**Introduction: The government has recently issued the consultation document on retirement protection. This discussion toolkit includes the majority of the topics related to this consultation.**

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1. **What are the main arguments in this retirement protection consultation?**

**The government, in this consultation, has offered two options: a universal proposal (“regardless of rich or poor”) and a non-universal proposal (“those with financial needs”) for the public's reference. The government is also consulting public's views on how we should improve the current retirement protection system.**

1. **What is the Universal Old Age Pension Scheme proposal, and what is the non-universal proposal?**

**The universal proposal[[1]](#footnote-1): all elderly aged 65 or above will be eligible for a standard pension. This proposal will replace the current Old Age Allowance (Fruit Money, OAA), Old Age Living Allowance (OALA) and the standard payment for the elderly under the Comprehensive Social Security Assistance (CSSA).**

**The non-universal proposal: with assets assessment, only those with assets and income below the limit will be eligible. The government proposal is to provide an additional level of retirement protection system on top of the OAA, OALA and CSSA.**

1. **How much would the elderly receive for the Universal Old Age Pension Scheme proposal and the non-universal proposal respectively? And how much would the system cost?**

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| **The universal retirement****protection system** | **The non-universal** **retirement protection system**  |
| **Monthly payment received** |
| **All the elderly will receive a pension of $3,500****(no assessment)****Elderly previously on CSSA will receive $3,500 + special grants** | **With assets no more than $43,500**  | **Receive the standard CSSA $3,200 + additional allowance** |
| **With assets no more than $80,000** | **Receive$3,230 under the non-universal proposal** |
| **With assets between $80,000 - $210,000** | **Receive $2,390 under the OALA** |
| **With assets more than $210,000** | **Receive $1,235 under the OAA** |
| **Average annual expenditure[[2]](#footnote-2)** |
| **$94 billion** | **$51 billion[[3]](#footnote-3)** |

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1. **The Universal Old Age Pension Scheme involves tens of billions each year, where would the money come from? Are we going to see a significant tax increase?**

**According to the scholars’ proposal, the funding of the Universal Old Age Pension Scheme mainly comes from four ways:**

**(1) The government will put $100 billion into the scheme before its launch;**

**(2) Original expenditure on elderly CSSA, OAA and OALA will be used to fund the proposal;**

**(3) Monthly MPF contribution from employers and employees will be reduced by 2.5%, and such amount will be used to support the Universal Old Age Pension Scheme;**

**(4) An additional 1.9% profit tax for corporations with profits over $10 million.**

**There would be no extra contribution from the public, and no new tax would be introduced under this proposal. While the expenditure on the elderly CSSA, OALA and OAA is part of the regular government expenditure, the actual additional fund under this proposal, thus, is the 1.9% profit tax on large corporations, and the $100 billion initial injection from the government.**

1. **The scholars’ proposal suggests to transform the MPF contribution into the Universal Old Age Pension Scheme contribution, so does it imply taking away people's right on their own MPF account?**

**The scholars’ proposal suggests to reduce the MPF contribution from both the employers and the employees from 5% to 2.5%, and to transfer the related amount to the Universal Old Age Pension Scheme. However, the accumulated asset in the current MPF accounts would not be affected and utilized, and the public can receive both the MPF and the $3,500 pension when they retired.**

1. **The MPF one could receive when retired may reduce if the MPF contribution is reduced, so will people be worse off with the Universal Old Age Pension Scheme system?**

**Under the current MPF system, the income limit before one would have to make a MPF contribution is $30,000, so the reduction in the monthly MPF contribution would not be more than $1,500 for the high income group when the Universal Old Age Pension Scheme system is in place. However, when one reaches the age of 65, they can receive all the amount in their MPF accounts, as well as a monthly pension payment of $3,500. We predict that majority of the workforce will be benefited from the Universal Old Age Pension Scheme proposal.**

1. **With the rapid aging of the population, will the Universal Old Age Pension Scheme bankrupt?**

