

HR Magazine HR Conference

Compensation & Benefit Strategies - Is it all about money?

23 February 2012

BCT's MPF
Best in Class

BCT  銀聯集團



1

Goal



10

/10 Caters
for Locals



100

%
Focused

Compensation & Benefit (C&B)

- Let's go beyond money

Ka Shi Lau

Managing Director & CEO
BCT Financial Limited
Bank Consortium Trust Co. Ltd.

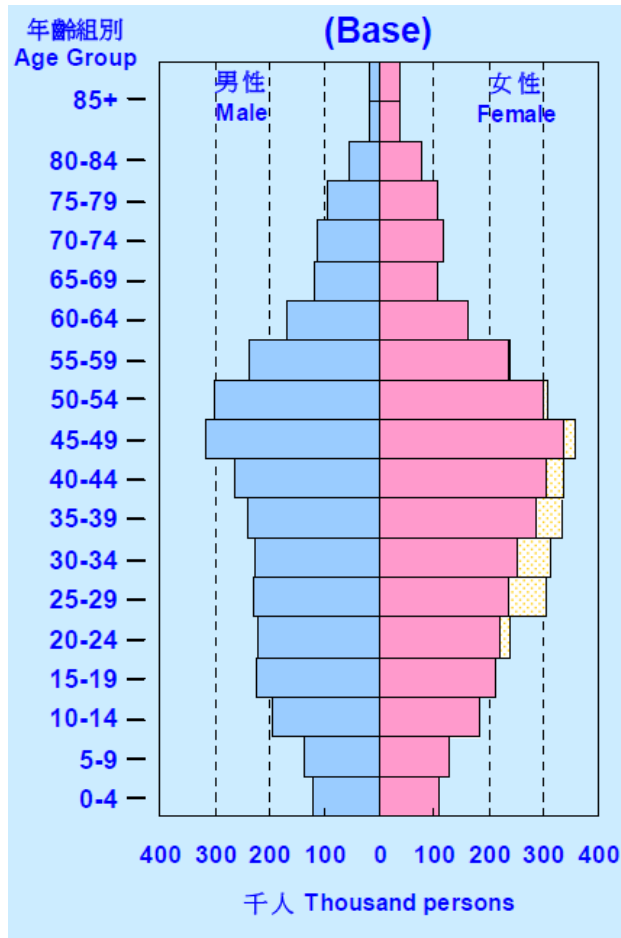




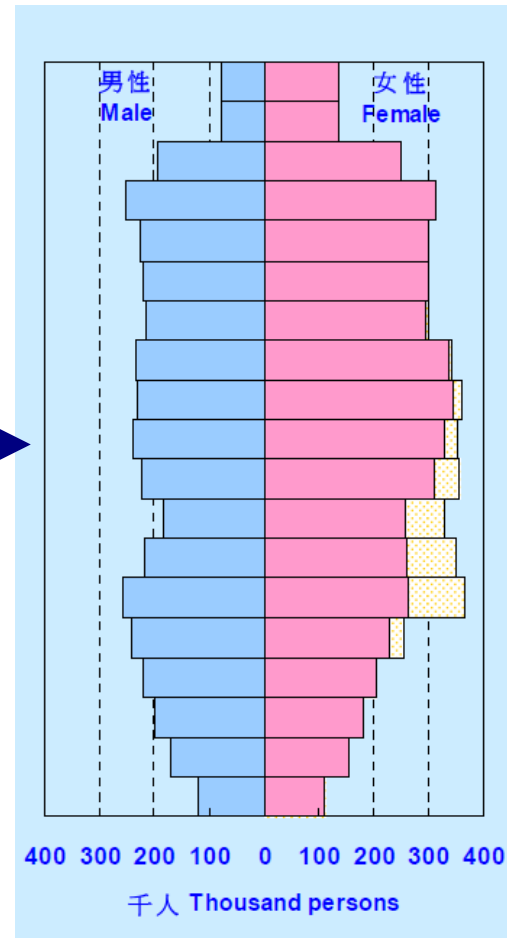
1. Longer Lifespan - the Necessity of Planning Better for Retirement
2. Reasons for Talents Leaving - How to Make them Stay?
 - Financial Elements - MPF (Voluntary Contributions / Vesting Scale)
 - Non-financial Elements – Retirement Arrangement
3. Conclusion: Think and Act – What Suits YOU the Best?

