

LEGISLATIVE COUNCIL BRIEF

EXTENSION OF SERVICE OF CIVIL SERVANTS WHO JOINED THE GOVERNMENT BETWEEN 1 JUNE 2000 AND 31 MAY 2015

INTRODUCTION

At the meeting of the Executive Council on 19 June 2018, the Council **ADVISED** and the Acting Chief Executive (“CE”) **ORDERED** that the following recommendations be accepted for implementing the initiative to provide civil servants who joined the Government between 1 June 2000 and 31 May 2015 with the option to retire at 65 (for civilian grades) or 60 (for disciplined services grades) (“the Option”) –

- (a) civil servants who joined the Government between 1 June 2000 and 31 May 2015 (both dates inclusive) and are in active service on the date the Option is launched be eligible for taking the Option if they are appointed on permanent terms (“Eligible Civil Servants”);
- (b) Eligible Civil Servants who have taken the Option be required to migrate to the Civil Service Provident Fund (“CSPF”) scale applicable to those who joined the civil service on or after 1 June 2015 (“2015 CSPF Scale”), subject to a grandfathering arrangement (paragraph 16 below);
- (c) Eligible Civil Servants be given two years to decide whether or not to take the Option, subject to transitional arrangements (paragraph 21 below), and their decision be irrevocable; and
- (d) Eligible Civil Servants who have taken the Option be given the flexibility to retire during the period of their extended service.

JUSTIFICATIONS

2. The current retirement age of the Eligible Civil Servants is 60 (for civilian grades) or 55/57 (for disciplined services grades depending on rank). In her 2017 Policy Address, the CE announced that *“to tie in with the goal of expanding the labour force and to respond to the aspirations of our serving colleagues in the civil service, we have*

re-examined the issue and agreed that serving civil servants joining the Government between 1 June 2000 and 31 May 2015... will be allowed to choose to retire at 65 (for civilian grades) or 60 (for disciplined services grades) on a voluntary basis.”

A

3. To follow up on the above initiative of the CE, we drew up a proposed implementation framework for consultation with grade/departmental management and staff from 20 February to 30 April 2018. The consultation paper is at **Annex A**. We have briefed the Legislative Council (LegCo) Panel on Public Service on the details in the proposed framework on 26 February 2018. During the consultation, we have received a total of 496 submissions (including submissions relayed by LegCo Panel on Public Service): 40 from grade/departmental management; 108 from staff representatives (including the staff side of Central Consultative Councils and Departmental Consultative Committees, and civil service staff bodies); 345 from individuals (including members of the public and individuals presenting themselves as civil servants); and three from non-civil service parties. A summary of the views received is at **Annex B**.

B

4. In sum, the majority of respondents have expressed support for the direction of the initiative to extend the service of civil servants in the light of the demographic challenges faced by the society and the aspirations of serving civil servants. Some civil service staff bodies and individuals disagree with certain elements of the proposed implementation framework and have put forward suggested changes. Our assessment of the major views and suggestions received are set out in paragraphs 5 to 21 below.

Implementation framework

(a) Eligibility

5. In the consultation paper, we have proposed that civil servants who joined the Government between 1 June 2000 and 31 May 2015 and are in active service when the Option is launched (i.e. when the relevant Civil Service Bureau (“CSB”) Circulars are issued) should be eligible for taking the Option. We have also proposed that the definition of “active service” should cover those on final extension of service and further employment beyond retirement age¹ on the date

¹ In January 2015, the Government announced the adoption of a package of measures for extending the service of civil servants, including adjusting the mechanism for further employment of officers without break in service beyond their retirement age (“Further Employment”) and the introduction of the Post-retirement Service Contract Scheme. These measures have been fully implemented and can be used flexibly by bureaux/departments according to their individual operational needs.

when the Option is launched. The proposal has received general support from the respondents.

6. In respect of the civil servants who joined the Government between 1 June 2000 and 31 May 2015 and are on probationary terms, we have proposed that they should be invited to exercise the Option only upon their confirmation to permanent terms². As regards civil servants who would otherwise be eligible if not for the fact that they are on agreement terms, while there is no stipulated retirement age for them, we have proposed that the same spirit of extension should likewise be applied such that their agreements may be renewed subject to service needs and their normally not exceeding the age of 65 (for civilian grades) or 60 (for disciplined services grades). The proposals have received general support from the respondents.

7. Some civil service bodies and individual civil servants (especially those who joined the Government before 1 June 2000) consider it unfair that they would not be offered the Option. Some serving civil servants on agreement terms who joined the Government before 1 June 2000 also demand that they be provided with the Option so long as their agreement was renewed during or after the period between 1 June 2000 and 31 May 2015. Some respondents consider that the date of birth of serving officers rather than their date of appointment should be adopted for determining the eligibility for extension of service.

