection

Minutes of meeting
held on Monday, 29 January 2018, at 10:45 am
in Conference Room 1 of the Legislative Council Complex

- Members present** : Hon KWOK Wai-keung, JP (Chairman)
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, GBS, JP
Hon Starry LEE Wai-king, SBS, JP
Hon YIU Si-wing, BBS
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, SBS, MH, JP
Hon Alice MAK Mei-kuen, BBS, JP
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon POON Siu-ping, BBS, MH
Hon Alvin YEUNG
Hon CHU Hoi-dick
Hon SHIU Ka-fai
Hon SHIU Ka-chun
Hon LUK Chung-hung
Hon KWONG Chun-yu
- Member attending** : Hon WU Chi-wai, MH
- Members absent** : Hon Jimmy NG Wing-ka, JP (Deputy Chairman)
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Paul TSE Wai-chun, JP
Ir Dr Hon LO Wai-kwok, SBS, MH, JP
Hon Andrew WAN Siu-kin

Dr Hon Junius HO Kwan-yiu, JP
Hon HO Kai-ming
Hon HUI Chi-fung

**Public Officers
attending** : Item I

Mr Caspar TSUI, JP
Under Secretary for Labour and Welfare

Miss LI Wan-in
Assistant Secretary for Labour and Welfare (Welfare) 4B

Dr Cecilia LAM
Senior Economist (5A)
Economic Analysis and Business Facilitation Unit of
Financial Secretary's Office

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

**Attendance
by invitation** : Item I

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

**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. Meeting with the Administration

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

2. The Subcommittee received oral representation from Prof WONG Yu-cheung, Associate Professor, Department of Social Work, The Chinese University of Hong Kong, which was detailed in his submission (LC Paper No. CB(2)758/17-18(02)). Members also noted that two academics not attending the meeting had provided the Subcommittee with their written submissions.

3. Most members shared Prof WONG Yu-cheung's view that the Administration should conduct another survey to collect information on the value of assets owned by the elderly, which would facilitate effective and meaningful discussion on the elderly poverty situation and relevant policy formulation. These members expressed grave dissatisfaction at the Administration's reluctance to implement a universal non-means-tested retirement protection scheme. Concern was also raised that the elderly poverty rate remained on the high side even after the Administration's recurrent cash intervention in the form of various social security measures. The Administration should allocate more public resources to reduce the elderly poverty rate.

4. Some members, on the other hand, were in support of the principle of prudent use of public resources to help those elderly in need. To facilitate the public to understand the long-term financial commitment for implementing a universal non-means-tested retirement protection scheme, the Administration should make public the relevant projection figures. That said, in the light of huge fiscal reserve, consideration could be given to relaxing the eligibility criteria for various means-tested social security assistance.

5. In response to the views and concerns of members and Prof WONG Yu-cheung, Under Secretary for Labour and Welfare made the following points:

- (a) the Administration was of the view that retirement protection should be a shared responsibility amongst individuals, family members, employers and the Government. Regarding the retirement protection system, Hong Kong took into account the multi-pillar model advocated by the World Bank and was adopting four pillars, including the

multi-tier social security system (the zero pillar), the Mandatory Provident Fund Scheme and other occupation-based retirement scheme (the second pillar), voluntary savings (the third pillar), as well as public services, family support and personal assets (the fourth pillar). It was worth noting that the multi-pillar model advocated by the World Bank did not require the presence of all five pillars. Instead, it stressed that a one-size-fits-all retirement protection system did not exist. After a six-month public engagement exercise which ended in June 2016, the Government considered the existing multi-pillar retirement protection system targeting at those in need should continue to be adopted. A universal non-means-tested retirement protection system would not be implemented. On the other hand, the Government would enhance the effectiveness of each pillar so that they could better complement one another in addressing the diverse retirement needs of the elderly persons through various channels;

- (b) the Administration announced in early 2017 a series of initiatives to strengthen the various pillars. On the social welfare front, measures would be introduced to enhance the Old Age Living Allowance ("OALA"), including providing eligible elderly persons with a higher monthly allowance of \$3,485 per person and relaxing the asset limits for the existing OALA to benefit more elderly persons with financial needs. According to rough estimates, around 80% of elderly persons who were receiving Normal OALA would be eligible for Higher OALA, and would receive a lump-sum retrospective payment of over \$10,000 upon implementation of Higher OALA. In addition, about 140 000 elderly were receiving Comprehensive Social Security Assistance ("CSSA"), which was a safety net of last resort. An elderly singleton received a monthly CSSA payment of more than \$6,000 on average and individual needy elderly might receive a monthly CSSA payment of about \$10,000. As regards improving the public services pillar, the Government had lowered the eligibility age for the Elderly Health Care Voucher from 70 to 65 with effect from 1 July 2017. The Hong Kong Mortgage Corporation was planning to launch the Life Annuity Scheme by mid-2018 to strengthen the voluntary savings pillar; and

