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Supporting Services

HUMAN RESOURCES MANAGEMENT

In 2004-05, the MPFA continued to strengthen the MPF System, ensure compliance with the MPF legislation and enhance the organization's own capabilities, integrity and accountability. The various departments of the Corporate Services Division and the Legal Department worked alongside other divisions/departments in developing and implementing work programmes for achieving these objectives. They also provided the essential supporting services for the smooth operation of the whole organization.

Organization Reviews

Since its inception in 1998, the MPFA has undertaken a series of reviews of its structure, operations and human resources strategies in order to enhance efficiency and increase its productivity. In the light of the outcomes of various reviews in the previous years, and with the new Managing Director in post from 1 July 2004, another review was conducted in 2004 on the overall organization structure. The recommendations of the review were implemented, with the top management structure strengthened in early 2005 by the filling of two vacant senior positions, the Executive Director (Supervision) and the Head (Corporate Services), responsible for the Supervision Division and the Corporate Services Division respectively.

At the departmental level, management reviews were conducted on the Information Technology Department, the Human Resources Department, the Legal Department, the Library Section of the Corporate Affairs Department, the Member Protection Department, the Complaints & Investigation Department, the ORSO Schemes Department, the Intermediaries/Trustees Department, the Community Relations Department and the Publicity and Education Department. The reviews focused on a variety of subjects including business objectives and processes, organization structure, job analyses, human resources needs, work strategies, policies, controls, and administrative support services.

At the divisional level, the work processes and organization structures of the Enforcement Division were also reviewed with a view to enabling a "through-train" service in complaints handling, investigation and debt recovery in the Member Protection Department and Complaints & Investigation Department. A review of the Supervision Division's organization structure, job roles and skills required has commenced in the light of the promulgation of the new Compliance Standards. The review will continue in 2005-06.

Staffing and remuneration

The establishment of the MPFA was downsized from 327 in 2001 to 280 in 2003, and has remained stable since then. The staff cost to total expenditure ratio for the year 2004-05 was 66.2%, and the staff turnover rate was 14.42%. During the year, 28 recruitment exercises were conducted to fill vacancies

arising from natural attrition at manager and supporting grades. The recruitment exercises of the Managing Director, the Executive Director (Supervision) and Head (Corporate Services) were also completed.

A salary review of all staff by grades was completed in August 2004. This was followed by an exercise to align staff's salary with the market in two stages.

Regarding the remuneration of the senior staff, the total cash remuneration of the Managing Director from 1 July 2004 to 31 March 2005 was \$3,621,357.00, of which \$3,125,070.00 was fixed pay. Her total cash remuneration for the period from 1 April 2004 to 30 June 2004, during which she was Acting Managing Director, was \$1,102,950.00, of which \$937,530.00 was fixed pay. The annual average salaries of the four executives in the second and third tiers were \$2,898,600.00 and \$2,667,226.22 respectively¹. The average performance-linked variable pay amounts of the second and third tiers for the year were \$272,747.00 and \$490,631.61 respectively.

All three tiers of senior executives are entitled to annual leave, contributions to MPF schemes, and life and medical insurance coverage. Provision of such benefits amounted to \$387,651.39 and \$118,800.23 for the Managing Director and Acting Managing Director respectively in 2004-05. For the second and third tiers, the average amounts were \$342,297.49 and \$339,419.28 respectively. There are no other allowances or benefits-in-kind.

ORGANIZATION DEVELOPMENT AND CULTURE BUILDING

Development of Corporate Culture

In the previous financial year, a staff recognition programme was rolled out to promote the corporate core values (i.e. community perspective, commitment, quality and teamwork) and reward staff members who demonstrate such values in concrete behaviours. A more formal staff recognition programme, the Internal/External Customer Service Award scheme, was developed and implemented in the year. There was strong support for the scheme, with active participation in the nomination and voting processes. A total of 120 staff members received the awards, which were presented in December 2004.

Externally, MPFA staff members were publicly recognized for their good work for the second consecutive year. One of the MPFA's Inspectors won the Ombudsman Award (Complaint-Related) in July 2004. This is an affirmation and recognition of MPFA's professionalism in complaints handling and commitment to customer service.

¹ The actual remuneration, including fixed pay and performance-linked variable pay, received by staff not serving a full year at a particular rank is annualized for the purpose of calculating the average annual package of the rank.

Supporting Services (cont'd)

As in previous years, special briefing sessions were conducted for staff before the start of the financial year to cascade the 2004-05 Corporate Plan, its objectives, directions and emphases. Following the announcement of the appointment of the Managing Director in June 2004, special staff communication sessions were held in small groups or individually with the Managing Director for her to listen to staff's views.