8. Our view on the suggestion mentioned in paragraph 7 above is that the initiative to provide civil servants who joined the Government between 1 June 2000 and 31 May 2015 with the Option is justified on population policy grounds and that there are no population policy grounds to offer the Option to those who joined the Government before 1 June 2000, whether they are on permanent or agreement terms. This is because the majority of them will retire in the next decade or so, before the time when the labour force in Hong Kong (excluding foreign domestic helpers) is projected to hover around a lower level of about 3.5 million from 2031 to 2038 (versus the peak of 3.68 million in 2021). We also do not anticipate any service-wide succession or recruitment problem in the civil service over the coming decade. To meet their manpower requirement, grade/departmental management may adopt other measures that have been launched by the Government for extension of service (see footnote 1 above) to retain serving civil servants beyond their retirement age based on the operational needs of

² Civil servants appointed directly to a promotion rank normally also undergo a similar observation period for assessing their suitability for appointment on new permanent terms, but they are offered agreement instead of probationary terms. The same arrangement should apply to this type of agreement terms officers.

individual bureaux/departments. The suggestion of using the date of birth of serving officers for determining eligibility will not only deviate from our established practice of applying new terms of appointment to civil servants based on their appointment dates, but will also run the risk of being challenged as age discrimination which would be difficult for us to justify. We therefore will not change to the eligibility criterion for the Option.

(b) Terms of employment

9. In the consultation paper, we have proposed that Eligible Civil Servants who have taken the Option should migrate to the 2015 CSPF Scale³ with effect from the implementation date. We have also proposed that, similar to those civil servants who joined the civil service after 31 May 2015, Eligible Civil Servants from disciplined services grades who have taken the Option should continue to be provided with the additional Special Disciplined Services Contribution (“SDSC”)⁴ at 2.5% of the basic salary during the extended service period.

10. Regarding the proposed migration to the 2015 CSPF Scale, civil service bodies and individual civil servants generally consider that to enhance the attractiveness of the Option, Eligible Civil Servants taking the Option should be allowed to continue to progress along their current CSPF scale for their entire service, including the extended service period. Some of them opine that the proposed migration would be akin to eroding staff’s retirement benefits, especially for those who,

³ The CSPF Scheme is the retirement benefits system for civil servants appointed on new civil service terms on or after 1 June 2000 and when they subsequently progress onto new permanent terms. The design of the CSPF Scheme is characterised by the Government’s progressive contribution rates based on the civil servants’ completed years of continuous service and the Government’s overall financial commitment to the CSPF Scheme being kept within 18% of the salary cost endorsed by the Executive Council (“ExCo”) in 2001 after taking into account a number of factors, including the level of retirement benefits in the private sector, the need to preserve the overall attractiveness of a career in the civil service and staff morale. In compliance with the aforesaid parameter, when the retirement age of civil servants who joined on or after 1 June 2015 was raised, a second CSPF scale (i.e. the 2015 CSPF Scale) applicable to these civil servants was introduced (details are set out at the Appendix to the Consultation Paper at **Annex A**). As compared with the original CSPF scale, under the 2015 CSPF Scale, the contribution rates remain unchanged but the years of continuous service required for advancing into the next band of contribution rates have been slightly lengthened.

⁴ Under the CSPF Scheme, both the Government and Eligible Civil Servant are required to make mandatory contributions as stipulated under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). On top of its mandatory contribution, the Government makes voluntary contribution for civil servants. For disciplined services officers, the Government additionally provides SDSC at 2.5% of the officers’ basic salary in recognition of their earlier retirement age vis-à-vis civilian staff.

after taking the Option, subsequently decide to retire much earlier than the raised retirement age. Others are of the view that the terms for extension should be on par with those for Further Employment under which the current CSPF scale is adopted. Some suggest that if there is a need to contain the Government's CSPF expenditure, a third CSPF scale could be devised or a fixed CSPF contribution rate (say, 15% or 17%) could be adopted for the extended service period while retaining the current CSPF scale for the period before the extension ("Flat-rate Option"). Some suggest that Eligible Civil Servants should be given the choice to migrate to the 2015 CSPF Scale or the Flat-rate Option to suit their individual circumstances.

11. The initiative to provide Eligible Civil Servants with the Option seeks to bring them on par with civil servants who joined the Government on or after 1 June 2015 in terms of retirement age. Unlike Further Employment which is subject to the management's discretion having regard to operational/ succession needs and a selection process, Eligible Civil Servants may choose whether or not to extend their service out of their own volition. The proposed migration to the 2015 CSPF Scale will preserve the progressive feature of the CSPF system and will be conducive to retaining staff until they reach the retirement age while correspondingly lengthening the contribution scale to take account of their higher retirement age and longer service. If an Eligible Civil Servant takes the Option, appointment terms applicable to him/her would essentially be the same as those who joined on or after 1 June 2015. We consider the proposed migration to align the retirement benefits of these two groups a reasonable and fair arrangement.

