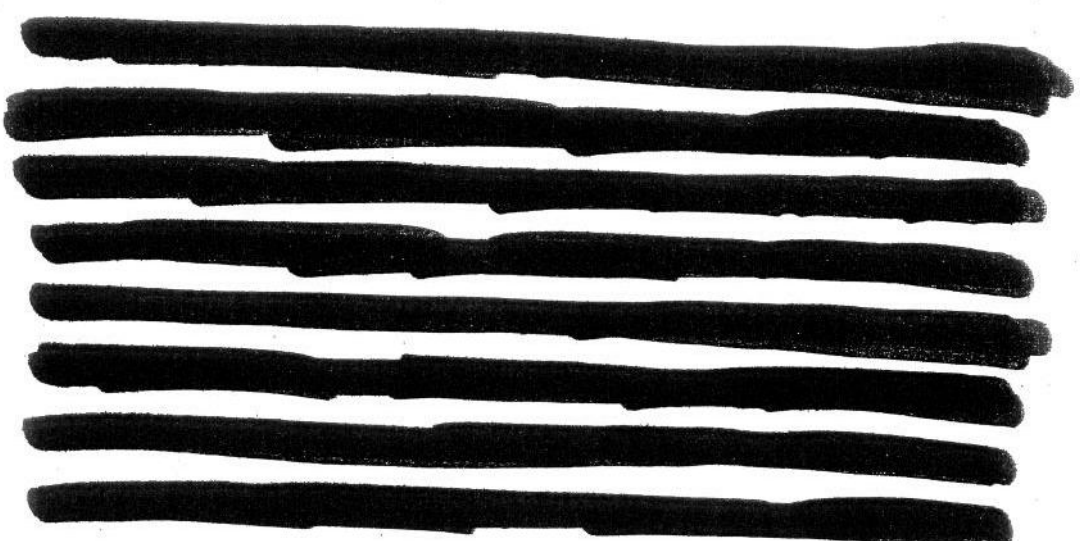


Brief for the New Governor

Pension Safeguards

The Hong Kong Government believes that pensions are secure. Pensions are both a statutory right and a statutory charge on the General Revenue. The Joint Declaration and the Basic Law provide that this legislation will continue in force after 1997. They also contain specific guarantees that the SARG shall pay pension benefits due to pensioners irrespective of nationality and place of residence, on terms no less favourable than before. Government should have no difficulty in discharging its legal pension obligations with pension expenditure forecast at about 4-5% of Government's recurrent annual operating expenditure over the next 12 years. However, staff remain concerned about the security of pensions.



[REDACTED]

3. Four pension safeguard options have been considered, namely : higher commutation of pensions; a provident fund scheme; an hypothecated pension fund scheme; and partial funding of pensions. We have not yet made a recommendation to the Executive Council (ExCo) on the various options, but the tentative conclusion is that it would be very difficult to pursue any of them due either to economic or political constraints. If ExCo agrees with this conclusion we will revert to the Chinese before announcing the decision to staff.

Constitutional Affairs Branch
May 1992