Other multi-purpose programmes have been devised to facilitate staff communication, further enhance cohesion and instil a sense of belonging amongst staff members. These programmes include the formation of 13 interest clubs under the Staff Welfare Committee and various formal and informal competitions and knowledge-sharing programmes.

Training and Development

As part of our continuous effort to enhance human resources capability, we implemented various training and staff development programmes during the year. These include management development programmes aiming at developing analytical thinking skills, sharing sessions on the handling of difficult complainants, stress management programmes for frontline staff of the Member Protection Department, and team building programmes for the senior management team as well as for all staff through staff social activities. In addition, training sessions were conducted to equip our staff with business knowledge and job-related skills, such as those related to legal, accounting and investment knowledge, inspection and investigation, and information technology.

Knowledge management/sharing programmes were continued, including briefings on current affairs and issues related to occupational safety and health, crisis management and business continuity planning, etc. A summary of all the staff training and development sessions, together with the organization development and culture building programmes organized during the year, is at Appendix 11. Over 130 sessions were held with a total attendance of over 3 000.

Other Staff Activities

During the year, the MPFA published three issues of the Staff Newsletter *The Orchard*, five issues of *Staff Express* and three issues of *Staff Bulletin*. A total of seven events were organized by the Staff Welfare Committee, including movie evenings, a photo contest, a bowling competition and a Christmas party. In addition, a staff discount scheme was implemented.

The MPFA took part in the Supervisory Cup Basketball Competition and the Public Organizations Challenge League of 2004, both jointly organized by six financial regulators. The events provided an opportunity for our basketball and soccer teams to demonstrate their skills and team spirit.



Participation in the Po Leung Kuk Lunar New Year Charity Walk.

We were involved in various community and fund-raising activities during the year. All our staff participated in the Dress Casual Day 2004 and won, for the fourth time, and the second consecutive year, the award for the Highest Participation Rate in the Companies and Organization Category. A blood donation day was held in the office premises on 28 February 2005. In response to appeals for donations in the wake of the tsunami disaster in South Asia, the MPFA staff raised a total of \$100,000 in January 2005. Staff representatives also participated in the Sixth Sowers Action Challenging 12 Hours Charity Marathon in October 2004 and the Po Leung Kuk Lunar New Year Charity Walk in February 2005, and raised \$17,060 for the education of children in mountainous regions of China and \$8,630 for supporting the services of Po Leung Kuk.

FINANCIAL CONTROL

In order to achieve efficient allocation of resources within the organization, we applied stringent cost controls to contain expenses, including those necessitated by the stepping up of enforcement actions. Total expenditure for the MPFA in 2004-05 was \$198.9 million, representing a 1.3% reduction from the previous year.

Having fully implemented the new investment strategy for MPFA's reserve during the year, we also reviewed the approach of presenting the MPFA's budget. To facilitate internal resources monitoring, we revised the presentation of our budget and distinguished it into the Operation Account and the Fund Management Account. The Operation Account covers all income and expenditure related to regulatory and supporting activities, while the Fund Management Account covers all income and expenditure related to the investment of the MPFA's reserve.

The MPFA continued its efforts in ensuring value for money in the procurement of services and goods through transparent and accountable procurement processes. The Procurement Policies and Procedures were fine-tuned and assessment panels were formed to evaluate proposals received in several major procurement exercises.

To improve efficiency and effectiveness, we revamped the process of handling default contribution receipts and payments. The process of checking and recording investment transactions was also streamlined after the global diversification of our investment portfolio.

TREASURY

As at 31 March 2005, the balance of the \$5 billion Capital Grant from the HKSAR Government was \$5.2 billion. Meanwhile, the value of investment of the Compensation Fund², which includes the \$600 million seed money from the HKSAR Government and the levies collected pursuant to the MPFSO, was \$852.5 million.

In early 2004, the MPFA Management Board approved the long-term investment strategy for the Capital Grant. A new strategic asset allocation was adopted whereby cash holding was reduced and the investment in fixed income instruments and equity was increased. The new asset mix included global diversification. Three fund managers were appointed to manage the Capital Grant's securities investments. The new investment strategy was implemented in phases, with funds transferred to the new fund managers in batches. The last batch was transferred in December 2004. The services and performance of the external fund managers and the master custodian were closely monitored in order to ensure high service standards.

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

INFORMATION TECHNOLOGY

We continued to enhance and develop information systems to facilitate business operations, including a review study on ORSO business processes with a view to re-developing the existing computer system for ORSO schemes supervision. The project to rewrite the old system into a new ORSO Record Management System (ORMS) was kicked off by the end of 2004. In respect of supervision of MPF intermediaries, the information system for processing the registration and de-registration of intermediaries was streamlined. Work has also been commenced to facilitate the new processes of registration renewal and issuance of MPF certificates for intermediaries to replace the MPF intermediaries cards.