- (c) analysis in 2016 showed that about 300 000 out of the 337 000 poor elderly persons resided in non-CSSA households. Among them, about 210 000 (over 70%) persons were estimated to have no financial needs, in which about 130 000 (over 60%) of them resided in owner-occupied housing without mortgages. This reflected that some of these elderly persons who were defined as poor might have considerable assets. According to the analysis of the Hong Kong Poverty Situation Report 2016, around 80% of the 337 000 poor population of elderly persons were recipients of various forms of social security. This reflected that the social security policy covered the majority of elderly persons who were defined as poor and was providing a certain level of financial assistance. The Administration's strategy was to further assist needy elderly persons in a targeted manner. Indeed, targeted recurrent cash allowance policies were more effective than "universal" measures in terms of tackling the problem of elderly poverty. If a "universal" retirement protection scheme was adopted, more than 80% of the additional resources would be spent on relatively non-needy elderly persons, including elderly persons who were not receiving any cash allowance or receiving the non-means-tested Old Age Allowance.

6. Senior Economist (5A) of the Economic Analysis and Business Facilitation Unit of Financial Secretary's Office added that with reference to the earlier experience of the Census and Statistics Department ("C&SD"), there were technical difficulties in collecting statistics on the value of assets owned by elderly respondents as many of them were reluctant to disclose such information. In addition, the poverty line only took into account household income but not assets and liabilities. Therefore, according to the poverty line analysis in the Hong Kong Poverty Situation Report 2016, some "asset-rich, income-poor" persons would be classified as poor statistically, leading to possible over-estimation of the actual poverty situation.

7. The Administration was requested to:

- (a) based on the 50-year updated population and labour projection figures released by C&SD, provide information on the projected public expenditure for the enhanced measures for various forms of social security assistance for the elderly; and

- (b) relay to C&SD members' request for conducting another survey on the value of assets owned by the elderly.

II. Any other business

8. Members agreed that the next meeting of the Subcommittee would be held on 24 March 2018 to receive public views on cash assistance for the elderly provided by the Government.

9. There being no other business, the meeting ended at 12:32 pm.

Council Business Division 2
Legislative Council Secretariat
2 March 2018

**Proceedings of meeting of the
Subcommittee on Retirement Protection
held on Monday, 29 January 2018, at 10:45 am
in Conference Room 1 of the Legislative Council Complex**

Time marker	Speaker	Subject(s) / Discussion	Action Required
000000 - 001933	Chairman Dr KWOK Ka-ki Mr SHIU Ka-chun Mr YIU Si-wing	Opening remarks Arrangements for the next Subcommittee meeting.	
<i>Agenda item I - Relationship between retirement protection system lacking the first pillar and elderly in poverty</i>			
001934 - 003607	Chairman Admin Prof WONG Yu-cheung, Associate Professor, Department of Social Work, The Chinese University of Hong Kong ("CUHK")	Presentation of views. [LC Paper No. CB(2)758/17-18(02)] The Administration's response to the views of Prof WONG Yu-cheung.	
003608 - 004300	Chairman Dr KWOK Ka-ki Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK Admin	Dr KWOK Ka-ki's grave concern that a considerable number of poor elderly persons resided in non-Comprehensive Social Security Assistance ("CSSA") households. Dr KWOK considered the asset limit of \$499,000 too stringent for elderly couples applying for Old Age Living Allowance ("OALA"). Dr KWOK's invitation of Prof WONG Yu-cheung's view on the following: (a) way forward for retirement protection in the light of the Administration's stance of not implementing a non-means-tested universal retirement protection scheme but adopting a targeted approach in providing retirement protection for the elderly in need and tackling elderly in poverty; and (b) whether it would be feasible to reduce the elderly poverty rate by raising the amount of Normal OALA and relaxing the eligibility criteria. Prof WONG envisaged that the introduction of Higher OALA would help reduce the elderly poverty rate to the region of 20% - 25%. With the increase of the monthly allowance of Normal OALA to about \$3,500, it was envisaged that the	