12. If Eligible Civil Servants are not required to migrate to the 2015 CSPF Scale, they would have the highest degree of flexibility in opting for the extension. However, such an arrangement would create a high degree of uncertainty for grade/departmental management for manpower planning. Although the suggestion of adopting a fixed yet lower CSPF contribution rate for the extended service period could help contain the additional financial implication, the diminished CSPF contribution by the Government would become a deterrent, be it real or psychological, against extension of service. It is relevant to note that when the New Pension Scheme ("NPS") was introduced for civil servants on pensionable terms in the 1980s, serving civil servants on the Old Pension Scheme who opted for NPS were similarly subject to an adjusted pension factor applicable to the then new recruits on NPS in view of their higher retirement age.

13. Under the CSPF migration proposal set out in the consultation paper, the Government's CSPF contribution would be no less than the current commitment. According to the actuarial study

commissioned by CSB, as compared to the baseline scenario (i.e. without the Option), the Government's contribution to the CSPF under the CSPF migration proposal would be increased by up to \$5.84 billion by year 2057 under a one-year option period scenario⁵. Our calculation also indicates that, by and large, Eligible Civil Servants who have taken the Option would receive substantially more in CSPF contribution from the Government if they serve up to the raised retirement age.

14. Some respondents suggest that for the purpose of aligning the retirement benefits of Eligible Civil Servants with those of civil servants who joined the Government on or after 1 June 2015, the Government should instead apply the original CSPF scale to the latter group. This suggestion would have long-term, significant financial implications as the Government's overall financial commitment to the CSPF Scheme could then not be kept within 18% of the salary cost (see footnote 3).

15. In the light of the considerations set out in paragraphs 12 to 14 above, we will keep the proposed migration to the 2015 CSPF Scale intact. However, we will adopt the "grandfathering arrangement" in paragraph 16.

Grandfathering arrangement

16. Under the grandfathering arrangement, Eligible Civil Servants who have taken the Option will retain the Government's CSPF contribution rate immediately before the Option took effect until they have progressed above that rate along the migrated scale, i.e. the 2015 CSPF Scale. The grandfathering arrangement would go some way in addressing the staff side's concern that upon taking the Option, an Eligible Civil Servant would stand to lose out on the Government's CSPF contribution⁶ before enjoying the benefits the Option will bring.

⁵ By 2057, almost all Eligible Civil Servants would have retired under the raised retirement age. As compared to the baseline scenario, if the CSPF scale remains unchanged for those who have taken the Option, the Government's contribution to the CSPF would be increased by up to \$29.1 billion by 2057 under a one-year option period scenario, although the Government's CSPF contribution against salary cost should still be within the 18% limit. As advised by the actuarial consultant, the financial commitment would have yet to reach 18% because the CSPF membership profile in early years is not yet mature, i.e. no civil servants are eligible for the highest contribution rate of 25% until 2030 under the current CSPF contribution scale.

⁶ For example, civil servants who have 15 to less than 18 years of continuous service are generally entitled to 17% of CSPF contribution rate under the original CSPF scale. The corresponding contribution rate under the 2015 CSPF Scale will drop to 15% until they have served for 18 or more years.

The financial implication arising from the grandfathering arrangement is expected to be manageable (see **Annex C**).

Retirement during extended service period

17. Our proposal in the consultation paper of allowing Eligible Civil Servants who have taken the Option to retire during the period of extended service has received general support. We will allow this flexibility which we believe would encourage more Eligible Civil Servants to take the Option. This flexibility is particularly welcomed by disciplined services staff⁷, without which they would not be granted the SDSC if they leave the service during the extended period of service on resignation.

(c) Option period

18. In the consultation paper, we have proposed that Eligible Civil Servants be allowed a period of one year to make an irrevocable choice of whether to extend their retirement age. Some civil service bodies and individual civil servants have suggested allowing the Eligible Civil Servants to make the decision whether or not to take the Option only when they are nearing their current retirement age. As explained in paragraph 12 above, this suggestion would create a high degree of uncertainty for grade/departmental management for manpower planning. There are also respondents suggesting a longer option period for Eligible Civil Servants, such as up to their current retirement age. This is unacceptable from the management's perspective.

19. Having considered staff sentiments and to provide Eligible Civil Servants more time to make a choice, we will slightly lengthen the option period to two years. Since only a small proportion of Eligible Civil Servants will reach their retirement age in the next two to three years, bureaux/departments should be able to manage the downside of this compromise. The option taken should continue to be irrevocable. In the same vein, Eligible Civil Servants who are subsequently appointed to a grade with a different retirement age (e.g. transferred from a civilian grade to a disciplined services grade, or vice versa) would not be allowed to choose their retirement age again. Whether the Option had been taken would decide whether the current or raised retirement age of the new grade would apply.