Hong Kong – An Ageing City

Mid-2009





Mid-2039



Source: Census and Statistics Department, HKSAR

Hong Kong People Have a Longer Lifespan

Projected expectation of life at birth in 2039

	 Male	 Female
HK	83.7	90.1
Japan	82.6	89.4
Sweden	83.3	85.9

Source: Hong Kong Population Projections 2010 -2039 (2010),
Census and Statistics Department, HKSAR

It is Vital to Plan Well and Earlier for Retirement

Rapid Demographic Change in Hong Kong

	1989	1999	2011	2039 (projected)
Population size	5.69 million	6.72 million	7.07 million	8.89 million
≥ 65 years old	8.3%	11%	13.3%	28%
Median age	30.4	36	41.7	47.6
Elderly dependency ratio *	119	153	177	454

Source: Census and Statistics Department, HKSAR

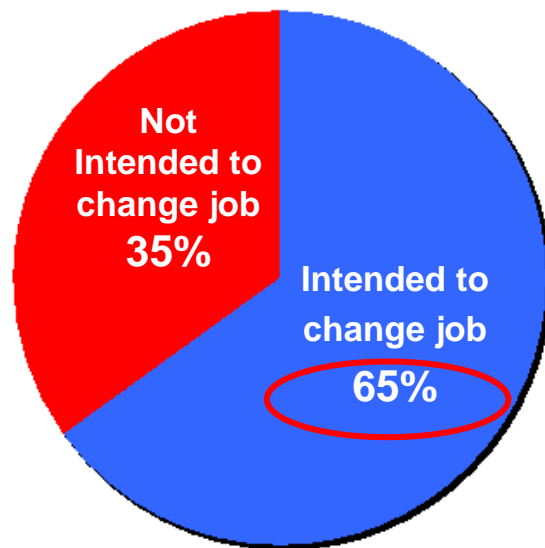
* Elderly dependency ratio is the number of persons aged 65 and over per 1,000 persons aged between 15 and 64



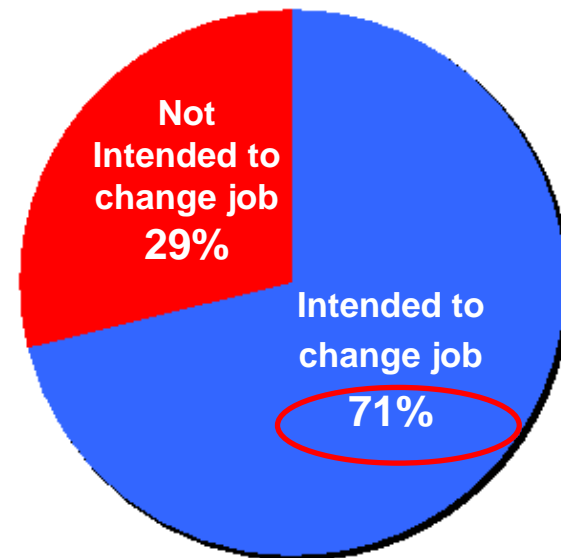
1. Longer Lifespan - the Necessity of Planning Better for Retirement
2. Reasons for Talents Leaving - How to Make them Stay?
 - Financial Elements - MPF (Voluntary Contributions / Vesting Scale)
 - Non-financial Elements - Retirement Arrangement
3. Conclusion: Think and Act – What Suits YOU the Best?