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		<p>elderly poverty rate could be significantly reduced. However, the Government would in the long term shoulder heavier financial burden than that incurred from implementing a universal non-means-tested retirement protection scheme with tripartite contribution from employers, employees and the Government.</p> <p>The Administration's response that the implementation of a universal non-means-tested retirement protection system would put considerable pressure on the younger generation in the light of the ageing population, shrinking workforce and increasing dependency ratio. Having made reference to overseas experience of implementing a contributory pay-as-you-go retirement protection system, the Administration would continue to strengthen the existing multi-pillar retirement protection system with a view to providing more suitable and targeted protection for elderly persons after their retirement.</p>	
004301 - 005003	<p>Chairman Dr Fernando CHEUNG Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK Admin</p>	<p>Dr Fernando CHEUNG's criticism about the Administration's refusal to implement a universal retirement protection scheme, which was projected to be financially sustainable, as recommended in the research report on the future development of retirement protection in Hong Kong released by the consultancy team led by Prof Nelson CHOW, or put forth in the Option of Academics from more than 180 local academics.</p> <p>Dr CHEUNG's enquiry about the comparison of Government's long-term financial commitment in respect of introducing enhanced measures to OALA (i.e. relaxing the asset limits and introducing the Higher OALA), and implementing a universal retirement protection scheme.</p> <p>Prof WONG Yu-cheung's response that:</p> <p>(a) the Administration would need to address the substantial recurrent additional expenditure arising from making enhancements to OALA under the existing social security system; and</p> <p>(b) it was, however, projected that under the proposed financial arrangement for a tripartite</p>	

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		<p>contributory non-means-tested universal retirement protection scheme with an old age monthly pension of about \$3,500 (at the 2016 price level) payable to all Hong Kong permanent residents aged 65 or above, the scheme could be sustainable and make a considerable surplus by 2064.</p> <p>The Administration's response that the enhanced measures of OALA would involve an additional recurrent expenditure of over \$75.5 billion and the lowering of the eligibility age for the Elderly Health Care Voucher would involve \$11.86 billion in the first 10 years. As such, the Government's financial commitment under the package for full range of support for retirement protection would involve an additional recurrent government expenditure of over \$90 billion in the first 10 years.</p> <p>Dr CHEUNG requested the Administration to, based on the 50-year updated population and labour projection figures released by the Census and Statistics Department ("C&SD"), provide information on the projected public expenditure for the enhanced measures for various forms of social security assistance for the elderly.</p>	<p>Admin</p>
<p>005004 - 005546</p>	<p>Chairman Mr LEUNG Yiu-chung Admin Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK</p>	<p>Mr LEUNG Yiu-chung's view that the great ensuing pressure of social security expenditure on public finance would also put considerable pressure on the younger generation in anticipation of the rapid ageing population. Mr LEUNG's remarks that provision of an old age pension should be regarded as a token of respect for the elderly in recognition of their past contribution to the society as well as complementary measure to the inadequate social security system.</p> <p>The Administration's view that targeted recurrent cash allowance policies would be more effective than "universal" measures in terms of tackling the problem of elderly poverty.</p> <p>Prof WONG Yu-cheung shared Mr LEUNG's view. Given that Hong Kong was an affluent society, it was the basic right of the elderly to lead a dignified and financially-secured life in their twilight years.</p>	

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005547 - 010141	Chairman Mr POON Siu-ping Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK Admin	<p>Mr POON Siu-ping expressed regrets about the Administration's unwillingness to implement a non-means-tested universal retirement protection scheme.</p> <p>Mr POON's concern about the retirement protection for some 650 000 female homemakers who were not covered by the employment-based Mandatory Provident Fund ("MPF") system. In addition to the enhancement measures to be made to OALA, Mr POON's enquiry about whether making contribution by the Government for these female homemakers to the MPF system would help reduce the elderly poverty rate.</p> <p>Prof WONG Yu-cheung cited the experience of national pension in the neighbouring places, including Taiwan and Japan, under which female homemakers were required to make a reasonable contribution to the pension schemes with some exemptions for those in poverty. Prof WONG was open-minded on adopting similar arrangements in Hong Kong, as this would ensure stable income for the elderly persons.</p> <p>The Administration's advice that on enhancing the MPF system, the abolition of the "offsetting" arrangement was one of the priority tasks of the Government. It aimed to put forth a proposal that took better account of the interests of the labour and business sectors, and consult both sectors and relevant stakeholders as soon as possible. In addition, a number of refinements had been made to the MPF system, including reduction of the administration fees for fund management. As for female needy elderly, they would be supported by the zero pillar, third pillar and fourth pillar of the existing multi-pillar retirement protection system.</p>	
010142 - 010653	Chairman Mr SHIU Ka-chun Admin	<p>Mr SHIU Ka-chun's grave concern that according to the poverty line analysis in the Hong Kong Poverty Situation Report 2016 ("the Report"), after recurrent cash intervention in the form of various enhancements to the social security measures, the poor population of elderly persons aged 65 or above in 2016 was 337 000, with a poverty rate of 31.6%. His disagreement with the Administration's analysis that the actual poverty situation was overestimated as some</p>	