(d) Launch of the Option

20. We hope to be able to launch the Option in July 2018 by promulgating the implementation details by way of CSB Circulars and

⁷ Unlike disciplined services staff, civilian grades officers are not granted SDSC.

that will be subject to the views on the implementation details that we will solicit from grade/departmental management as well as the staff side. Allowing time for preparation for the necessary documentation and other gearing-up work, we hope that the two-year option period could commence from September 2018. The migration to the 2015 CSPF Scale will take effect six months after the option period ends.

Transitional arrangements

21. We will make transitional arrangements for Eligible Civil Servants who, under the current retirement age, will cease active service during the period from the day when the Option is launched to the end of the option period. To cater for their circumstances, they may generally decide whether or not to take the Option two months before they would otherwise cease active service, and the migration to the 2015 CSPF Scale will take effect a short period afterwards. A short extension of service may be granted for the Eligible Civil Servant concerned to allow time for processing the case. Such a short extension should be similarly granted if an Eligible Civil Servant will otherwise retire soon after the option period expires.

(e) Other relevant issues

22. In the consultation paper, we have proposed a number of arrangements that are incidental to the implementation of the initiative. We have not received any disagreement to them. We will incorporate those arrangements into the implementation details, which include –

- (a) under exceptional circumstances where the Secretary for the Civil Service (“SCS”) is of the view that it may not be in the public interest to allow the officer to extend his/her service for five more years, SCS has the power to reject an Option taken by an Eligible Civil Servant;
- (b) the Further Employment mechanism (see footnote 1) will continue to apply regardless of whether Eligible Civil Servants have taken the Option or not; and
- (c) for Eligible Civil Servants who have taken the Option, their service beyond their current retirement age will continue to be counted as active service in determining their eligibility for consideration for promotion.

IMPLICATIONS

23. The initiative is in conformity with the Basic Law, including the provisions concerning human rights. It has no implications for competition, environment, or productivity. The civil service, financial,

economic, family, gender and sustainability implications are set out at **Annex C**.

PUBLIC CONSULTATION

24. We will in accordance with the standing arrangement consult the staff sides of the four Central Consultative Councils on the draft CSB Circulars that will set out the implementation details.

PUBLICITY

25. We will issue the draft of the CSB Circulars promulgating ExCo's decision on the implementation details today (19 June 2018). We will also brief grade/departmental management and staff concerned.

ENQUIRIES

26. Enquiries on this brief should be addressed to Ms Vivien LI, Principal Assistant Secretary for the Civil Service (Tel: 2810 3063).

Civil Service Bureau
19 June 2018

**EXTENSION OF SERVICE OF CIVIL SERVANTS
WHO JOINED THE GOVERNMENT
BETWEEN 1 JUNE 2000 AND 31 MAY 2015**

CONSULTATION PAPER

INTRODUCTION

In the 2017 Policy Address, the Chief Executive announced that *“to tie in with the goal of expanding the labour force and to respond to the aspirations of our serving colleagues in the civil service, we have re-examined the issue and agreed that serving civil servants joining the Government between 1 June 2000 and 31 May 2015 (i.e. the effective date of the policy of extending the retirement age of new recruits) will be allowed to choose to retire at 65 (for civilian grades) or 60 (for disciplined services grades) on a voluntary basis. The Civil Service Bureau is working out the details and plans to consult the staff side in early 2018.”*

2. This consultation paper sets out the proposed implementation framework of the above new initiative, and invites views from grade/departmental management and staff on or before 30 April 2018 through any of the following means –

Mail: Appointments Division
Civil Service Bureau
8/F, West Wing, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Email: views_retirement@csb.gov.hk

Fax: (852) 2530 1265

BACKGROUND

3. In January 2015, the Government announced the adoption of a package of measures for extending the service of civil servants. These measures seek to equip bureaux/departments (B/Ds) with scalable solutions to deal with their respective manpower requirement flexibly in the short to medium term, while enabling the civil service to meet the forecast demographic challenges of Hong Kong in the longer term.

4. All the measures announced have since been fully implemented. Among these measures, the retirement age of new recruits joining the civil service on or after 1 June 2015 has been raised to 65 for civilian grades, and 60 for disciplined services grades regardless of ranks.

5. Apart from raising the retirement age of those who joined the Government on or after 1 June 2015, a new Post-retirement Service Contract Scheme has been introduced to provide B/Ds with a flexible means to engage retired/retiring civil servants on contract terms to undertake ad hoc, time-limited, seasonal or part-time tasks that require specific civil service expertise/experience. Moreover, the mechanism for further employment of civil servants beyond retirement age has been adjusted by –

- (a) revising the arrangement for processing applications for final extension of service, including raising the maximum period from 90 days to 120 days and suitably relaxing the approval criteria; and
- (b) institutionalising a mechanism for further employment for a longer duration (FE) than final extension of service.