Meanwhile, we completed a review of enforcement-related information systems and assessed the need for enhancement. A number of new systems and modules were built, including a system to automate the processing of liquidation cases, and a module in the Inspection System to facilitate proactive inspection on repeatedly defaulting employers. Furthermore, a prosecution knowledge database was set up to allow information sharing among members of the investigation and prosecution teams.

² The Compensation Fund is set up under the MPFSO to compensate MPF scheme members for any loss in MPF accrued benefits caused by misfeasance or illegal conduct committed by MPF trustees or any other person engaged in the administration of the MPF scheme. Assets of the Fund include the \$600 million seed money injected by the HKSAR Government and an annual levy of 0.03% of the net asset value of all MPF schemes.

Other information technology projects accomplished during the year included the launch of a Simplified Chinese version of the MPFA's website to facilitate the dissemination of information to more users. To ensure our information assets are well-protected, an external consultant was engaged to perform a comprehensive security assessment on our information systems. In addition, we started a review of the existing computer equipment to identify the need for replacement or upgrading.

RECORDS MANAGEMENT

During the year, we completed a Records Management Policy Manual, which sets out our corporate records management strategies. Staff members were briefed on the concept of records management and the strategies adopted by the MPFA. A set of records retention guidelines was issued to facilitate the consideration of records disposal schedules of individual functional units. We continued to explore the feasibility of applying information technology to records management with a view to implementing a more efficient and space-saving filing system. The General Office & Registry Information Automation (GLORIA) system, an electronic filing system, was installed for trial in the MPFA, courtesy of the HKSAR Government's Efficiency Unit. With encouraging results from the trial by selected functional units, we have made plans to roll out the GLORIA system to more departments for trial.

BUSINESS CONTINUITY DRILL

Since 2002-03, the MPFA has been working on a Disaster Contingency Plan to ensure business continuity in a crisis situation. The Plan was refined in the light of the experience gained in a number of drills during the year. In September 2004, the Crisis Management and Business Continuity Planning Manual was promulgated, setting out the policies, procedures and operation guidelines in relation to the management of crises that may threaten the MPFA's normal operation, staff, customers or reputation. A comprehensive drill was successfully conducted in September 2004 to familiarize staff members with the procedures for maintaining business continuity after a disaster that would render the MPFA's office premises inaccessible. The drill involved recovering the MPFA's computer information systems in an alternate site, and continuing normal business operation. In addition, a crisis command team was set up and housed in another alternate office site to monitor critical operations and maintain communication with staff and relevant external parties.

RISK MANAGEMENT, MANAGEMENT REVIEW AND INTERNAL AUDIT

In the year, a risk management programme was launched to identify, assess and manage risks in a timely and systematic manner. A list of risks at the corporate level was identified and compiled into a corporate risk register, and preliminary treatment plans were drawn up. In the meantime, all departments in the MPFA were provided with appropriate guidance in developing their own departmental risk management plans. All the departmental risk registers, except that for the Trustees Department, were completed by June 2004, and the related risk management plans were put into operation. The Trustees Department will finalize their risk management plan in 2005 to take into account the changes in the work arrangements required for the introduction and operation of the Compliance Standards for MPF trustees.

Apart from the management reviews described under the section on Organization Reviews in this chapter, six internal audit exercises were carried out during the year. The Call Centre and complaints and investigation functions were audited as to whether there was sufficient segregation of roles and responsibilities, whether standard procedures were followed and whether there were adequate internal control measures. The enrolment and withdrawal operations of the Member Protection Department were audited in regard to their efficiency and effectiveness and to ascertain whether there were adequate monitoring and reporting. Improvement measures identified in internal audits conducted in the previous year were reviewed as to whether they have been fully implemented. Other reviews include those conducted on specific topics, such as business continuity and disaster recovery measures, information technology project monitoring processes and write-off procedures for MPFA's assets.

MANAGEMENT BOARD AND OTHER COMMITTEES

On 16 March 2005, the HKSAR Government announced the retirement of five non-executive directors and the new appointments of four non-executive directors for a term of two years, with effect from 17 March 2005. As to the MPF Schemes Advisory Committee, the HKSAR Government announced on 29 March 2005 the retirement of eight members and the appointments of eight new members for a term of two years, with effect from 30 March 2005. The relevant membership lists are set out in Appendix 1.

All existing members of the MPF Industry Schemes Committee were re-appointed by the HKSAR Government for a term of two years with effect from 25 August 2004.

LEGAL SUPPORT

The Legal Department provides legal support to many aspects of MPFA's operation. During the year, the Department advised the Supervision Division on issues related to the monitoring 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 and the enforcement of judgments.

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 that may arise in the day-to-day operation of MPFA.