

## **LEGISLATIVE COUNCIL BRIEF**

Pensions (Increase) Ordinance

(Cap. 305)

Widows and Orphans Pension (Increase) Ordinance

(Cap.205)

### **DECLARATION OF INCREASE IN PENSIONS NOTICE 2007**

### **WIDOWS AND ORPHANS PENSION (INCREASE) NOTICE 2007**

#### **INTRODUCTION**

At the meeting of the Executive Council on 5 June 2007, the Council ADVISED and the Chief Executive ORDERED that—

- (a) the Declaration of Increase in Pensions Notice 2007, at Annex A, should be made under section 4(1B) of the Pensions (Increase) Ordinance (P(I)O), to declare a 1.5% increase in basic pension<sup>Note 1</sup> payable to ex-officers and dependants eligible for pension under the various pension ordinances<sup>Note 2</sup> as specified in Schedule 1 of the Pensions (Increase)

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Note 1 Basic pension means the yearly amount of any pension or other allowance payable by way of periodical payments under any of the ordinances governed by the P(I)O and, where part of such pension or allowance has been commuted, means the yearly amount of the pension or allowance as reduced by the commutation. In case of deferred pension benefits, the proposed pension increase will also be applicable to the commuted pension gratuity in the same manner as a basic pension as regards the period from the date the deferred pension benefits are granted to the date when the commuted pension gratuity is paid.

Note 2 Pensions Ordinance (Cap. 89), Pension Benefits Ordinance (Cap. 99), Pension Benefits (Judicial Officers) Ordinance (Cap. 401), Surviving Spouses' and Children's Pensions Ordinance (Cap. 79), Auxiliary Forces Pay and Allowances Ordinance (Cap. 254), Police Force Ordinance 1932 (37 of 1932) and Police Officers (Special Cases) Pensions Ordinance 1954 (21 of 1954).

Ordinance; and

- (b) the Widows and Orphans Pension (Increase) Notice 2007, at Annex B, should be made under section 3(3) of the Widows and Orphans Pension (Increase) Ordinance (WOP(I)O), to specify a 1.5% increase in dependant pensions payable to widows and orphans as defined under the Widows and Orphans Pension Ordinance,

with effect from 1 April 2007.

## **JUSTIFICATIONS**

### **Pension Increase Mechanism**

2. Civil servants and judicial officers appointed on pensionable terms are granted pension benefits<sup>Note 3</sup> on retirement from the service in specified circumstances under the respective pension legislation. An officer may choose to commute a certain percentage of his/her pension benefits into a lump sum pension gratuity payable immediately on retirement and the remaining part of the pension benefits will become the basic pension to be payable on a recurrent basis, normally at monthly intervals, until his/her death. In the case of a pensionable officer leaving the service with entitlement to deferred pension benefits, such benefits will be payable after his/her reaching the relevant retirement age. The two dependent pension schemes, namely the Surviving Spouses' and Children's Pensions Scheme (SSCPS) and Widows' and Orphans' Pension Scheme (W&OPS), provide for dependant pension benefits to the surviving spouses and children of officers who were contributors of one of the schemes, on the death of the officers<sup>Note 4</sup>.

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Note 3 The amount of an officer's pension entitlement is determined at the time he/she leaves the service, and on the basis of his/her highest pensionable emoluments and length of service.

Note 4 The level of benefits awarded under the SSCPS is based on the deceased member's actual length of contributory service and his/her highest pensionable emoluments subject to the minimum benefit provision. The basic pension under the W&OPS is calculated with reference to the date of entry to the scheme, rate of contribution, date of marriage and ages of the contributor and his wife.

3. It is the Government's established policy to increase pensions and dependant pensions annually according to the increase in the Consumer Price Index (A) [CPI(A)] over the specified period should such an increase be registered; and independently of any adjustment in civil service salaries. The objective is to maintain the purchasing power of pensions and dependant pensions. Since 1993, the current mechanism for determining pension increase has been enshrined in the P(I)O and WOP(I)O. Sections 4(1A) to (1C) of the P(I)O provide that if in any year, the average monthly CPI(A) of the period of 12 months beginning on 1 April of the previous year and ending on 31 March of the year in question exceeds the average monthly CPI(A) of the period of 12 months immediately preceding that period by more than 0.1%, the Chief Executive shall declare a percentage of increase in basic pension equal to the excess expressed as a percentage as soon as practicable by notice in the Gazette, and to specify in the notice the effective date for such an increase. Sections 3(2) to (5) of the WOP(I)O contain similar provisions for an increase in dependant pensions payable under the W&OPS. Extracts of the relevant sections of the two ordinances are at Annex C.

