

Way Forward for Extension of the Service of Civil Servants

(a) Higher retirement age for new recruits

The initiative of raising the retirement age of new recruits to enable the Government to better respond to the demographic challenges arising from an ageing population has received wide support. We will adopt the initiative proposed in the Consultation Paper with suitable refinements. Specifically, we will raise the retirement age of new recruits to the civilian grades from 60 to 65 as proposed in the Consultation Paper. As regards the disciplined services grades, taking into account the feedback received through the consultation and our subsequent discussion with the management of the disciplined services departments, we will raise the retirement age of disciplined services new recruits from 55/57¹ to 60, regardless of their ranks. In view of the job nature and distinct physical requirements of the disciplined services grades, we consider it appropriate to maintain a difference of five years in the retirement ages for the disciplined services and civilian grades.

2. The CSPF design is characterised by progressive contribution rates by the Government depending on the civil servants' completed years of continuous service, which would reach 25% upon completion of 30 years of continuous service. According to the actuarial study, if the existing contribution scale of the CSPF Scheme remains unchanged, the Government's expenditure on annual Mandatory Provident Fund (MPF)/CSPF contributions is projected to increase by the peak of \$12.8 billion to \$106.5 billion in 2084, representing an annual contribution rate of 19.6% (i.e. the percentage of the Government's overall contribution over the overall salary cost) for that year. The long-term average contribution rate (i.e. the average of annual contribution rates over the second half of the projection period covered by the study) will increase from the current level of 18.0% to 19.2%,

¹ Currently, under the New Pension Scheme and the Civil Service Provident Fund (CSPF) Scheme, the prescribed/normal retirement age for disciplined services officers is 55 or 57 (depending on rank).

exceeding the 18% endorsed by the Executive Council in 2001.

3. Taking into account the Government's long-term financial implications, we will adjust the CSPF contribution scale for new recruits by lengthening the years of service in order to jump to the next contribution scale. Given that the difference between the retirement age of new recruits to the civilian grades (65) and disciplined services grades (60) will remain as five years, the Special Disciplined Services Contribution (SDSC) applicable to disciplined services staff will remain at the existing rate of 2.5%. The existing and adjusted CSPF contribution scales are set out in the table below –

CSPF contribution rate	Existing completed years of continuous service on civil service terms (in years)	Revised completed years of continuous service for next contribution scale (in years)
5%	Below 3	Below 3
15%	3 – below 15	3 – below 18
17%	15 – below 20	18 – below 24
20%	20 – below 25	24 – below 30
22%	25 – below 30	30 – below 35
25%	30 and above	35 and above

Note: The SDSC for the disciplined services will remain at the existing level of 2.5%.

With the above adjusted contribution scale, the Government's expenditure on annual MPF/CSPF contributions will, according to the actuarial study, be \$98.9 billion in 2084, representing an annual contribution rate of 18.2% for that year. The long-term average contribution rate will be maintained at 18%.

4. We have raised in the Consultation Paper the question as to whether there would be merits in adopting a phased approach in introducing a higher retirement age. The consultation feedback indicates that any adverse impacts arising from an one-off increase of retirement age, such as promotion blockage during the several years before the new recruits who are subject to a higher retirement age retire,

would likely be smoothed out by different age groups of new recruits joining over a lengthy period. Besides, a phased approach in introducing a higher retirement age might be confusing and result in administrative burdens when different retirement ages would be applicable to different batches of new recruits during the transition period. Given the foregoing, we have decided that a phased approach should not be pursued.

(b) Adjusted further employment mechanism

5. The current exercise seeks to introduce measures for the Civil Service, as part of the entire working population, to take early action in responding to demographic challenges which are known to be coming in future years while ensuring operational effectiveness of bureaux/departments (B/Ds) in the interim. For new recruits who will retire several decades later, there is a clear case to raise their retirement age given the latest population forecasts. The considerations for serving officers are more complicated, especially where there will be no anticipated significant succession or recruitment problems across-the-board over the coming decade or so. The management problems that may come with automatic extension of the service of serving officers without corresponding expansion of establishment and reference to performance and skill set, including manpower mismatch, promotion blockage and lack of healthy turnover, should be avoided. These concerns are fully shared by bureau/departmental management.

6. The challenges brought about by an ageing population to B/Ds is a dynamic process which would require a flexible solution to deal with. Instead of delineating which categories of serving officers (say, by grades/ranks or terms of appointment) should be subject to a higher retirement age which is impractical and divisive, it is advisable to devise a mechanism through which management could flexibly retain staff beyond retirement age in the light of operational needs, succession planning and recruitment situation, which vary from grade to grade and from time to time. In this regard, we see merits to enhance the flexibility of the further employment mechanism, which would strike a balance among various considerations, including addressing demographic

challenges, meeting operational needs, and responding to the aspirations of different cohorts of civil servants.

