$10bn for new pension plan

Government unveils scheme for the elderly, funded by a 3 per cent salary levy. **Wing Kay Po** reports

The Government will inject $10bn into a fund to launch its proposed contributory old-age pension scheme, it was announced yesterday.

Plans for the scheme, which will not yield its first payment for at least another two years, will be open to public discussion until October.

Unveiling the White Paper on the old-age pension scheme yesterday, the acting Secretary for Education and Manpower, Lam Woon-kwong, said because of the complexity of the plans, it would take at least two years for the relevant legislation to be drafted by the Legal Department and approved by the Legislative Council.

If China does not block the scheme, the first payments will be made in 1997.

The scheme, announced in December last year, would entitle those over 65 to a monthly pension of $2,300.

The scheme will be funded by a contribution of 3 per cent of an employee's salary, divided equally between employers and employees, and will also apply to expatriates and foreign companies.

The employer's contribution will be counted as operating costs and will be tax-deductable.

People with a monthly income of less than $4,000 will be exempt from contributions.

While expatriate workers will be required to contribute, imported workers, including Filipina domestic helpers, will not have to pay as they have a fixed-term stay in Hong Kong.

The Government has not bowed to public pressure for a three-way contributory scheme, which would have seen it paying an equal share.

"We have to secure a clear and reliable source of funds for the scheme. If legislators in future demand to increase the amount of monthly pension, they must have the approval of the electorate, who are willing to pay a higher monthly contribution," Lam said.

"This will enable Hong Kong not to fall into the same situation as in most Western countries, where politicians will make a lot of promises to increase pensions, ignoring where the money will come from."

Lam said China had the White Paper and he hoped it would approve of the scheme. The New China News Agency (Xinhua) Hong Kong office said it hoped the issue would be taken up by the Sino-British Joint Liaison Group.

Briefing legislators, Lam said providing old-age pensions was a problem confronting the future Special Administrative Region government as much as the present Government.

Apart from the $10bn basic fund, the Government will also contribute $3.6bn annually from the existing old-age allowance and social assistance budget for the elderly.

The Government will contribute an additional $1.2bn as the employer of 190,000 civil servants.

The scheme will be run by an independent statutory body yet to be established.

Lam said he did not expect to introduce legislation to Legco before July 1995, when all legislators finish their four-year term of office.

The government proposals received mixed reactions from political parties.

James Tien, from the business-oriented Liberal Party, said his party rejected "in principle" the government scheme as it was "fundamentally a welfare policy".

Tien said the pension was a "de facto increase in personal income tax" for an employee.

He urged the Government to set an upper limit on contributions to soften the impact of the pension contribution on the higher income group.

Tien's call for an upper limit was echoed by the pro-China legislator Tam Yiu-chung, who said many high-income earners might already by paying a private pension, and an extra 1.5 per cent on their salary to pay towards the pension might create a heavy financial burden.

Tam, also the vice-chairman of the Democratic Alliance for the Betterment of Hong Kong, said he "agreed in principle" with the government scheme.

He said the Government should make a greater commitment to the scheme by contributing equally with employers and employees.

Tam said Beijing was worried that the pension scheme would put undue financial pressure on the future SAR government.

"If they can be convinced that that would not happen and that it is feasible in the long term and broadly accepted by Hong Kong people, I see no reason why China would not accept it."

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