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PRIME MINISTER

You have suggested on the attached papers that the present Hong Kong Government might set up a substantial fund as part cover for HMOCS pensions in Hong Kong.

I don't think this is on, for three reasons:

- (i) at present there is no pensions fund in Hong Kong. Pensions are paid out of revenue;
- (ii) to set up funding cover for the pensions of a small fraction of the Hong Kong Civil Service (which would amount to only part even of the expatriate element) - probably about 1,000 people out of 250,000 - would be politically impossible. But to set up funding arrangements which would make any substantial difference to the Civil Service Pensions as a whole in Hong Kong would require sums so large as to be quite outside the range of the Hong Kong budget;
- (iii) funding the pensions would not help in terms of HMOCS morale unless control of the fund passed to HMG as opposed to the SAR Government in 1997. This is the proposal dealt with in recommendation (d) of the minute. The reasons why it cannot be done now are set out in paras 14 and 15 of the attached paper.

Agree to accept Foreign Secretary's recommendation?

*CPJ*

CHARLES POWELL

15 March 1985

*Then the Minister's  
are too large for  
us to take on.  
With 12 years to  
go I should  
have thought  
we could find some  
way to funding  
the 14,000 million  
value of 2.2 billion  
net*