

Essence of Retirement Protection

# TALK ABOUT PENSION

強積金  
13%  
2015 2041  
30%  
\$3000-3500 劃一?

爆煲+  
加稅?  
年青人及中產負擔  
全民養老金

綜援  
製造標籤



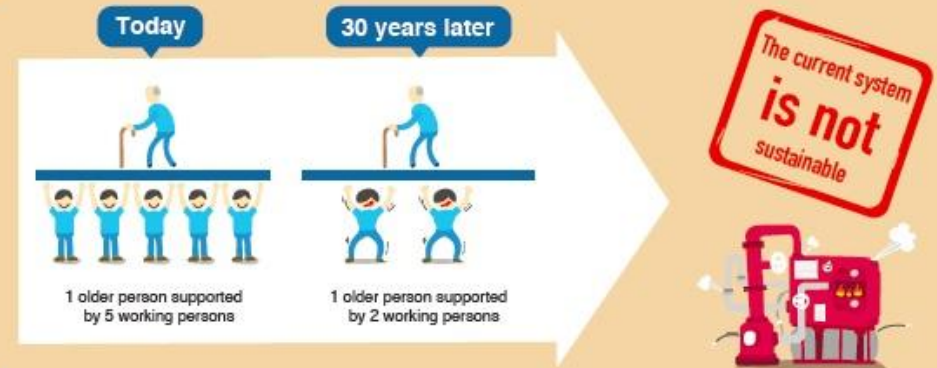
## Retirement Protection at a Glance



## Why a discussion on a retirement protection reform is needed?

### Existing flaws in the retirement protection system

1 With an aging population, the current system lacks sustainability



2 Older persons of all classes lack stable incomes for a care-free retired life

#### Grass-roots

Older persons can only apply for CSSA when their savings are almost used up. (Only single older persons with assets not more than \$45,500 are eligible for application.)





#### Middle-class

Middle-class older persons cannot spend their savings at ease as they cannot estimate their life expectancy and medical expenses at an old age.

3 There is insufficient retirement protection currently

- Negative labeling on CSSA recipients → 2 out of 5 eligible older persons refuse to apply for CSSA (a study by Oxfam Hong Kong)
- Old Age Allowance/ Old Age Living Allowance → The amount cannot meet basic living needs
- Family members have difficulties supporting older persons → Almost 40% older persons do not receive children's support
- Older persons do not have a lot of savings → Over 230,000 older persons not supported by any children have savings below \$50,000

## What aspects of the retirement protection reform are being discussed?

	Scholars' Universal Old Age Pension Proposal	Government's Non-universal Proposal
Who get it?	All individuals aged 65 or over	Older persons with assets not more than \$80,000 (single) or \$125,000 (couple)
How many older persons can get it?	Approximately 100% older persons 	Approximately 22% older persons 
In what amount?	3,500 (adjusted yearly based on inflation)	\$3,230 (adjusted yearly based on inflation)
Additional yearly expenditure on average	Approximately 48 billion 	Approximately 5.1 billion 
How to finance?	Financed by multiple sources: <ul style="list-style-type: none"> <li>• Government injection</li> <li>• Transfer from original expenditure on elderly social security</li> <li>• Transfer MPF contribution</li> <li>• Profits tax from large corporations</li> </ul>	No financing proposals specified in the consultation document

\* This Universal Old Age Pension Proposal is based on the Scholar's Proposal which is not included in the consultation document. Other universal proposals suggested by different parties differ in the payout amounts and financing means.

Besides, the Simulated Universal Proposal suggested by the government:

Payout amount	Financing
\$3,230	It is roughly estimated that the employee and employer will each make an extra 2.6% contribution. The rate for both increases with the employee's salary.

**Retirement protection consultation period**  
Now - 21 June 2016

## The overall retirement protection system after implementation

### Retirement protection system under the Universal Proposal



### Retirement protection system under the Non-universal Proposal



Total yearly expenditure on average

**Approximately 94 billion**  
(48 billion of which is the additional expenditure incurred by the Universal Old Age Pension)

**Approximately 51 billion**  
(5.1 billion of which is the expenditure incurred by the Non-universal Proposal)



### Pros and cons

**VS**



- ✓ Stable incomes and a sense of security for older persons
- ✓ Non means-tested; no labeling effect
- ✓ Incomes from work does not affect eligibility; those who work more get more pay

- ✓ Lower expenditure
- ✓ Resources are focused on older persons in poverty; possible labeling effect

For more information about the Universal Old Age Pension, please visit the websites below.

<http://www.hkscholarspension.com/>

<http://www.pension.org.hk/>

# Q&A on retirement protection

The government's consultation document only compares two simulated proposals. To raise the public's understanding and take into account of other universal old age pension proposals suggested by different parties, the following content clarifies some misunderstandings about the Old Age Pension using the Scholar's Proposal as an example.