Job Hunting Status in Hong Kong: Active

Intention to change current jobs
among respondents

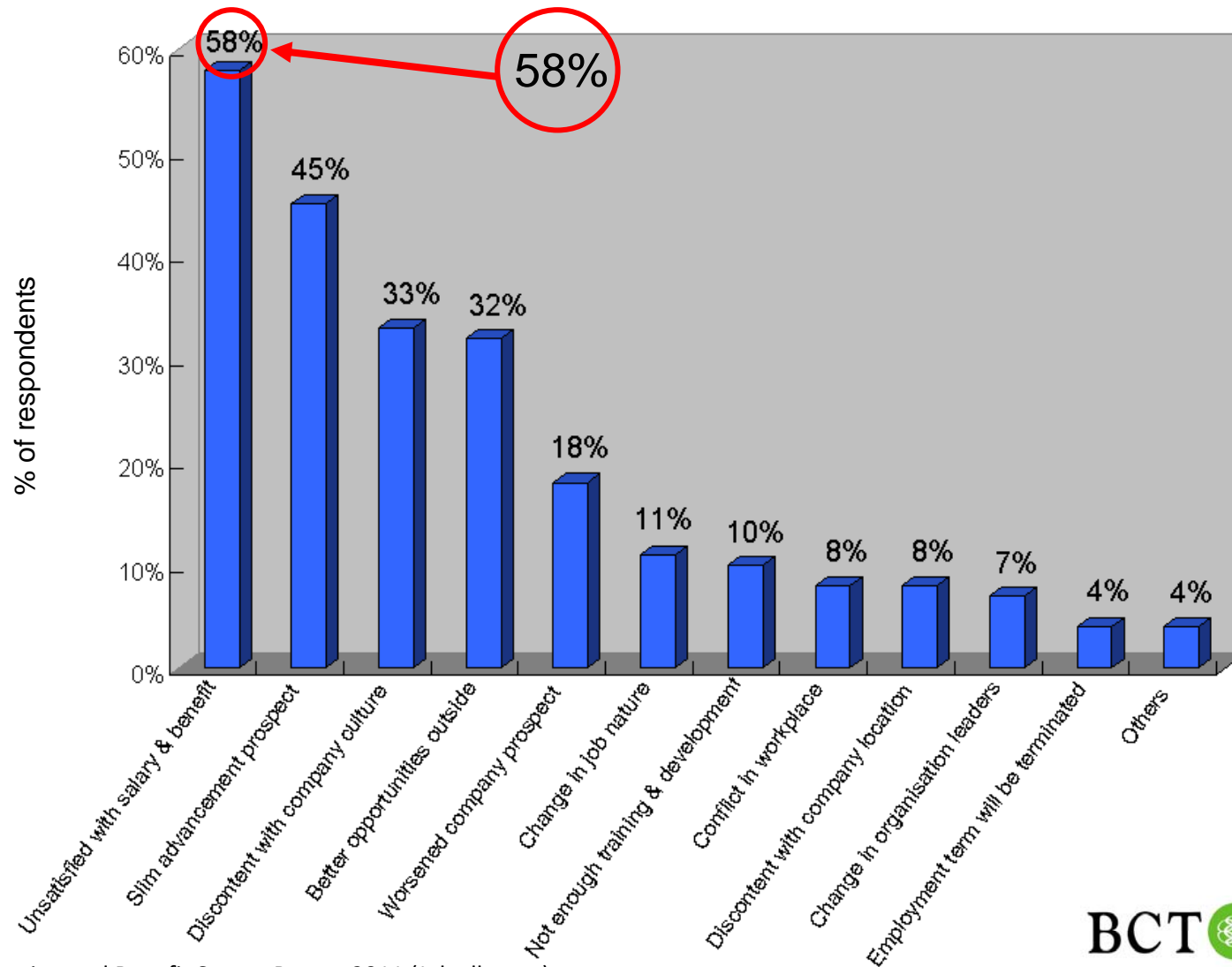


Intention to change current jobs for those who
did not change jobs in previous year



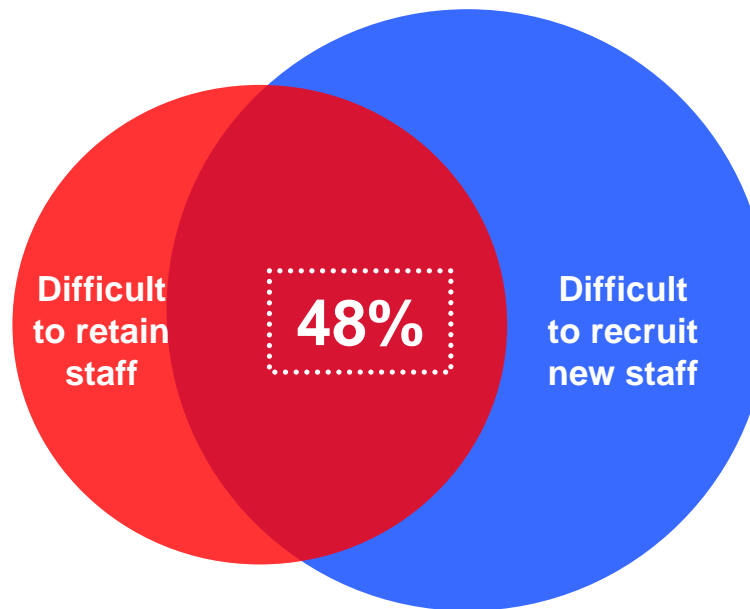
The Main Reason Employees Want to Leave?

“Unsatisfied with current salary & benefit” ranked the most important reason for looking for new jobs



Many Employers are Facing Difficulty in Staff Retention & Recruitment

- It was difficult to **retain staff** – **55%**
- It was difficult to **recruit new staff** – **69%**
- The difficulties in retaining and hiring staff is more commonly reported by **companies of larger size** than those of smaller size.



