**SCMP Article**

**A patchwork of support for our retirement needs**

A little over a year ago, the Commission on Poverty launched a public engagement exercise on retirement protection. The aim was to ask how Hong Kong people can enjoy financial security in old age. In the four decades ahead, the number of the over-65 population in Hong Kong will roughly double. At the same time, life expectancy will increase. Already, 60 per cent of people in this age group can expect to reach 85, and 40 per cent will see 90.

We already have what officials call a “multi-pillar” system – a phrase first used by the World Bank in its work on retirement systems. Different groups of the population rely on different pillars to different extents.

One pillar is public non-contributory provision. In Hong Kong, this includes the means-tested Comprehensive Social Security Allowance scheme and the universal Old Age Allowance. The Old Age Living Allowance, introduced in 2013, is an additional means-tested payment aimed at the less well-off elderly.

Another pillar is contributory mandatory private savings, typically linked with employment. The best known example in Hong Kong is the Mandatory Provident Fund system.

Voluntary savings form a third pillar, including additional payments to personal MPF accounts, savings-related insurance and other private savings.

A fourth pillar comprises other forms of provision. Some are private, like family support or personal wealth in the form of self-owned property. Public ones include public housing, public health care and other services like elderly health care vouchers.

The World Bank has a fifth pillar that is absent here. That is the publicly managed mandatory contributory pillar – otherwise known as a universal pension.

When we look at long-term retirement protection, we see two broad themes. One is the issue of poverty alleviation. Around 30 per cent of our elderly population today are living below the poverty line. Although this figure may fall over time, poverty among the elderly is understandably a matter of great concern, and indeed shame in such a prosperous city.

The other theme is demographic trends. Current patterns suggest that spending on public social security allowances as a whole will double in 50 years, while spending on public health care services for the elderly will treble in that time.

The poverty commission’s public engagement exercise came to an end in mid-2016, and the government has now issued its response, in the form of a booklet. An accompanying leaflet contains a summary. The complexity of these materials reflects the fact that retirement protection will almost certainly be a patchwork. To ensure coverage is sufficient, the government wants to make each pillar more financially robust and sustainable.

Examples that are under way include boosting means-tested allowances to give more to the poor, and abolishing the offsetting arrangement for the MPF. Future possibilities include expanding health care vouchers, using tax incentives to encourage savings, and exploring ways to help older people unlock the wealth they have tied up in property they own.

However, one major question hangs over all this – should Hong Kong go down the road of a universal pension? Supporters of a universal pension argue that retirement protection should be a right. They oppose means-tested allowances as humiliating. And they point out that a universal system would have low administration costs, and relieve the financial burden on younger people with elderly parents.

Opponents dislike the idea of giving allowances to well-off people who do not need them. They also warn that universal pensions in other economies have become unsustainable, or can crowd out other spending priorities. Many also point out that we can alleviate poverty more effectively if we target resources where they are needed.

In its response, the government notes that recent surveys show that public opinion is about equally divided over this question. This is not, therefore, a populist versus non-populist question. But it has the potential to become even more contentious, as a clash looms between the older generation, who stand to gain now, and the young who would have to pay.