6. The above efforts notwithstanding, the challenges of our ageing population and shrinking labour force are expected to continue. Specifically, according to the latest population projection¹, the labour force of Hong Kong is expected to decline from the peak of 3.68 million in 2021 to 3.51 million in 2031 and hover around the low level of about 3.50 million until 2038 before declining further. Since the majority of the civil servants who joined the Government between 1 June 2000 and 31 May 2015 will reach their current retirement age starting around 2030, the new initiative announced in the Policy Address ties in well with the goal of expanding the labour force at a time when Hong Kong's labour force will become critical.

PROPOSED IMPLEMENTATION FRAMEWORK

7. As announced in the Policy Address, we will allow serving civil servants who joined the Government between 1 June 2000 and 31 May 2015 to choose to retire at –

¹ Published by Census and Statistics Department in September 2017.

- (a) 65 in respect of the civilian grades; and
- (b) 60 in respect of the disciplined services grades, regardless of their ranks (“the Option”).

The proposed implementation framework is set out below.

(I) Who will be eligible?

8. Subject to paragraphs 9 and 10 below concerning civil servants on probationary and agreement terms, we propose that all civil servants who –

- (a) joined the Government within the aforesaid period; and
- (b) are in active service² when the Option is launched

should be eligible (“Eligible Civil Servants”).

9. Civil servants appointed on new probationary terms are under observation for suitability for appointment on new permanent terms. Hence, we propose that civil servants who joined the Government between 1 June 2000 and 31 May 2015 and are on probationary terms should be invited to opt only upon their confirmation to permanent terms³.

10. Civil servants appointed on new agreement terms will serve for a fixed term as specified in the agreement, and there is no stipulated retirement age for them. Under the prevailing arrangement, their agreements may be renewed subject to service needs and their normally not exceeding the retirement age of their contemporaries on permanent terms (i.e. 60 for civilian grades and 55/57 for disciplined services grades). For civil servants appointed on new agreement terms and who joined the Government between 1 June 2000 and 31 May 2015, we consider that the spirit of the Option should be equally applied. We propose that, in considering renewal of their agreements, their contemporaries should be those Eligible Civil Servants who have taken the Option. In other words, their agreements may be renewed subject to service needs and their normally not exceeding the age of 65 (civilian

² For the avoidance of doubt, civil servants who joined the Government between 1 June 2000 and 31 May 2015 and are on final extension of service or FE when the Option is launched are Eligible Civil Servants.

³ Civil servants appointed directly to a promotion rank normally also undergo a similar observation period for assessing their suitability for appointment on new permanent terms, but they are offered agreement instead of probationary terms. The same arrangement should apply to this type of agreement terms officers.

grades) or 60 (disciplined services grades).

(II) What will the employment terms be?

11. The Civil Service Provident Fund (CSPF) Scheme is the retirement benefits system for civil servants appointed on new civil service terms on or after 1 June 2000 and when they subsequently progress onto new permanent terms. The design of the CSPF Scheme is characterised by the Government's progressive contribution rates based on the civil servants' completed years of continuous service⁴ and subject to the Government's overall financial commitment to the CSPF Scheme, inclusive of the Government's mandatory contributions (GMC), the Government's voluntary contributions (GVC) and the Special Disciplined Services Contribution (SDSC), being kept within 18% of the salary cost⁵. In compliance with the aforesaid parameter of keeping the Government's overall financial commitment to the CSPF Scheme within 18% of the salary cost, when the retirement age of civil servants appointed on or after 1 June 2015 was raised, a second CSPF scale ("2015 CSPF Scale") applicable to these civil servants was introduced. The two CSPF scales are set out at **Appendix**. As compared with the original CSPF scale, the years of continuous service bands under the 2015 CSPF Scale have been lengthened.

12. As the appointment terms and conditions of Eligible Civil Servants who have taken the Option and civil servants appointed on or after 1 June 2015 would be largely the same, we consider it appropriate to align their retirement benefits. We propose that Eligible Civil Servants who have taken the Option should migrate to the 2015 CSPF Scale with effect from the implementation date (see paragraph 18 below).

13. The requirement to migrate to the 2015 CSPF Scale will reduce the Government's additional contribution arising from the new initiative to the CSPF by \$23.3 billion up to 2057. According to the

⁴ The Government's contribution rate in respect of a civil servant upon his joining the CSPF Scheme would be the rate corresponding to his years of continuous service from first civil service appointment. Taking the example of a civil servant who was first appointed to the service on probationary terms (*three years from 1 June 2005 to 31 May 2008*), followed by an appointment on agreement terms without a break in service (*three years from 1 June 2008 to 31 May 2011*), and subsequently confirmed to permanent terms on 1 June 2011; 1 June 2005 will be taken as his first appointment date in calculating the Government's contribution rate under the CSPF Scheme. This is regardless of whether the three-year agreement is gratuity-bearing.