Q1

## Universal Old Age Pension = significant tax increase on citizens?

The Scholar's Universal Old Age Pension Proposal settles the expenditure through contributions by multiple parties.



Government

Allocate Elderly CSSA, Old Age Allowance and Old Age Living Allowance to Universal Old Age Pension; an additional injection of 100 billion



Citizens

Transfer of 2.5% MPF contribution by each of the employee and employer to Universal Old Age Pension in the future



Large corporations

1.9% profits tax levied on companies with profits above \$10 million (these corporations constitute less than 7% of all corporations in Hong Kong)

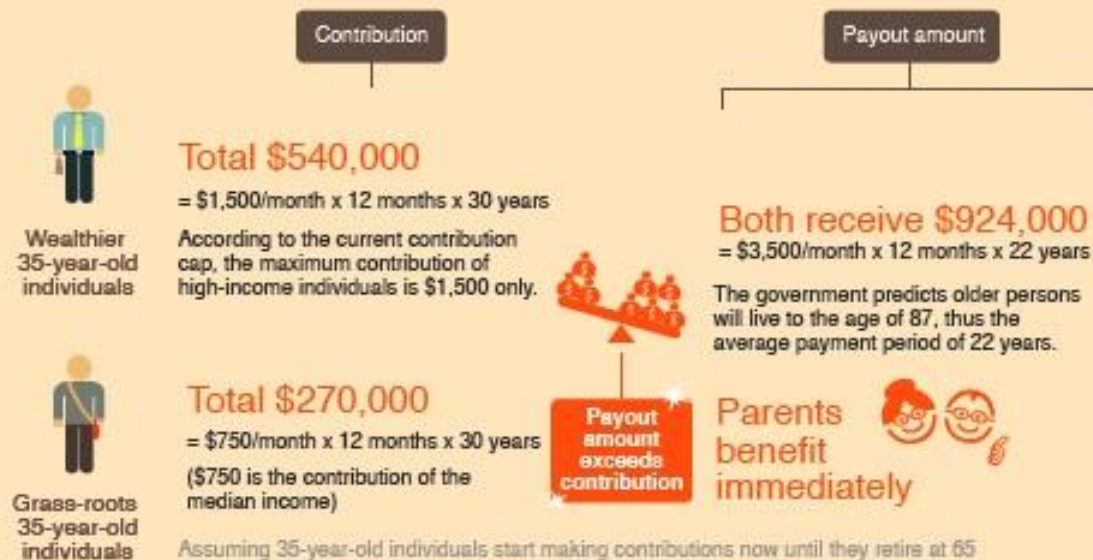
Conclusion

No extra tax payments for citizens

1.9% tax increase for large corporations

Q4

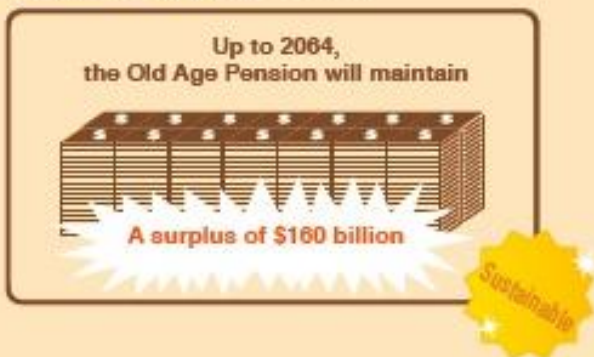
## How different people benefit from the universal old age pension?



Q2

## Universal Old Age Pension = not sustainable?

- The Universal Old Age Pension Proposal saves up surplus when the population is relatively young currently to deal with the peak of the aging population in the future.
- It will sustain for at least 50 years.



Q3

## Universal Old Age Pension = older persons supported by young people?

- The saying of "older persons are supported by young people" is misleading, as young people will also benefit from the Universal Old Age Pension when they get old.
- Currently, the majority of the government's reserve is the fruit of the long-term effort of the past generation. The government funds used for the Universal Old Age Pension are mostly contributed by the past generation.



Q5

## Why wealthy people also receive payouts?

- The concept of universal retirement protection:



→ The government shares the risks for every citizen

- A means-tested system:



- Most daily social services such as medical services and education are non means-tested
- Contributions by different classes ensure everyone enjoys the protection at an old age

Contribution

Payout amount



Wealthier 20-year-old youngsters

**Total \$810,000**  
= \$1,500/month x 12 months x 45 years  
The maximum contribution of high-income individuals freshly graduated is \$1,500 only.



Payout amount exceeds contribution

**Both receive \$924,000**  
= \$3,500/month x 12 months x 22 years  
Parents benefit upon retirement



Grass-roots 20-year-old youngsters

**Total \$405,000**  
= \$750/month x 12 months x 45 years  
(\$750 is the contribution of the median income)

Assuming youngsters start making contributions at 20 until they retire at 65.

