

Fellows spawning all over, gathering in nature's clover



Courtesy of Kadoorie Farm and Botanic Garden from **Garden in the Sky**.

HUMAN RESOURCES MANAGEMENT

Staffing

Hay Group Study

After more than one full year's operation of the MPF System, the MPFA set out in the beginning of 2002-03 to review and refine the System, to strengthen enforcement of the MPF legislation and to enhance the organization's own capabilities, integrity and accountability. The various departments of the Corporate Services Division and the Legal Department worked together with other departments/divisions in developing and implementing work programmes for achieving these objectives, and provided the necessary supporting services for the whole of MPFA.

Since its inception in 1998, the MPFA has been undertaking a series of reviews and restructuring to enhance efficiency and increase its productivity, thereby reducing costs. It strives to operate under a lean structure and apply tight cost controls while at the same time achieve its objectives of strengthening its operation and capabilities. With continued efforts to streamline the structure of the organization, the establishment of MPFA had been downsized progressively from 327 in 2001 to 280 as at end of March 2003. The number of temporary staff was also reduced from 116 in 2001 to 37 at the end of March 2003. As a result, a staff cost to total expenditure ratio of 65.5% was attained. On the other hand, the staff turnover rate had reduced from 24.86% in 2001-02 to 18.50% in 2002-03. With a more stabilized staff, we were able to start devoting more efforts to organization development and culture building activities.

In 2001, following the evolution of its structure and functions, the MPFA conducted a review on its pay structure, which was first set up in 1998 by KPMG Management Consultants before the establishment of the Authority. The recommendations of the review were held in abeyance in view of the 2002 Hay Group study commissioned by the Government on the remuneration of the top three tiers of senior executives of selected statutory and other bodies, including the MPFA. Accepting the recommendations of the Hay study, the MPFA reviewed the remuneration of incumbents of senior positions in July 2002 and then the overall pay structure in late 2002. The resulting revised pay structure was submitted to the Financial Secretary for consideration in January 2003.

As to the disclosure of remuneration of the senior staff, the annual total cash remuneration of the Managing Director for the financial year 2002-03 was \$4,692,600, of which \$4,266,000 was fixed pay. The Managing Director volunteered to reduce the performance-linked variable pay awarded to him by half, to \$426,000. The annual average salaries of the four executives in the second and third tiers were \$3,000,000 and \$2,931,540 respectively. No salaries adjustment has been made since the MPFA's establishment in September 1998. The average performance-linked variable pay amounts of the second and third tiers for the year were \$192,430 and \$263,577 respectively.

Supporting Services *Continued*

All three tiers of senior executives are entitled to annual leave, contributions to the MPF schemes, and life and medical insurance coverage, which amounted to \$488,061 (first tier), \$349,594 (average of second tier) and \$348,072 (average of third tier) respectively. There are no other allowances or benefits-in-kind.

As part of the process to enhance performance management, we identified core competencies of various groups of staff and linked them to the corporate core values in the Staff Appraisal Review system. These core values are Commitment, Quality, Teamwork and Community. Communication of the core values and core competencies was conducted through staff forums and workshops for staff at manager level and above.

A team building workshop was organized for staff of the Complaints and Investigation Department. In addition, we have launched a staff communication programme for each department to take turns to host a briefing session for other staff members about the work of their own departments at bi-weekly forums. An award scheme for the best performing teams was introduced with an aim to enhance team spirit and encourage active participation in these forums. We are also developing a more formal Staff Recognition Programme to reinforce our core values.

To develop and enhance the management and professional/technical skills of staff, 11 management development sessions were organized with a total attendance of 235, and 132 professional, technical and job-related skills training sessions were conducted with a total attendance of 703. In addition, 18 MPF business knowledge training sessions were held with a total attendance of 1 069.

We have rolled out tailor-made orientation programmes for new staff to include experience-sharing sessions, and visits to business partners in the first and second months of appointment.

We have also networked with other regulators and human resources professionals of other public or large organizations for experience sharing, training and benchmarking. Experience sharing sessions on case handling were held with a number of relevant public bodies.

ORGANIZATION DEVELOPMENT AND CULTURE BUILDING

Performance Management System

Staff Communication and Team Building

Staff Training

Student Internship Program

Nine summer interns joined the MPFA during the period from June to August 2002 under the student internship programme coordinated by the Government's Advisory Ccommittee on Human Resources Development in the Financial Services Sector. The programme aims to prepare local undergraduates for their future participation in the financial services industry and provide them with real-life work experience before they formally enter the workforce.