⁵ Under the CSPF Scheme, both the Government and the eligible civil servant are required to make mandatory contributions as stipulated under the Mandatory Provident Fund Schemes Ordinance (Cap. 485). On top of GMC, the Government makes GVC for civil servants. For disciplined services officers, the Government additionally provides SDSC. Government's contributions, inclusive of GMC and GVC, follow a progressive schedule ranging from 5% to 25% of the basic salary of the civil servants. As for SDSC, Government's contribution is 2.5% of the officers' basic salary regardless of their date of appointment.

findings of an actuarial study commissioned by the Civil Service Bureau, as compared to the baseline scenario (i.e. without the Option), with the Option and with the CSPF scale unchanged, the Government's additional contribution to the CSPF would be up to \$29.1 billion by year 2057⁶, and \$5.8 billion if the CSPF scale is changed. Although the Government's contribution to the CSPF against the salary cost should still be within the 18% limit, the requirement is also justifiable from the perspective of prudent use of public money.

14. Similar to those civil servants joining the Government on or after 1 June 2015, Eligible Civil Servants belonging to the disciplined services will continue to be provided with the additional SDSC at 2.5% of the basic salary, as the gap between the retirement age of Eligible Civil Servants belonging to the civilian grades and disciplined services grades will remain at five years if they take the Option.

(III) When will the Option need to be exercised?

15. As Eligible Civil Servants will migrate to the 2015 CSPF Scale upon taking the Option, we would need to define an option period during which they must decide whether to take the Option. This will also enable B/D management to make the necessary manpower planning in the light of civil servants' choice, and minimise uncertainties when calculating vacancies for promotion and recruitment exercises.

16. Having balanced the need to provide Eligible Civil Servants sufficient time to plan for their career life and to ensure prudent use of public funds⁷, we consider that an option period of one year should be reasonable. If an Eligible Civil Servant has not responded upon the lapse of the option period, he will be deemed to have chosen not to take the Option.

17. The Option taken by an Eligible Civil Servant should be irrevocable. That means, once the civil servant has taken the Option and migrated to the 2015 CSPF Scale, he should remain on that scale for the rest of his service. Similarly, if an Eligible Civil Servant opts not to take the Option, he should not be allowed to take the Option again later on.

⁶ By 2057, almost all Eligible Civil Servants would have retired under the new retirement age.

⁷ The longer the option period, the higher will the Government's contribution to the CSPF be as Eligible Civil Servants may be entitled to progress to a higher contribution rate before taking up the Option and migrating to the 2015 CSPF Scale.

18. The Option will normally take effect within a short period⁸, say three to six months after the date the option period lapses (“implementation date”). This is to allow time for completing the necessary procedures involved in effecting the Option taken and for arranging the Eligible Civil Servants’ migration to the 2015 CSPF Scale.

19. When the New Pension Scheme (NPS) was introduced, civil servants on the Old Pension Scheme who opted to join NPS may retire voluntarily on or after the original retirement age, provided that the requisite notice is served. Nevertheless, the adjusted pension factor under NPS will apply. In the same vein, we propose that an Eligible Civil Servant who has taken the Option should be allowed the flexibility to retire during the period of the extended service, provided that the requisite notice is served. The 2015 CSPF Scale will however apply once he has taken the Option, as explained in paragraph 17 above.

20. The accrued benefits attributable to the GVC and SDSC under the CSPF Scheme will be payable to an Eligible Civil Servant taking the Option upon meeting, among others, the following requirements –

- (a) when he retires upon reaching the new retirement age of 60 (for disciplined services grades) or 65 (for civilian grades);
- (b) when he retires early during his extended service after giving the requisite notice; or
- (c) when he resigns upon having completed not less than 10 years of continuous service (except that if a disciplined services officer resigns before reaching the original retirement age, he will not be granted the SDSC benefits).

21. As for the accrued benefits attributable to the statutory Mandatory Provident Fund Scheme, he may withdraw the benefits when he reaches the age of 65 or under other specified circumstances as set out in the statutory scheme. The above arrangement is similar to that applied to civil servants joining the Government on or after 1 June 2015.

(IV) Will there be special arrangements for those who will retire within the option period, or soon after the option period expires?

22. There may be some Eligible Civil Servants who will reach

⁸ Save for exceptional cases where the Secretary for the Civil Service is of opinion that to allow the officer to exercise the option would prejudice the interest of the public service.

their current retirement age within the option period. For these civil servants, they should be required to decide whether or not to take the Option, say, a couple of months before they reach their current retirement age, in order to allow time for the B/D management to process their cases. If necessary (e.g. if an Eligible Civil Servant will reach retirement age soon after the option period starts), the B/D management may grant a short extension to him for the purpose of allowing time for processing his case. Such a short extension may also be granted, if necessary, to an Eligible Civil Servant who will reach retirement age soon after the option period expires. For the avoidance of doubt, for the above Eligible Civil Servant, the Option taken will take effect as soon as practicable after he confirms that he will take the Option.