7. The existing further employment mechanism is already subject to checks and balances by the Civil Service Bureau and the Public Service Commission as appropriate. To further address staff's concern, we will institutionalise a selection process such that the openings for further employment will be determined in a reasonable and objective manner and that applications for further employment will be assessed by a fair and objective process. We will draw up detailed guidelines by making reference to the modus operandi for promotion and recruitment under which selection boards will be convened to consider applications for further employment.

8. The specific adjustments to enhance the flexibility of the further employment mechanism proposed in the Consultation Paper have received general support. We will adopt the adjustments as set out below –

- (a) allowing a longer period of further employment:
 - (i) in respect of final extension, to 120 days from the current maximum period of 90 days; and
 - (ii) in respect of all further employment cases other than final extension, up to a total duration of five years but subject to periodic review for those cases with a longer duration; and
- (b) allowing the transfer of expertise or experience to younger officers as an additional acceptable justification for all further employment cases, including final extension, apart from the existing criteria of genuine need to retain the officers for a specified period as so to meet special operational/succession needs.

9. The coverage of the further employment mechanism, on equity grounds, will be extended to officers on New Permanent Terms

(NPT) of appointment². Also, the principles and spirits of the adjusted mechanism on further employment will equally apply to agreement officers appointed on a fixed-term duration. For the terms and conditions for further employment of officers on NPT of appointment, having regard to the relevant arrangements applicable to serving officers on NPS terms, further employment of these NPT officers will be in the form of extension of CSPF service whereby the service during the further employment period will be counted in arriving at the number of completed years of continuous service for the purpose of determining the applicable CSPF contribution rates and the Government's voluntary contribution will be vested in them upon completion of the further employment period. For serving officers on pensionable and agreement terms, the terms and conditions of further employment and extension/renewal of agreement will remain unchanged.

10. On the issue about eligibility for consideration for promotion of officers on further employment, having considered that the career of officers should have already ended upon reaching the normal retirement age, we consider that officers on further employment should not be eligible for consideration for promotion during the further employment period. For the avoidance of doubt, the period of further employment will not be counted for the purpose of meeting the 12-month active service requirement in determining whether an officer is eligible for consideration for promotion³.

(c) New Post-retirement Service Contract (PRSC) Scheme

11. The initiative of providing B/Ds with additional flexibility, under a new PRSC Scheme, for employing retired civil servants on contract terms to fill non-directorate positions to perform ad hoc/time-limited/seasonal tasks which require civil servant expertise and/or experience is generally welcomed by the management and staff sides. The Scheme will enable Heads of Grade/Department

² At present, there is no specific provision in the Civil Service Regulations (CSRs) for further employment of officers on NPT of appointment beyond their normal retirement age.

³ Under the existing CSR 109(1)(a)(i), officers who, if promoted, will have less than 12 months active service to serve after the effective date of promotion are not normally considered for promotion.

(HoGs/HoDs) to adjust their staffing level and staff mix to meet operational needs; facilitate transfer of expertise or experience by tapping the talent pool of retired civil servants; and ensure the quality, efficiency and cost-effectiveness of service delivery through flexible deployment of manpower resources.

12. The PRSC positions will be open to applications by civil service retirees and applications are subject to selection by the management through a transparent and objective process. The salaries of the PRSC positions should be no better than the pay level of comparable civil service ranks and the pay package will be all inclusive without job-related allowances or other benefits.

(d) Streamlining control regime on post-service outside work

13. The initiative of streamlining the control regime on post-service outside work for non-directorate civil servants at junior ranks is generally supported by both management and staff. In consultation with HoGs/HoDs, we have identified some 150 junior ranks, whose maximum pay points do not exceed Master Pay Scale Point 20 or equivalent, as suitable ones for being given the blanket permission for taking up outside work after retirement.

14. To further assure the integrity of the control mechanism, we will subject the blanket permission above to the conditions that (a) the non-directorate civil servant has had no past dealings with the prospective employer in his last two years of government service; and (b) the non-directorate civil servant has to comply with standard work restrictions in his taking up of the post-service outside work which are mainly prohibitions from getting involved in the bidding for government contracts/tenders/projects, etc. Retired civil servants who do not meet, or who do not want to be subject to, the above conditions can still apply to their HoGs/HoDs for approval to take up the outside work concerned.