#### **The Making of Notices on Pension Increase in 2007**

4. The Commissioner for Census and Statistics has recently announced that the average monthly CPI(A) for the period from 1 April 2006 to 31 March 2007, as compared with the average monthly CPI(A) for the previous 12 months, has increased by 1.5%. In accordance with the relevant provisions in the P(I)O and WOP(I)O, the Chief Executive has made notices to declare/specify a 1.5% increase in pensions and dependant pensions granted under the two Ordinances, and to specify in the notices 1 April 2007 as the effective date for the increase. The effective date is in accordance with the usual practice, adopted administratively since 1982, of effecting a pension increase from 1 April of a year. The notices will be published in the Gazette on 15 June 2007. We plan to pay the increases in pensions and dependant pensions from June 2007.

#### **THE NOTICES**

5. The Declaration of Increase in Pensions Notice 2007 and the Widows and Orphans Pension (Increase) Notices 2007 seek to

declare/specify a 1.5% increase in pensions and dependant pensions payable under the relevant legislation with effect from 1 April 2007.

### **LEGISLATIVE TIMETABLE**

6. The legislative timetable will be -

Publication in the Gazette	15 June 2007
Tabling at the Legislative Council for negative vetting	20 June 2007

### **IMPLICATIONS OF THE PROPOSAL**

7. It is estimated that the 1.5% increase in pensions and dependant pensions will result in additional pension payments amounting to about \$148 million for around 84 900<sup>Note 5</sup> pensioners and dependants in 2007-08. We have made sufficient provision in the 2007-08 Estimates to meet the additional cost. There are no staffing implications. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity, environmental or sustainability implications, and also has no significant economic implications.

### **PUBLIC CONSULTATION**

8. No consultation with pensioners and dependants is required as pension increase in accordance with increase in CPI(A) is a statutory entitlement for pensioners and dependants, and the notices are made in accordance with the relevant statutory provisions as well as established policy and procedures.

### **PUBLICITY**

9. We shall publish the notices in the Gazette. All pensioners and relevant dependants, as well as the staff sides of the Central Staff Consultative Councils, will be notified of the pension increase and

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Note 5 Over 50% of the pensioners and 80% of the dependants receive a monthly pension of no more than \$5,000.

related arrangements.

**ENQUIRIES**

10. For enquiries, please contact Mrs. Sharon Yip, Principal Assistant Secretary (Civil Service) Appointments at telephone number 2810 3063.

**Civil Service Bureau**

**11 June 2007**

## **DECLARATION OF INCREASE IN PENSIONS NOTICE 2007**

(Made by the Chief Executive under section 4(1B) of the  
Pensions (Increase) Ordinance (Cap. 305) after  
consultation with the Executive Council)

### **1. Declaration of increase in pensions**

- (1) An increase of 1.5% is declared for the purpose of section 4(1A) of the Ordinance.
- (2) The declaration shall take effect on 1 April 2007.

Acting Chief Executive

7 June 2007

### **Explanatory Note**

Under the Pensions (Increase) Ordinance (Cap. 305), if the average monthly Consumer Price Index (A) of a period of 12 months ending on 31 March of a year exceeds the Index of the immediately preceding 12 months by a percentage that is more than 0.1%, the basic pension to which the Ordinance applies has to be increased by the same percentage.

2. The average monthly Consumer Price Index (A) of the 12 months ending on 31 March 2007 exceeds the Index of the immediately preceding 12 months by 1.5%. Accordingly, this Notice declares a 1.5% increase in respect of the basic pension with effect from 1 April 2007.

**WIDOWS AND ORPHANS PENSION (INCREASE)  
NOTICE 2007**

(Made by the Chief Executive under section 3(3) of the Widows and Orphans Pension (Increase) Ordinance (Cap. 205) after consultation with the Executive Council)

**1. Increase in pension**

(1) The specified date from which the increase in pension pursuant to section 3(2) of the Ordinance shall be effective is 1 April 2007.

