

## Executive Summary

1. Hong Kong is facing the social challenge of an ageing population. The Commission on Poverty (the “Commission”) published a consultation document entitled “Retirement Protection Forging Ahead” and launched a six-month public engagement exercise on 22 December 2015. SEE Network Limited was commissioned as the independent consultant to assist in organising consultation activities, and to systemically collect and record views gathered from various channels, and to conduct a qualitative analysis on the views of different stakeholders and sectors on retirement protection. During the period of the public engagement exercise, the Commission organised and attended a total of 110 consultation sessions with a total of over 10 000 participants, during which views were expressed publicly for 1 418 times. In addition, 18 365 written submissions from organisations and individuals were received during the consultation period. This shows that the community was very concern over the issue.
2. The World Bank has suggested the multi-pillar concept on retirement protection. This concept was adopted as the framework in the public engagement exercise for discussing how the retirement protection of elderly in Hong Kong could be improved comprehensively, and the corresponding financing and policy arrangements. In order to present the wide range of views systematically, the consultant has summarised and categorised the collected views using professional qualitative analysis method, so as to construct a “bottom-up” discourse of the society’s expectations and commitments on retirement protection.
3. This consultation sets out seven topics for discussion. The policy principles, financing arrangements and how to handle MPF “offsetting” arrangement are the major topics of most concern to the public. Various sectors of the community have put forth a number of specific proposals on how to improve cash allowance schemes for elderly, and how to handle the MPF “offsetting” arrangement. The consultant summed up their commonalities and the applicable policy elements for serving as references for the community and the Administration in furthering the discussion of policy details.

4. On the policy principles, the consultation sought the public's views on whether the Government should adopt "those with financial needs" or "regardless of rich or poor" principles. Among the 1 418 times of publicly expressed views and the 18 365 written submissions, a larger number of opinions supported the "regardless of rich or poor" principle. However, after six months of interactive discussion in the community, the consultant found that most views were not standing at opposite poles, rather, they were different in the extent as to how the existing system should be improved. The views could broadly be divided into four categories, i.e. (1) "To maintain the status quo". (2) "An additional cash allowance in between the existing Comprehensive Social Security Assistance (CSSA) and Old Age Living Allowance (OALA)". (3) "To raise the asset limits, and/or amount of allowance for the existing OALA". One of the differences between this category and category (2) is that the proposed asset limit exceeds the existing limit of \$219 000 (for singleton elderly). Lastly, (4) "Elderly people having reached a certain age are eligible for a non-means-tested pension of a uniform amount", i.e. the most mentioned universal protection proposal in the community (see paragraph 3.2 of the report for details).
5. Meeting the needs of the community calls for resolving the key question of financing arrangements. This concerns the public's commitment to contribute for the resources so required. During the consultation, it was observed that the public generally had an impression that the Government was financially sound. They considered that the Government should pay for the expenditure of the relevant scheme first, before requiring those who could afford to make contribution. The scheme should also be implemented in a cost-effective manner. As for the additional financial commitment by the individuals, views were more diverse. Many people were concerned that the design of the retirement protection scheme should make it sustainable, in order to demonstrate to the public that all would have equal opportunities in sharing commitments and benefits.
6. As mentioned in paragraph 4 above, the views collected in the consultation relating to inclination of policy principles could broadly be divided into four categories. Amongst those who were receptive to adopting a middle-of-the-road approach, it was suggested that, in considering the asset limits, references should be made to foreseeable, non-recurrent expenditure (mainly medical expenditure for more serious illnesses or expenses for burial arrangements), or

living expenses enough to support the elderly for 3 to 5 years, such that the elderly could apply for relevant cash allowances before losing sense of security.

7. In respect of the discussion on MPF “offsetting” arrangement, both employers and employees showed clear-cut stands. Employers were concerned that a change in the existing system would affect their operating budgets and they would not be able to afford the increase in costs. Employees indicated that severance payment and long service payment were compensations to which they are entitled, and “offsetting” these payments with employers' contributions in MPF accounts would in effect be compensating themselves with their own money. It has been suggested that, as the functions of Severance Payment (SP) and Long Service Payment (LSP) include unemployment insurance, non-occupational disability insurance and retirement protection, and having considered the actual situations, the Government should intervene and set up a fund for providing subsidies while preserving part of the employers' responsibilities to pay, such that there would be a cost to them in dismissing employees, thereby achieving the function of employment protection.
8. As regards the existing social security system, some mentioned the factors contributing to the labelling effect of CSSA and the hindrances to elderly from applying for CSSA. These include the low asset limit for the current CSSA Scheme, the requirement for family members of individual elderly applicants to submit the “Declaration on Financial Conditions” (the so-called “bad son statement”), and that elderly people living with their families could not apply for CSSA on an individual basis. Improvements were required in the above respects. The above were also the major arguments put forth in the community for supporting a non-means-tested allowance system. Besides, it was pointed out that the level of asset limits for allowance scheme had defined the applicants as the poor, affecting their self-identities, and thus is the source of the labelling effect. It was suggested that raising the asset limit could help reduce the labeling effect. At the same time, during the consultation, it was found that the need for the elderly people to have savings for their later years was well understood by the general public. How this sense of sympathy may be manifested in the design of the policy would be a direction that may be considered in exploring ways to reduce the labeling effect.

9. Discussions on other pillars of retirement protection also included: housing and medical needs of the elderly people; how to help elderly people “with assets but low or no incomes” to convert assets into cash flow; and how to help elderly people with a certain amount of funds to invest effectively in exchange for a stable monthly income (such as the annuity plan) to address the longevity risks. The public had also raised concerns about public housing and health care services which were considered as areas constituting the largest living expenses to the retired elderly people. There was relatively limited discussion on converting assets into cash flows and annuity plans, reflecting that some people had limited knowledge and preparation for retirement financial planning. With details yet to be provided at this stage, they also had a conservative attitude towards the annuity plans mentioned in the consultation document. However, the public responses to investment savings plans managed by the public sector, such as iBond which was released to the market in recent years, were more positive.
  
10. Lastly, during the public engagement exercise, many members of the public talked about the situations of the elderly with financial difficulties who had to collect carton paper to make a living. It was also mentioned that the better educated middle-class elderly were similarly worried about their economic situation in face of longevity risks. This was because it was not easy for them to find jobs that are flexible and commensurable with their educational level after they retired. Therefore, how to provide for the aged and encourage active ageing would remain subjects to be explored in depth as Hong Kong faces the challenges of ageing population.