Other Staff Activities

We have published four issues of the Staff Newsletter *The Orchard*, eleven issues of *Staff Express* and three issues of *Staff Bulletin*. During the year, a total of twelve events were organized by the Staff Welfare Committee, including yoga classes, line dance classes, movie evenings, a bowling competition, a boat trip, a fun day at the Ocean Park and a Christmas party. In addition, two staff discount schemes were implemented. As in past years, all MPFA staff participated in the Dress Casual Day 2002, and a blood donation day was held on 27 March 2003.

GENERAL ADMINISTRATION

During the year, we have reviewed our office administration activities, and identified eleven areas for cost saving programmes. These programmes had been implemented resulting in an annual saving of about \$0.34 million. We also completed a preliminary study on the long-term accommodation strategy for the MPFA.

In the face of the outbreak of atypical pneumonia (AP) in March 2003, we have embarked on a contingency programme to manage developments that may adversely affect MPFA's operations, work environment and the health of its staff. We have set up an AP Command Team to formulate, direct and coordinate contingency policies and measures in response to the AP outbreak. An AP Management Team was also formed to support, further develop and execute the directives of the AP Command Team. Precautionary measures introduced to minimize the risk of AP infection included stepping up of cleansing and disinfecting of office premises and equipment, ensuring proper ventilation and drainage systems in our offices, deferring non-essential meetings and activities involving large groups, and allowing flexible office/lunch hours. New human resources policy on leave/authorized absence in connection with prevention of spreading of AP has been put in place. We also activated our business continuity plans, which included staff segregation measures to ensure normal operation of all areas in case any group of staff needed to be quarantined for two weeks or more.

Supporting Services *Continued*

FINANCIAL CONTROL

As a result of stringent cost control, total expenditure in 2002-03 was \$216.9 million, representing a 11.2% reduction from the previous year. However, due to the continued decrease in fee income from ORSO schemes (as a result of a declining number of ORSO schemes) and the low investment return in the current poor investment environment, total income reduced by 9.4% to \$205.0 million.

In order to encourage and promote the value-for-money concept, we reviewed and refined the overall procurement procedures in the light of operational experience, and making reference to ICAC's guidelines on corruption prevention.

For process improvement and cost analysis purposes, a consultant was hired to conduct a pilot activity-based costing exercise on operations related to ORSO schemes and MPF intermediaries. The methodologies and rules developed will be applied in future to costing exercises of other work areas.

An integrated Financial Information System was launched at the end of March 2003. With the system in place, financial control has been further strengthened and integrity ensured.

TREASURY

As at 31 March 2003, the value of investment of the \$5 billion Capital Grant from the Government was recorded at \$5.20 billion. At the same time, the value of investment of the Compensation Fund, which includes the \$600 million seed money from the Government and the levies collected pursuant to the MPFSO, was \$760.50 million.

During the year, the investment strategies of the Capital Grant and the Compensation Fund were reviewed and their asset mix revised. So far, the Capital Grant and the Compensation Fund were both invested mainly in deposits and bonds. Included in their balanced portfolios was a small percentage of investment in the Tracker Fund. Floating rate notes were also introduced into the portfolio of the Capital Grant. The services and performance of the master custodian and the two external fund managers appointed to safe-keep and manage the MPFA's assets were closely monitored in order to ensure high service standards.

Pursuant to the MPFSO, the MPF approved trustees may be required to pay an annual registration fee in respect of registered schemes. Such fee has been waived since the implementation of the MPF System.

INFORMATION TECHNOLOGY

The Information Management System (IMS), the core information system of the MPFA, was fully delivered in 2001-02. The IMS facilitates the efficient processing of applications submitted by service providers for registration of MPF trustees, schemes, intermediaries and investment funds, and assists in the management and monitoring of enrolment and compliance. During 2002-03, an in-house team was set up to undertake the continued maintenance and enhancement of the IMS. The team has taken over the regular maintenance from the contractor since end of August 2002. Following the enactment of MPF legislative amendments in July 2002, changes to the IMS were made to tie in with the changes in administrative arrangements.

