

**Written Reply to LegCo Panel on Education in response to issues raised at the Special Panel Meeting on 25 April 2000 on the Grant Schools Provident Fund (Amendment) Rules 2000 and the Subsidized Schools Provident Fund (Amendment) Rules 2000**

**Introduction**

At the special meeting of the LegCo Panel on Education on 25 April 2000 to examine the Grant Schools Provident Fund (Amendment) Rules 2000 and the Subsidized Schools Provident Fund (Amendment) Rules 2000, the Administration undertook to provide a written response to a number of issues raised by Members. The Administration's response is set out below.

**Age limit on provident fund contributions**

2. A Member noted that, with effect from the 2001/02 school year, the statutory retirement age of aided school teachers is 60, but that Direct Subsidy Scheme (DSS) school teachers are not subject to this statutory provision. The Member asked whether, consequentially, an aided school teacher who reaches 60 and who then switches his employment with a DSS school may stay in the Grant Schools Provident Fund (GSPF) and the Subsidized Schools Provident Fund (SSPF), as the case may be. The Member noted that, if that was the case, the ex-aided DSS school teacher would be able to clock up more years of contributory service than he would have been able to had he stayed in the aided school sector (as he would have retired at 60).

3. 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 subsidised schools or, as proposed under the Amendment Rules, in DSS schools, they are eligible to contribute to the funds until they terminate their employment, say, by way of retirement or resignation from these schools. Under the existing GSPF Rules and the SSPF Rules, no age or year limit is placed on a serving aided school teacher's eligibility to contribute to GSPF or

SSPF. Nor, as a corollary, is there a maximum limit on a teacher's years of contributory service for the purpose of calculating his provident fund benefit. By the same token, under our current proposal, no age or year limit is attached to an ex-aided DSS school teacher's eligibility to stay in and contribute to the two funds.

4. It is the case that under the Education (Amendment) Ordinance 2000, as from the 2001/02 school year, aided school teachers are required to retire when they reach 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. A practical effect is that aided school teachers could at most stay in the two provident funds until 65. 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 60. As far as we know, however, many DSS schools tend to adopt a retirement age similar to the aided school sector.

5. In the event that a DSS school decides to employ an ex-aided teacher who is 60, we believe that it is not unreasonable to allow the teacher the option to stay in the GSPF or the SSPF, bearing in mind that the school and the teacher will be contributing to the relevant provident fund.

### **DSS subsidy**

6. Some Members have asked whether the provident fund element in the recurrent subsidy given to DSS schools is 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 are thus entitled to a higher rate of contributions from their employers (i.e. the DSS schools).

7. The recurrent 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. As schools with a longer operating history usually incur higher maintenance cost and salary expenditure, the formula for recurrent DSS subsidy was recently revised so 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.

8. 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 two means. First, because the recurrent subsidy is in the form of a block grant, the school has the flexibility to redeploy various components in the subsidy as it deems appropriate. Secondly, the school could make use of its revenue generated from other sources, such as school fees or donations.

9. It is not Government's policy to subsidise DSS schools on a deficiency basis. If we were to fully subsidise 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. This said, we will be reviewing the DSS subsidy, both recurrent and non-recurrent, from time to time to ensure that it helps to achieve Government's policy objective of fostering the development of a strong DSS sector.

### **Development of DSS sector**

10. A Member has asked whether Government is committed to facilitating the development of a strong DSS sector. As explained during the special panel meeting, the Administration is fully committed to the cause. To this end, we have, in the past year or so, introduced a number of improvement measures to DSS. These measures include the provision of non-recurrent grant for slope and major repairs, a one-off cash grant for upgrading school facilities, and allocation of sites/government-built school premises for constructing/operating non-profit-making DSS schools. The formula for recurrent subsidy has also been improved (see paragraph 7 above). The education sector in general welcome the above initiatives, as evidenced by the very encouraging

response to applications for allocation of government-built school premises for operation as DSS schools. The latest proposal to preserve the provident fund benefits of aided school teachers who join DSS schools is a further measure in the same direction. We believe that it will be seen as a positive step by DSS schools, as well as aided schools (and their teachers) which are considering whether to join the DSS.

11. We will review the above arrangements and initiatives from time to time, based on operating experiences and feedback from the DSS sector, to see whether further improvements or new measures are required.

Education and Manpower Bureau

27 April 2000