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LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE

Review of the Management Initiated Retirement Scheme

PURPOSE

This paper informs members of the outcome of a recent review by the Administration on the retirement package under the Management Initiated Retirement (MIR) Scheme.

BACKGROUND

2. The MIR Scheme was first proposed in 1999 as part of the Civil Service Reform. It was formally introduced in September 2000 after consultation with both the departmental management and the staff sides. The objective of the Scheme is to provide a management tool for the management to retire directorate civil servants on permanent and pensionable terms with a view to facilitating improvement in the Government organisation. The two main criteria for invoking MIR against an officer are : (a) the retirement of an officer from his/her present office is in the interest of organisational improvement of a department or grade; and (b) there would be severe management difficulties in accommodating the officer elsewhere in the service. The decision to retire an officer under the MIR Scheme rests solely with the management but the officer concerned will have an opportunity to indicate his/her acceptance or otherwise of the proposed early retirement during the processing of his/her case. The officer can also appeal to the Chief Executive (CE) if he/she does not accept the management's ultimate decision to retire him/her under the MIR Scheme.

3. The retirement package under the MIR Scheme comprises two elements –

(a) enhanced pension calculated in accordance with the formula stipulated in the pensions legislation [1] applicable to situations where officers are

[1] The calculation formula is stated in Section 22 of the Pension Regulations (Cap.89) and Section 22 of the Pension Benefits Regulations (Cap.99).

compulsorily retired to facilitate organisational improvement. In short, pension will be enhanced by 10 months for every three complete years of pensionable service, capped by 100 months. The total annual pension will be capped by two-third of the highest annual pensionable emoluments, or the pension the officer would have been granted had he/she continued to serve until normal retirement age, whichever is the less; and

(b) an ex-gratia payment at the rate of six months of the officer's final substantive salary.

4. Since the MIR Scheme has been in place for three years, we have recently conducted a review of the Scheme. Details of our review outcome are set out below.

THE REVIEW

5. Since its implementation, 13 officers in total have been approved for retirement under the Scheme. We consider the MIR Scheme to be an effective management tool in facilitating organisation improvement of departments. As such, we see merit in retaining the Scheme. However, in view of Government's fiscal deficit, we consider that there is a case for reviewing the retirement package and to adjust it downwards from the angle of public financial management as we have for other schemes such as the second voluntary retirement scheme.

The Retirement Package

6. The pensions legislation stipulates that enhanced pension should be granted in cases of compulsory retirement to facilitate organisational improvement. Given that an officer's career in the civil service would be unilaterally cut short, we consider it reasonable for the Government to provide the officer concerned immediate and enhanced pensions in recognition of his/her loss in earning capacity in respect of both salaries and pension which he/she would otherwise have received up to and upon retirement. We are therefore satisfied with maintaining the current provision for enhanced pension as stipulated in the pensions legislation.

7. On the other hand, the ex-gratia payment, as its name suggests, is not obligatory and is not a feature in the pensions legislation for retirement under such circumstances. At the time of formulating the MIR package, we considered it appropriate to grant an ex-gratia payment equivalent to six months' salary of an

officer to cover the loss of the officer's fringe benefits. With three years' experience of operating the Scheme, and in view of the serious fiscal deficit that the Government is facing, we believe there is a case for reviewing the ex-gratia payment. First, an officer retired under the MIR Scheme has already been compensated by the availability of an enhanced pension payment, which is more than he/she would otherwise receive should he/she retire at his/her current age. Second, he/she would immediately receive the lump-sum pension gratuity and monthly pension at the time of his/her retirement. We therefore consider it not unreasonable to remove the element of ex-gratia payment whilst retaining the provision for enhanced pension.

CONSULTATION

8. We have consulted the staff sides and departmental management on the proposed deletion of the ex-gratia payment. The vast majority of them either support or have no objection to the proposal, although some are concerned that the reduced retirement package would result in resistance from affected officers in agreeing to retire under the Scheme. A few have suggested that consideration may be given to extending the scheme to middle management officers.

NEXT STEP

9. Deletion of the ex-gratia payment will not incur additional expenditure. As such, there is no need to seek the approval of the Finance Committee (FC). However, since we have sought FC's approval in June 2000 for the grant of the ex-gratia payment when the Scheme was first introduced, we propose, nonetheless, to inform FC of the deletion of such payment. An FC information note would be issued shortly for this purpose.

Civil Service Bureau
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