(V) Other relevant issues

23. At present, the further employment mechanism is applicable to all civil servants on the CSPF Scheme, regardless of the date of their first appointment, and therefore applies to civil servants who joined the Government on or after 1 June 2015 and whose retirement age have already been raised to 60 or 65. Accordingly, we propose that regardless of whether Eligible Civil Servants have taken the Option or not, the further employment mechanism should continue to apply to them. In other words, they may still apply for final extension of service when they are nearing their retirement age (the original or new retirement age, depending on whether the Option is taken), or respond to invitation for applying for FE.

24. The career of Eligible Civil Servants who have chosen to retire later will not end until they have reached the new retirement age. Therefore, we propose that these civil servants' service beyond their original retirement age should continue to be counted as active service in determining their eligibility for consideration for promotion.

NEXT STEPS

25. During the consultation period, we look forward to receiving views from grade/departmental management and staff. Taking into account the feedback received through this consultation, we will finalise the implementation details.

**Civil Service Bureau
February 2018**

**Civil Service Provident Fund (CSPF) Scheme
Schedule of Contribution Rates**

CSPF contribution rate	For civil servants appointed between 1 June 2000 and 31 May 2015 - completed years of continuous service on civil service terms (in years)	For civil servants appointed on or after 1 June 2015 - completed years of continuous service on civil service terms (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 or above	35 or above

Note: The Special Disciplined Services Contribution at the level of 2.5% of the basic salary, which is in addition to the Government's contribution following the above progressive contribution rates, applies to disciplined services civil servants under the CSPF Scheme, regardless of the date of their first appointment.

Summary of Submissions Received

During the consultation, the Civil Service Bureau (CSB) received 496 submissions, of which 40 were from grade/departmental management, 108 from staff representatives (including five from Central Consultative Councils and 103 from the staff side of Departmental Consultative Councils (DCCs), staff views collected through bureaux/departments and civil service staff bodies), 345 from individuals (including 225 from civil servants and 120 from members of the public) and three from non-civil service parties.

Respondents' Views

General

(268 submissions)

2. Grade/departmental management generally supports the initiative. As regards staff representatives, all respondents show support and many welcome early implementation of the initiative so that Eligible Civil Servants who will soon reach retirement age will have the opportunity to extend their service. Some have urged for early implementation, as some staff, such as those on the Model Scale 1 Pay Scale, generally would like to work longer to save up more for retirement given their relatively low salary.

3. Among the individual respondents, most of them support and many welcome early implementation of the initiative. Some have expressed agreement to the implementation details. However, some respondents have reservation against the initiative considering the possible adverse impact on the promotion prospects of serving officers and the employment prospects of young people, deteriorating physical fitness beyond the age of 55/60, etc. Some have suggested that the extension of service should be merit-based instead of automatic.

4. As regards non-civil service parties, some respondents have provided views concerning the extension of service of non-civil servants.

Eligibility (paragraphs 8-10 of the consultation paper)
(65 submissions)

5. While there is general support among the grade/departmental management, some have flagged up the issue of promotion blockage while recognising that the impact should be small in general taking into account the number of Eligible Civil Servants in the grades concerned. Some respondents have mentioned the need for making better manpower planning through such measures as posting, technological support, staff deployment, etc. for a workforce of higher age.

6. As regards staff representatives, many ask for extending the Option to civil servants appointed before 1 June 2000. Some note that this has become a serious morale issue and that there should be no concerns of undue promotion blockage if extension of service to the same retirement age is applied to all officers.

7. A number of individual respondents have similarly asked for extending the Option to civil servants appointed before 1 June 2000. A few have suggested using the date of birth for determining eligibility. Some consider that serving civil servants on agreement terms who joined the Government before 1 June 2000 should also be provided with the Option so long as their agreement was renewed during or after the period between 1 June 2000 and 31 May 2015.

Terms of Employment (paragraphs 11-14 of the consultation paper)
(373 submissions)

8. Grade/departmental management have made no specific comments in general. While a few respondents have expressed that the proposed migration to the 2015 CSPF Scale is fair, some have remarked that this could discourage some staff from taking the Option.

9. Staff representatives generally do not support the proposed migration to the 2015 CSPF Scale. Some regard this an erosion of their retirement benefits and a disincentive for Eligible Civil Servants to take the Option. Some have taken note that even without the migration, the Government's financial commitment to the CSPF Scheme could still be kept within the ceiling of 18% of the salary cost. Some consider that, with a healthy fiscal position, the Government should not reduce the retirement benefits of Eligible Civil Servants, particularly since their retirement and fringe benefits are worse than pensionable officers.

10. More specifically, some staff representatives find the proposed migration detrimental to staff morale. Some cast doubt on the rationale for the proposed migration, making reference to the further employment mechanism whereby the existing CSPF scale will be used for CSPF officers during the further employment period. Some respondents have made the following suggestions –

- (a) retaining the existing CSPF scale up to the current retirement age and adopting a fixed CSPF contribution rate for the extended service period (“Flat-rate Option”); or allowing Eligible Civil Servants to choose migration to the 2015 CSPF Scale or the Flat-rate Option to suit their individual circumstances;
- (b) a new CSPF scale or adopting the 2015 CSPF Scale only for the extended service period; and
- (c) for the purpose of aligning the retirement benefits of Eligible Civil Servants with those of civil servants who joined the Government on or after 1 June 2015, the Government should instead apply the original CSPF scale to the latter group.

