

**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 –

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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.