(2) The specified percentage of such increase as determined in accordance with section 3(2) of the Ordinance is 1.5%.

Acting Chief Executive

7 June 2007

**Explanatory Note**

Under the Widows and Orphans Pension (Increase) Ordinance (Cap. 205), if the average monthly Consumer Price Index (A) of a period of 12 months ending on 31 March of a year exceeds the Index of the immediately preceding 12 months by a percentage that is more than 0.1%, the pensions described in that Ordinance have to be increased by the same percentage.

2. The average monthly Consumer Price Index (A) of the 12 months ending on 31 March 2007 exceeds the Index of the immediately preceding 12 months by 1.5%. Accordingly, this Notice specifies a 1.5% increase in respect of those pensions with effect from 1 April 2007.

**Extract from Chapter 305 Pensions (Increase) Ordinance**

**Section 4 Authorised increases**

(1A) A basic pension to which this Ordinance applies (including any adjusted pension) shall, in respect of any period beginning on or after 1 April 1993, be increased or further increased, as the case may be, by such percentage ("percentage of increase") declared by the Chief Executive under subsection (1B) from time to time after the period in which the salary in force is the salary on which the pension is based. (Added 3 of 1993 s. 58. Amended 63 of 1999 s. 3)

(1B) If, in any year after 1992 ("the succeeding year"), the average monthly Consumer Price Index (A) of the period of 12 months beginning on 1 April of the previous year and ending on 31 March of the succeeding year, exceeds the average monthly Consumer Price Index (A) of the period of 12 months immediately preceding that first mentioned period by an amount which when expressed as a percentage exceeds 0.1%, the Chief Executive shall, for the purpose of subsection (1A), declare a percentage of increase equal to the excess expressed as a percentage. (Added 3 of 1993 s. 58. Amended 63 of 1999 s. 3)

(1C) A declaration under subsection (1B) shall be made as soon as practicable by notice in the Gazette and shall take effect on a date specified in such notice, which date shall not be later than the date of the notice. (Added 3 of 1993 s. 58)

**Extract from Chapter 205 Widows and Orphans Pension (Increase)  
Ordinance**

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**Section 3 Increase in pension**

(2) If, in any year after 1992 ("the succeeding year"), the average monthly Consumer Price Index (A) of the period of 12 months beginning on 1 April of the previous year and ending on 31 March of the succeeding year, exceeds the average monthly Consumer Price Index (A) of the 12 months immediately preceding that first-mentioned period by an amount which when expressed as a percentage exceeds 0.1%, the pensions described in subsection (4) shall be increased by a percentage equal to the excess expressed as a percentage with effect from the date specified under subsection (3)(a) in respect of such increase. (Added 3 of 1993 s. 54)

(3) Where, pursuant to subsection (2), any pension becomes subject to an increase, the Chief Executive shall, as soon as practicable, by notice published in the Gazette specify- (Amended 63 of 1999 s. 3)

- (a) the date, which shall not be later than the date of the notice, from which such increase shall be effective; and
- (b) the percentage of the increase as determined in accordance with subsection (2). (Added 3 of 1993 s. 54)

(4) The pensions referred to in subsection (2) are-

- (a) in the case of the first increase under that subsection-
  - (i) any pension calculated on the total contributions up to 31 March 1992 together with the total increases in pension; and
  - (ii) any pension calculated on the contributions from 1 April 1992, up to the date immediately preceding the specified date of such first increase; and
- (b) in the case of any subsequent increase under subsection (2)-
  - (i) any pension calculated on the contributions up to the date immediately preceding the specified date of the last increase under that subsection together with the total increases in pension; and
  - (ii) any pension calculated on the contributions from the specified date of the last increase under that

subsection,

up to the date immediately preceding the specified date of such subsequent increase. (Added 3 of 1993 s. 54)

(5) In subsection (4) "specified date" (指定日期), in relation to an increase under subsection (2), means the date specified under subsection (3)(a) as the date from which that increase shall be effective. (Added 3 of 1993 s. 54)