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		<p>"asset-rich, income-poor" persons were classified as poor statistically.</p> <p>Mr SHIU's view that it was incumbent upon the Administration to address the elderly poverty situation. His enquiry about its target of eliminating elderly poverty, in particular the elderly poverty rate to be lowered and the relevant timetable.</p> <p>The Administration's response that given the concept of relative poverty, it was not possible to eliminate elderly poverty. That said, the means-tested CSSA and OALA had notable impact on poverty alleviation, reducing the poverty rate by 2.8 percentage points and 1.5 percentage points respectively in 2016. The Old Age Allowance also reduced the poverty rate by 0.3 percentage point. In addition, provision of public rental housing also helped in poverty alleviation. The Administration would roll out a number of initiatives in 2018 to strengthen the retirement protection system, including implementing the Higher OALA (after the relaxation of asset limits for existing OALA in 2017) as well as launching the Life Annuity Scheme ("LAS").</p>	
010654 - 011415	<p>Chairman Mr WU Chi-wai Admin Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK</p>	<p>Mr WU Chi-wai's grave concern that the retirement protection function of various pillars under the multi-pillar retirement protection system, including personal assets, MPF accrued benefits and voluntary savings, would gradually be diminishing over the years when the elderly were getting old. Mr WU sought explanation for the Administration's unacceptability to the implementation of a universal retirement protection scheme.</p> <p>Mr WU's enquiry about whether the Administration would conduct a study on the risk or associated problems arising from wealth transfer of the elderly recipients of social security assistance to their family members in order to meet the stringent means-tested requirements.</p> <p>The Administration's reiteration that the current-term Government had no intention to implement a universal retirement protection scheme. It had, on the other hand, implemented</p>	

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		<p>a series of initiatives to strengthen the existing multi-pillar retirement protection system, including introducing enhancements to OALA, Elderly Health Care Voucher and various elderly services, such as medical care services and extending the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities to Green Minibuses.</p> <p>Prof WONG Yu-cheung's view that the Administration should made available the latest statistics on the value of assets owned by elderly persons, which was last released in C&SD's Thematic Household Survey Report No. 40 on socio-demographic profile, health status and self-care capability of older persons ("THS Report No. 40") in August 2009. In his view, such information was very useful in understanding the elderly poverty situation.</p> <p>Prof WONG further advised that implementing means-tested elderly welfare policy would likely give rise to administration problems as well as ethical risk associated with transfer of wealth by the elderly recipients to others for the purpose of meeting the eligibility criteria. With reference to Prof Nelson CHOW's research report, implementation of a universal retirement protection system could help address these problems.</p>	
011416 - 011931	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing was in support of the principle of prudent use of public resources. Mr YIU called on the Administration to make public the projected financial commitment of the Government in respect of implementing a universal non-means-tested retirement protection scheme. Mr YIU also called on the Administration to consider further relaxing the asset limits for elderly recipients of OALA, having regard to the huge fiscal reserve and the high living cost.</p> <p>The Administration's reiteration that a number of enhancement measures had been introduced to strengthen the various pillars of the multi-pillar retirement protection system, including the launching of the Reverse Mortgage Programme since July 2011 and the impending introduction of LAS. According to the preliminary estimation,</p>	