**The Universal Old Age Pension Scheme system is a partially pre-funded one, and the idea behind the whole system is to save for a rainy day. In other words, the government should reserve the surplus while the current population is relatively young, for the use in the future when the aging problem reaches its peak. The scholars’ proposal states that the Universal Old Age Pension Scheme can operate for 50 years, and there would be more than $160 billion surplus until 2064, so the system is deemed to be financially sustainable.**

1. **I heard that many foreign societies with a similar system is facing the risk of bankruptcy, is Hong Kong going down the same road?**

**First of all, no developed countries have actually gone bankrupt as a result of the universal protection system.**

**Second, majority of them launched a similar retirement system after the post-war baby boom, and they haven't anticipated the problem of aging population in the future, while the scholars’ Universal Old Age Pension Scheme proposal is designed with the aging population in mind, and more capable to face the challenge.**

**Lastly, the Universal Old Age Pension Scheme proposal suggests that all the elderly should receive a standardized monthly payment of $3,500 (less than 25% of the median salary), while in those countries facing the economic crisis (such as Greece), the general public receive a much higher pension, and sometimes the payment is even more than the average salary, thus the situation is not comparable.**

1. **Will the Universal Old Age Pension Scheme affect other social benefit policies from the government?**

**According to the scholars’ proposal, if the government is to launch the Universal Old Age Pension Scheme system, apart from the $100 billion initial capital, the government only needs to transfer the expenditure of OAA, OALA and standard CSSA for the elderly to the Universal Old Age Pension Scheme. In other words, there would be no additional expenditure for the government apart from the initial capital, and thus problem of exploiting resources for other social benefits does not exist.**

1. **Currently many corporations only earn minimal profits, will the additional 1.9% profit tax further increase their burden?**

**The scholars’ proposal suggests that additional profit tax should only be collected from corporations with profits more than $10 million, while currently such corporation only represent less than 7% of the total numbers, majority of the businesses would not be affected by the pension system, and only the small number of corporations with handsome profit should share their part of the social responsibility.**

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1. **Can the current retirement protection system in HK support low income elderly?**

**The current retirement protection system is unable to protect the life of the elderly. While the support of the OAA and OALA is very limited, many elderly in need hesitate to apply for the CSSA due to the assets and income assessment of the CSSA, as well as the negative social labels towards CSSA recipients. According to the 2010 Oxfam report, around 40% of the qualified elderly did not apply for the CSSA. The elderly poverty rate in HK has exceeded 30% for the past 10 years, and in 2014, there were more than 280,000 low income elderly. And with the aging population, it is expected that the number of poverty will continue to increase.**

1. **The government states that in fact many low income elderly have generous assets, so the elderly poverty rate has overestimated the problem, does it mean that the elderly poverty problem is not really that serious in HK?**

**According to the 2009 research of the Census and Statistics Department, more than half of the elderly have assets less than $50,000. Although some elderly do have their own property, most of the properties are self occupied, so at most this can only help them to save the rent, and it won’t be able to support other daily expenses.**

1. **Under the current retirement system, can the middle class enjoy their retirement life at ease?**

**The retirement protection currently provided by the government mainly aims at supporting low income elderly, while middle class elderly cannot enjoy any protection apart from the OAA ($1,235) when they reach the age of 70. Therefore, although many middle class people may have some savings when they retired, with no stable source of income in the future and all kinds of unknown risks (including the risk of longer life expectancy or medical expenses), they can only cut down their daily expenses and save up for the future.**

1. **Why do we need to reform the current retirement protection system?**

**Both low income elderly and middle class elderly could not enjoy a confident life under the current retirement protection system. Facing the challenge of the aging population in the future, our government will not be able to afford the enormous expenses of the retirement protection under the current system, which sustainability will become a massive issue.**

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1. **Who can be benefited under the Universal Old Age Pension Scheme proposal?**

**1) Grassroots elderly: to avoid the existing over-complicated assessment procedures, and enjoy retirement protection with dignity, the amount of the Universal Old Age Pension Scheme is also higher than the OAA.**

**2) Middle class elderly: currently do not receive any support from the government, while the Universal Old Age Pension Scheme can guarantee a stable monthly income when they get old.**

