

Press Release

LCQ15: Life annuity scheme to be launched by Hong Kong Mortgage Corporation Limited

Wednesday, June 14, 2017

Following is a question by the Hon Chan Kin-por and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (June 14):

Question:

The Hong Kong Mortgage Corporation Limited will introduce a life annuity scheme (public annuity scheme) by the middle of next year at the earliest. The initial design of the scheme is as follows: (i) annuitants aged 65 or above may, after making a lump-sum premium payment, receive immediate lifetime annuity payouts on a monthly basis, (ii) a cap and a floor on the premium amount are set at \$1 million and \$50,000 respectively, and (iii) the initial scale of the scheme is \$10 billion. In this connection, will the Government inform this Council:

(1) whether it will, after the introduction of the public annuity scheme, conduct consultations targeting people of different age groups and social strata, in order to determine whether the scale of the scheme needs to be expanded; if so, of the timetable; if not, the reasons for that;

(2) whether it will make reference to private annuity schemes and adopt more flexible arrangements in the implementation of the public annuity scheme, such as allowing members of the public to make premium payment at the age of 60 but to start to receive annuity payouts at the age of 65, with a view to increasing the amount of the annuity payouts; and

(3) whether it will conduct a study on linking up the public annuity scheme with the mandatory provident fund (MPF) schemes so that elderly people can opt to inject the accrued benefits withdrawn from the MPF schemes into the public annuity scheme, and increasing the cap on the premium amount, in order to improve the retirement protection for middle-class people; if it will not, of the reasons for that?

Reply:

President,

The life annuity scheme (the Scheme) to be provided by the Hong Kong Mortgage Corporation Limited (HKMC) will come in the form of an immediate, lifetime-guaranteed, fixed-payout annuity, whereby eligible annuitants aged 65 or above will receive monthly payouts for a lifetime immediately after making a lump-sum premium payment. This type of annuity product may help annuitants mitigate the risk of outliving their savings, but the offering of which is rather limited in the market.

Under the Scheme, a cap will be set on the premium amount (tentatively at HK\$1 million) for each annuitant, taking into account all relevant considerations (such as encouraging market participation, avoiding over concentration of longevity risks, etc.). Having regard to their own needs and circumstances, eligible annuitant may decide whether to allocate funds from their Mandatory Provident Fund accounts to the Scheme and the appropriate amount of allocation.

HKMC will monitor closely the public's views, market responses and implementation experience before considering ways to refine the Scheme. HKMC will explore the feasibility of increasing the scale of the Scheme if the market response is favourable, and subject to the principles of prudential risk management being met.

Ends