11. The proposal of allowing Eligible Civil Servants who have taken the Option to retire during the extended service period has received general support from staff representatives, particularly disciplined services staff whose Special Disciplined Services Contribution (SDSC) would not be granted if they leave the service on resignation during the extended service period.

12. Many individual respondents object to the proposed migration to the 2015 CSPF Scale. A number of them have put forward suggestions similar to those of the staff representatives. A few have suggested that the appointment of Eligible Civil Servants during the extended service period should be on contract terms.

***Option Period (paragraphs 15-21 of the consultation paper)
(121 submissions)***

13. Grade/departmental management have made no specific comments in general. A few respondents have expressed that an irrevocable option to be taken within one year can facilitate certainty for manpower planning.

14. Among the staff representatives, many respondents find the proposed one-year option period too short. Many respondents have expressed concerns over uncertainty of personal circumstances such as health condition in the future as well as possible loss in CSPF accrued benefits if an Eligible Civil Servant who has taken the Option now eventually cannot serve up to the raised retirement age.

15. Some staff representatives have suggested that Eligible Civil Servants should be allowed to make a final decision about two to three years before their current retirement age. Some staff bodies have suggested that there should be special arrangements (e.g. reverting to the pre-2015 CSPF Scale retrospectively) for Eligible Civil Servants who have taken the Option but eventually cannot serve up to the raised retirement age for such reasons as physical unfitness or invalidation.

16. Many individual respondents consider that the option period should be longer, e.g. making a final decision a few years before the current retirement age. Some have made a similar suggestion of reverting to the pre-2015 CSPF scale in the event of retirement before the raised retirement age due to physical unfitness.

Other Relevant Issues

17. Some staff respondents have taken the opportunity to appeal for enhancing the conditions of service for civil servants on new terms of appointment. There are suggestions that their leave entitlement and leave accumulation limit should be raised, medical benefits should continue to be provided after retirement, and accrued benefits from SDSC for disciplined services staff should be payable even if they leave the service with less than ten years of service, etc.

Implications of Extension of Service of Civil Servants Who Joined the Government between 1 June 2000 and 31 May 2015

Civil Service Implications

According to the latest population projection published by the Census and Statistics Department in September 2017, the labour force of Hong Kong is projected to decline from the peak of 3.68 million in 2021 to 3.51 million in 2031 and hover around a lower level of about 3.50 million until 2038 before declining further. In view that the majority of civil servants who joined the Government between 1 June 2000 and 31 May 2015 will reach their current retirement age 15 to 25 years later (i.e. around 2030 to 2040), the extension of service of this group of civil servants can enable the civil service to extend their service to tie in with the Government's goal of expanding the labour force and to respond to the aspirations of serving civil servants.

Financial Implications

2. We have commissioned an actuarial study to assess the financial implications for the Government's contribution to the Civil Service Provident Fund ("CSPF") should the civil servants who joined the Government between 1 June 2000 and 31 May 2015 be allowed to choose to retire at 60/65. Under our proposal where civil servants who take the Option will migrate to the 2015 CSPF Scale and without the proposed grandfathering arrangement in paragraph 3 below, the Government's additional contribution to the CSPF would be up to \$5.89 billion under a two-year option period scenario and the Government's financial commitment for the CSPF will be maintained within 18% of the salary cost¹.

3. Under the additional grandfathering arrangement, i.e. Eligible Civil Servants who have taken the Option could retain the CSPF contribution rate immediately prior to implementing the Option until they have progressed above that rate along the migrated scale (i.e. the 2015 CSPF Scale), the additional CSPF commitment by the Government is estimated to be no more than \$400 million, assuming 100% take-up rate among the officers concerned.

¹ The Executive Council approved in 2001 that the overall financial commitment of the CSPF Scheme should be kept within 18% of the salary cost.

Economic Implications

4. Offering the civil servants concerned the Option for extending their service to 60/65 can tie in with other on-going public and private-sector initiatives in encouraging labour force participation among the young-olds, and set an example for the private sector and other public bodies for taking early action in the face of the projected shrinkage in labour force. This should help mitigate, to a certain extent, the cap on economic growth potential brought about by population ageing.

Family and Gender Implications

5. Financial burden of families in taking care of the elderly can be relieved as more people work longer and may save up more for post-retirement living.

Sustainability Implications

6. The initiative will help set an example for the society to make efforts to expand the labour force to cater for the projected shortfall of labour in future. It will also prolong the employees' working life which will help them to save up more for retirement and relieve the financial burden of families in taking care of the elderly.