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		<p>the monthly fixed payouts of a male annuitant at the entry age of 65 would be around \$5,800 for each \$1 million premium. Also, there were about 140 000 elderly being on CSSA. An elderly singleton received a monthly CSSA payment of more than \$6,000 on average and individual needy elderly might receive a monthly CSSA payment of about \$10,000.</p>	
<p>011932 - 012607</p>	<p>Chairman Admin Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK</p>	<p>The Chairman's view that the Government should allocate more public resources to squarely address the great disparity between the rich and the poor in Hong Kong. His enquiry about whether the Administration had considered the ethical risk and associated problems that some elderly applicants would transfer their assets so as to meet the asset limits for enhanced OALA.</p> <p>The Administration's response that the resources committed by the Government to elderly services, including improving various measures under the multi-pillar retirement protection system, had continued to increase over the years. The relaxation of the asset limits of the existing OALA partly addressed the concern of wealth transfer of elderly applicants.</p> <p>At the invitation of the Chairman, Prof WONG Yu-cheung responded to Mr POON Siu-ping's earlier suggestion of making contribution for female homemakers to the MPF system and advised that although it was feasible to do so, it might not be effective to reduce the female elderly poverty rate as the accrued benefits would not be very significant.</p>	
<p>012608 - 013236</p>	<p>Chairman Mr SHIU Ka-chun Admin Prof WONG Yu-cheung, Associate Professor, Department of Social Work, CUHK</p>	<p>Mr SHIU Ka-chun strongly requested the Administration to make available the updated information on the value of assets owned by the elderly persons.</p> <p>The Administration referred members to the thematic analysis on the poverty situation of elderly persons as set out in paragraph 3 of the Administration's paper [LC Paper No. CB(2)758/17-18(01)]. Based on C&SD's experience in conducting survey for the THS Report No. 40, it had been extremely difficult to collect statistics on the value of assets owned by elderly persons as many of respondents were reluctant to disclose such information.</p>	

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		<p>The Administration's elaboration on the design of the poverty line in 2013 and data analysis of "asset-rich, income-poor" elderly in the Report.</p> <p>While understanding that there would be some technical difficulties in obtaining information on assets from the elderly, Prof WONG Yu-cheung considered that the problem could be addressed by improving the design of the survey questions to facilitate obtaining relevant information on the financial needs of the elderly. For instance, follow-up questions could be asked if the elderly respondents indicated that they had no financial needs.</p>	
013237 - 013748	Chairman Mr WU Chi-wai Admin	<p>Mr WU Chi-wai echoed the view that in the absence of updated information on the value of assets possessed by the elderly, it could hardly facilitate effective discussion on the poverty situation of the elderly.</p> <p>Mr WU remained concerned about the diminishing retirement protection function of the various pillars under the existing retirement protection system for the elderly. He considered it unreasonable that the Administration refused to implement a universal retirement protection scheme to tackle the elderly poverty problem.</p> <p>The Administration's reiteration of its stance over implementation of a universal non-means-tested retirement protection scheme and its efforts in strengthening various pillars under the existing multi-pillar retirement protection system, including enhancements to OALA and the introduction of LAS.</p> <p>Mr WU's view that the elderly should lead a dignified and financially-secured retirement life. His grave dissatisfaction about the Administration's reluctance to implement a universal retirement protection scheme.</p>	
013749 - 014533	Chairman Mr KWONG Chun-yu Admin	<p>The Chairman recapitulated members' concern about the lack of updated information on the value of assets possessed by the elderly and urged C&SD to conduct another survey on the subject, which would provide useful information on the relevant policy formulation.</p>	

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		<p>Mr KWONG Chun-yu enquired about the timetable for the Administration to conduct another round of survey to collect the relevant data.</p> <p>The Administration's advice on the technical difficulties encountered in the collection of asset information from the elderly. Nevertheless, the request for conducting another survey on the subject would be relayed to C&SD.</p> <p>In response to Mr KWONG's concern, the Administration advised that it attached great importance to providing protection for elderly persons in need after their retirement and various targeted measures would be introduced for the purpose.</p>	Admin
014534 - 014931	Chairman Mr SHIU Ka-chun Admin	<p>Mr SHIU Ka-chun's reiteration of the need for the Administration to conduct another survey on the asset information of the elderly persons.</p> <p>In response to Mr SHIU's grave concern about the high poverty rate of the elderly persons even after recurrent cash intervention, the Administration advised that its strategy was to direct the public resources to the elderly in need and there was a full range of support measures. According to the analysis of the Report, around 80% of the 337 000 poor population of elderly persons were recipients of various forms of social security.</p>	
014932 - 015144	Chairman	Closing remarks.	