**3) Adults/youngsters: monthly MPF contribution at $1,500 or below will be reduced (under the current MPF system, the upper salary limit for the contribution is $30,00, which means people with a salary of over $30,000 will be responsible for a $1,500 contribution), while people can enjoy a stable monthly income of $3,500 when retired. Their parents, on the other hand, can enjoy the benefit of the system right away, which helps to lessen the burden of caring for the elderly parents.**

1. **An income of $3,500 may not worth much in 10 years with the rapid inflation, so why do we have to support this system?**

**The $3,500 Universal Old Age Pension Scheme payment will be adjusted based on the inflation. Assuming a 2% annual inflation in Hong Kong, the Universal Old Age Pension Scheme will be adjusted accordingly to $4,266 after 10 years.**

1. **Can someone still receive the OAA or OALA when they have the Universal Old Age Pension Scheme?**

**The Universal Old Age Pension Scheme will be integrated with the OAA and OALA, so elderly receiving the Universal Old Age Pension Scheme will no longer receive the OAA or OALA. However, as the payment of the Universal Old Age Pension Scheme will be much higher than the OAA and OALA, elderly currently receiving these two types of allowance will not be worse off.**

1. **Currently I receive a CSSA payment of over $3,500, will my CSSA payment be affected under the Universal Old Age Pension Scheme system?**

**The CSSA consists of two parts: the standard payment and the special grants, and currently the standard payment for single elderly persons is $3,200. The Universal Old Age Pension Scheme will be equal to the standard CSSA payment, and CSSA recipients can still apply for other special grants.**

1. **Many people object the idea of MPF, so why do we have to make monthly contribution for the Universal Old Age Pension Scheme?**

**The Universal Old Age Pension Scheme and the MPF are different in their nature: while MPF is a kind of individual savings, the Universal Old Age Pension Scheme is a shared contribution for the whole community, where everyone is sharing the responsibility of caring for the elderly. So, contributions to the Universal Old Age Pension Scheme will not be managed by asset management companies but directly by the government. Majority of the fund will be passed onto the elderly right away, so there will be no expensive management, and risks of investment can also be generally avoided.**

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1. **Is aid-the-poor the main purpose of the Universal Old Age Pension Scheme?**

**Supporting the poor is not the main principle of the Universal Old Age Pension Scheme. The purpose of the aid-the-poor system is to help those in the society who fail to support themselves, while the Universal Old Age Pension Scheme should be considered as the basic pension provided by the government for all the elderly (similar to the tenure for the civil servants), which aims at providing the protection elderly deserve and at the same time helping to eliminate poverty.**

1. **Rich people will also be benefited from the system if there is no assets assessment, so why should they receive pension as well?**

**First of all, some elderly considered to be 'rich' are in fact enjoying a minimal savings of their own, they would not be able to support themselves confidently without a stable monthly income when they retired even with their savings.**

**Also, the Universal Old Age Pension Scheme considers the basic retirement protection as the basic right of the citizens. The richer group would also have to contribute to the pension system when they are still working. Even for the relatively affluent pensioners, since they were taxpayers when they were young, it is unreasonable to take away their basic rights. At the mean time most of the public services provided by the government, including the health system and education, are shared among the entire society under the same principle.**

**Thirdly, assets and income assessment will only reduce the motivation to save and to work.**

**Finally, eliminating the assessment can help to reduce any waste on administrative resources previously used on carrying out the assessment, and also discourage any behaviors that would lead to the waste of social resources as a result of avoiding the assessment (for example immature termination of insurance policy and transfer of assets to others).**

1. **Will establishing an assessment system to centralize the resources on supporting low income elderly a better way to help those elderly in need?**

**Currently the CSSA and OALA with the assets and income assessment have created certain labeling effects, and research shows that nearly 40% of the qualified elderly have not applied for the CSSA. While the society generally considers the pension as a kind of social benefits for a small group of low income elderly, the society is more divided with the dichotomy**

**between the rich and the poor. The 'rich', namely those who are not eligible for the social benefits, always demand a reduction in support given to the 'poor'. The poor is always the ultimate victims of this social fragmentation.**

1. **Does the Universal Old Age Pension Scheme suggest that the younger generation should shoulder the responsibility of caring for the elderly? Is this a bit unfair to the youngsters?**

