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LegCo Panel on Education

Report of the Panel to study the Grant Schools Provident Fund (Amendment) Rules 2000 and Subsidized Schools Provident Fund (Amendment) Rules 2000

Purpose

This paper reports on the deliberations of the Education Panel on the Grant Schools Provident Fund (Amendment) Rules 2000 and Subsidized Schools Provident Fund (Amendment) Rules 2000.

The Subsidiary Legislation

2. The two Amendment Rules are made by the Chief Executive in Council under section 85 of the Education Ordinance. Under the proposals set out in the two Amendment Rules, a teacher in a grant school may continue to contribute to the Grant Schools Provident Fund (GSPF) if the school joins the Direct Subsidy Scheme (DSS). However, for a teacher employed in a subsidized school, he may continue to contribute to the Subsidized Schools Provident Fund (SSPF) for a maximum period of 5 years if the school joins the DSS. The teacher's employer (i.e. a DSS school) will have to donate to the respective statutory funds in place of Government's donation.

Deliberations of the Panel

3. The Panel held a special meeting on 25 April 2000 to study the two Amendment Rules.

4. The Administration has explained that the purpose of the two Amendment Rules is to facilitate teachers of aided schools to remain in the statutory GSPF Scheme and SSPF Scheme when they switch employment to DSS schools. The implementation of the proposals in the two Amendment Rules will help to foster the development of a vibrant DSS school sector.

5. Some members point out that the current subsidy given to DSS schools is based on the average unit cost of a school place in the aided sector. The subsidy includes an element for provident fund contribution by employers; this element accounts for about 8% of the total recurrent subsidy. These members are concerned that the provident fund element in the recurrent subsidy given to DSS schools may not be sufficient to cover DSS schools' contributions to the two statutory provident funds, in particular in respect of cases where most teachers of a school have long years of service and thus entitled to the maximum rate of contributions (at 15% of teachers' salaries) from their employers, i.e. the DSS schools. This may result in DSS schools terminating the employment of experienced teachers with long years of service and employing new and less experienced teachers in order to reduce the schools' contributions to the two provident funds.

6. The Administration has explained that with effect from the 1999/2000 school year, schools with an operating history of 16 years or above will receive a higher recurrent subsidy. On average, the unit (i.e. per student) subsidy rate for DSS secondary schools with an operating history of 16 years or above is about 4% to 5% higher than that for schools with an operating history of 15 years or below. The higher recurrent subsidy given to DSS schools with a longer operating history is to take account of higher maintenance cost and salary expenditure of these schools.

7. The Administration has also advised that, depending on various factors (such as the length of service and salaries of its teachers), it is possible that the provident fund element in the recurrent subsidy may not be sufficient for a DSS school to pay its contribution under the relevant provident fund scheme. In such circumstances, the school could meet the shortfall through redeployment of the various components in the subsidy as it deems appropriate or making use of its revenue generated from other sources such as school fees or donations.

8. The Administration has pointed out that it is not Government's policy to subsidize DSS schools on a deficiency basis. If the Government were to fully subsidize DSS schools' provident fund contributions, it would have significant implications on other elements in the DSS subsidy, such as teachers' salaries. More fundamentally, it would blur the distinction between DSS schools and aided schools.

9. A member has asked whether an aided school teacher who reaches the age of 60 and who then switches his employment with a DSS school may stay in the GSPF or the SSPF, as the case may be. The member has pointed out that, if that was the case, the ex-aided DSS school teacher would be able to clock up more years of contributory services than he would have been able to had he stayed in the aided school sector.

10. The Administration has advised that the main purpose of both GSPF and SSPF is to provide for old-age protection to teacher contributors upon their retirement. As long as these teacher contributors are employed in grant or subsidized schools or in DSS schools, they are eligible to contribute to the funds until they terminate their employment by way of retirement or resignation from these schools. The

Administration has pointed out that aided school teachers are required to retire when they reach the age of 60, although schools may apply to extend the service of their teachers on a year to year basis up to a maximum of five years. There is no similar statutory retirement provision in respect of DSS school teachers, and so in theory ex-aided DSS school teachers could stay in the two funds even after attaining the age of 60. However, many DSS schools tend to adopt a retirement age similar to the aided school sector.

11. The Administration has re-affirmed the Government's commitment to the development of a strong DSS sector. The Administration will, in the light of operating experiences and feed back from the DSS schools, review from time to time the arrangements for ex-aided teachers to remain in the statutory provident fund schemes upon switching employment to DSS schools to see whether further improvements and new measures are required.

Recommendation

12. The Panel recommends that the two Amendment Rules be supported.

Advice sought

13. Members are invited to support the recommendation of the Panel in paragraph 12 above.

<u>Legislative Council Secretariat</u>
3 May 2000