As part of our programme to strengthen the enforcement support systems, we have completed development work to improve the operational efficiency of the Complaints Handling System. The Investigation Handling System has been further enhanced by the implementation of a new method of case assignment and progress monitoring functions. A system for chasing and managing default contributions has been developed for detection of contribution defaults, and debt recovery through small claims and liquidation cases.

On improving management information for effective operation and decision support, we have taken steps to develop Management Information Systems (MIS) by embarking on a study of the management information needs of the MPFA. Using the management of default contributions as a pilot, we plan to develop a corporate MIS road map to provide guidance in studying the information needs and develop the MIS for other work areas.

CORPORATE AFFAIRS

The Management Board held five meetings during the year, whereas the MPF Schemes Advisory Committee and Industry Schemes Committee met once and thrice respectively. The Administration Committee, Finance Committee and Guidelines Committee held five, four and three meetings respectively during the year. Upon expiry of their first term of appointment of two years, most members of the Industry Schemes Committee were reappointed in August 2002 for a further term of two years.

During the year, we followed closely the development of legislation applicable to MPFA, such as those relating to intellectual property, personal data privacy and occupational safety and health. Related codes and guidelines were studied, and steps were taken to ensure compliance.

Supporting Services *Continued*

The policy for managing the records of boards and committees was drawn up. A study on the feasibility of electronic records management for two pilot areas was carried out. Implementation of electronic records management for closed investigation case files as recommended in the study has commenced. Similar studies will be extended to other areas in the coming year.

The automated library system for the MPFA library was implemented in mid-2002. During the year, comparisons of MPFA's collection with those of similar organizations were made and steps were taken to enhance our library collection and staff usage.

A total of six management reviews and three internal audits were conducted during the year. With regard to the Enforcement Division, complaints handling and investigation procedures were streamlined to speed up processing and enhance customer service. The operating machinery and staff structure for the handling of default contributions were reorganized to strengthen control and management, and to achieve significant increases in output.

With regard to the Supervision Division, a review was started to identify the functions and business areas that have to be developed in order to implement the new risk-based supervision strategy endorsed by the Management Board in December 2002. A Development Team was formed in March 2003 to draw up the policies, regulatory framework, standards, procedures, work programmes, communication plans and organizational structure of the Supervision Division for the new strategy.

With regard to corporate services, the role of the Corporate Affairs Department was expanded to encompass all corporate-wide matters including corporate planning, records management and corporate communications. The Human Resources Department was reorganized to strengthen its focus on human resources policies and procedures, to enhance performance management and to implement an organization development programme. The General Administration Department has reorganized its work processes and operations resulting in manpower savings. The work programme of the Information Technology Department was revised to enable it to take the lead in developing a management information framework for all other operating units.

MANAGEMENT REVIEW AND INTERNAL AUDIT

The External Affairs Division reviewed its publicity and communication strategies, and its focuses on MPF education and reaching out programmes, and reorganized its operating units to complement the changes.

The internal audit function was established and an internal audit programme drawn up initially to audit the financial, treasury and administrative functions. Policies and procedures regarding financial payment, staff recruitment and reimbursement of deposits were audited. Other areas under review include fees collection, inventory management and transactions settlement procedures.

Corporate wide, performance pledges were drawn up to better monitor performance and the achievement of targets, and write-off policies were reviewed to strengthen control and accountability. Business continuity is now being studied, with a view to drawing up policies and the machinery to maintain business continuity of the critical MPFA functions at all times.

LEGAL SUPPORT

The Legal Department provides legal support to many aspects of MPFA's operation. During the year, the Department assisted the Supervision team in monitoring the operations of trustees, intermediaries and ORSO schemes. It also advised on legal issues arising from scheme administration, investment restrictions, scheme re-structuring, non-compliance and exemption.

On the enforcement side, the Legal Department worked closely with the Enforcement team in ensuring enrolment in and contributions to MPF schemes. It provided advice during the inspection and investigation stages, and liaised with the Department of Justice and prosecutors in prosecution cases. It also advised on civil actions for the recovery of outstanding contributions on behalf of scheme members. In resolving legal issues in order to streamline the recovery of outstanding contributions and the payment of benefits, it co-operated with the Labour Tribunal, Labour Department, Official Receiver's Office and the Probate Registry.

The Department contributed to the review and refinement of the MPF System by providing legal support to the development of proposals to amend the MPF legislation, and to the revision of related guidelines. Its service also covers legal issues which may arise in the day-to-day operation of MPFA, such as commercial contracts, leases and copyright.