**It is quite misleading to say that the younger generation has to support the elderly under the Universal Old Age Pension Scheme system. It is because the younger generation will also be benefited from the Universal Old Age Pension Scheme system when they get old.**

**In fact the public funds used for launching the Universal Old Age Pension Scheme mainly come from the older generations. All the social benefits and facilities that we currently enjoy, including the education system and infrastructure, are also the results of years of hard work of the older generations.**

1. **Is the Universal Old Age Pension Scheme contradicting the tradition of supporting our own parents?**

**Under the current CSSA system, any income received by the elderly parents from their children will be deducted from the CSSA payment, which in turn discourages anyone to support their parents financially. With the Universal Old Age Pension Scheme system, all the elderly will be protected by a basic pension and financial support from the children will not affect the amount of pension the parents would receive. This system is, therefore, a better way to encourage the society to care for their own parents.**

1. **Is the Universal Old Age Pension Scheme violating the spirit of 'more pay for more work'? Is this opposite to the value of 'save for the rainy days’?**

**If the pension system operates with any assets and income assessment, those elderly with savings and income over the limit will not be eligible for the government allowance. This is very much unfair to those who save up, and it would also discourage elderly to continue working after they reach a certain age. Nevertheless, grassroots elderly will not loss the protection they deserve only because they work hard and save up under the Universal Old Age Pension Scheme proposal, and those with higher income and at a more comfortable financial position can also enjoy a better and more confident retirement with their savings. The Universal Old Age Pension Scheme system, therefore, not only embraces the idea of 'more pay for more work', but actually a better way to put this into practice.**

1. **Do people generally object the idea of an Universal Old Age Pension Scheme system?**

**Many people are quite positive to the Universal Old Age Pension Scheme system. According to the public opinion poll 'Survey on the Universal Retirement Protection' conducted by the University of Hong Kong in 2007, a total of 76.8% of the citizens ‘strongly support’ or ‘fairly support’ the Universal Old Age Pension Scheme, while those object the idea represents only around 10%. The 'Report on the Public Opinion towards the Universal Retirement Protection System' commissioned by the Hong Kong Polytechnic University in 2012 has shown that 94.6% of the youngsters support a retirement protection system that would benefit everyone in the society, while over 70% (75.9%) of the middle and upper class also support the idea. And according to a HKCSS survey, those who have better understanding towards the Universal Old Age Pension Scheme system tend to show greater support to the system.**

1. **In the scholars’ proposal, the maximum contribution for the high income group is $1,500 regardless of the income level, can this be regarded as a kind of regressive tax that is unfair to the poor people?**

**Regardless of the source of funding, the low income group will definitely be benefited from the Universal Old Age Pension Scheme proposal.**

**Also, while the contribution system suggested in the scholars’ proposal is regressive, a 1.9% profit tax, which is progressive in nature, will levy on corporations with profits over $10 million.**

**There are different funding proposals available for the Universal Old Age Pension Scheme system. The proposal of a elderly tax suggested by the HKU team, for example, shows a higher level of progressive nature (regressive from an income over $80,000). If the public generally agrees with the concept of non-assessment pension for all the elderly, there is room for further discussion on whether or how we could increase the progressive nature of the funding and contribution (for example some suggest that the system should be entirely supported by the current taxation income).**

**The Hong Kong Council of Social Service**

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1. This Universal Old Age Pension Scheme principle, based on the scholars’ proposal, is slightly different from the model proposal suggested by the consultation document and other universal proposals proposed by the public, in terms of the amount of subsidy as well as the sources of funding. [↑](#footnote-ref-1)
2. These two figures summarize the total expenditure for the whole retirement protection system, while the figure listed in the consultation document only represents the additional cost for the retirement protection proposals, and not the original elderly social security cost. [↑](#footnote-ref-2)
3. This figure is an estimation based on the 'Report of the Working Group on Long Term Fiscal Planning'. The report assumes the rate of receiving elderly CSSA will fall from 13.1% in 2015 to 6.1% in 2064, while the receiving rate for Old Age Allowance and Old Age Living Allowance remains unchanged. [↑](#footnote-ref-3)