Source: Compensation and Benefit Survey Report 2011 (Jobsdb.com)

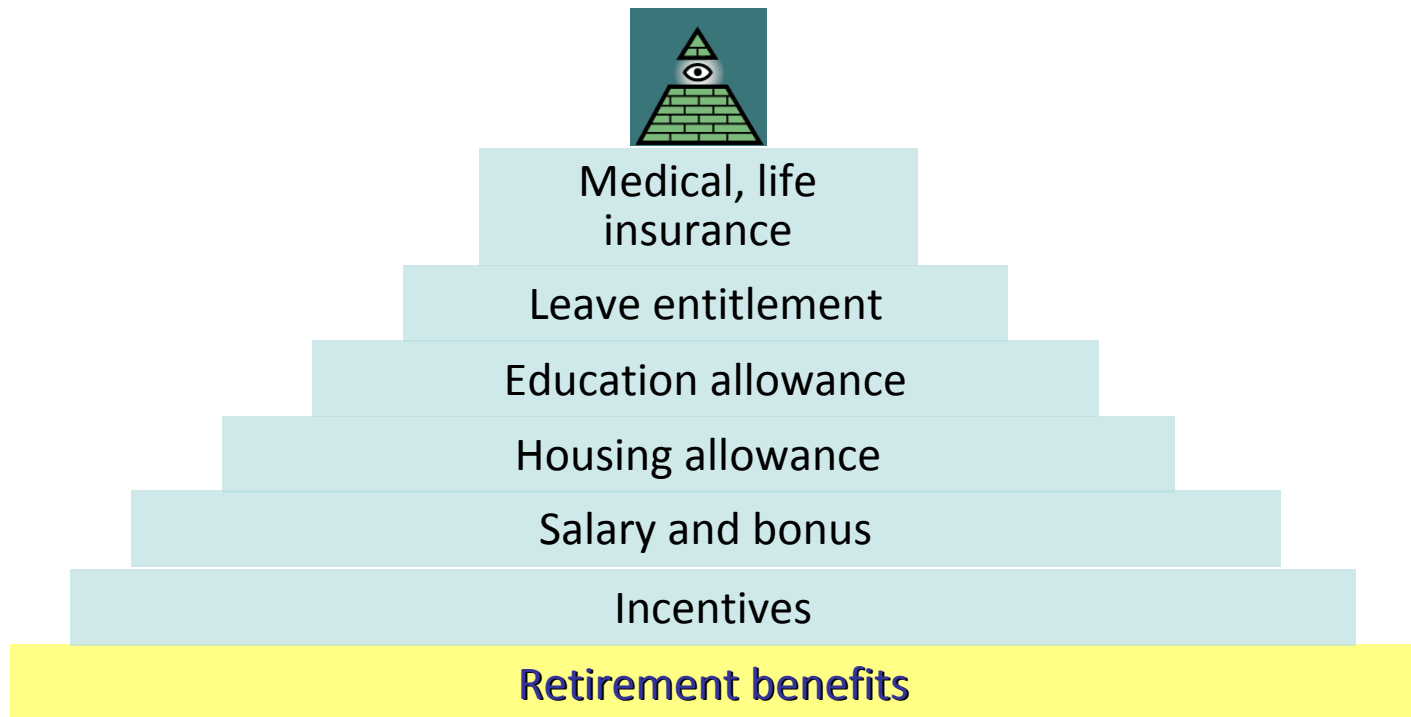


How to make employees stay
through **C&B**?

What are Compensation & Benefits (C&B)?

Objectives

- Increase the **economic security** of employees
- Increase employees' **sense of belonging**
- Enhance **staff retention**



What is the Most Important to You in Terms of C&B?

One survey indicated that **retirement benefits** ranked



Major Concerns in Retirement Planning in the eyes of employees



How much do I need for retirement?



Not enough savings for general expenses after retirement



Financial support from children is uncertain



High inflation risk causing purchasing power to decrease



Prolonged lifespan (longevity risk)

Financial elements in C&B are important!





1. Longer Lifespan - the Necessity of Planning Better for Retirement
2. Reasons for Talents Leaving - How to Make them Stay?
 - Financial Elements - MPF (Voluntary Contributions / Vesting Scale)
 - Non-financial Elements - Retirement Arrangement
3. Conclusion: Think and Act – What Suits YOU the Best?

Financial Elements in C&B



Provision of voluntary contributions for MPF (on top of MC)

Vesting scales for voluntary contributions

Provision of retirement planning

Provision of voluntary
contributions for MPF
(on top of MC)

Attract
Talents

Give voluntary contributions by reference to the number of completed years of service. The following scale is an example for consideration:

No. of Completed Years of Service as Full Time Employee	Employer's Contribution Rate (MC Rate + VC Rate)
< 5 years of service	5% + 1% = 6 %
5 - 10 years of service	5% + 3% = 8 %
> 10 years of service	5% + 5% = 10 %

Vesting scales for voluntary contributions

**Retain
Staff**

The entitlement of the company's voluntary contribution is subject to a vesting scale. Again, an example for consideration:

Completed Year of Service	Vesting Scale
1	0% - 10%
2	20%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Planning Voluntary Contribution Rates & Vesting Scale is an Art

Making a good plan for voluntary contribution rates / vesting scale against completed years of service is essential –



Provision of retirement planning

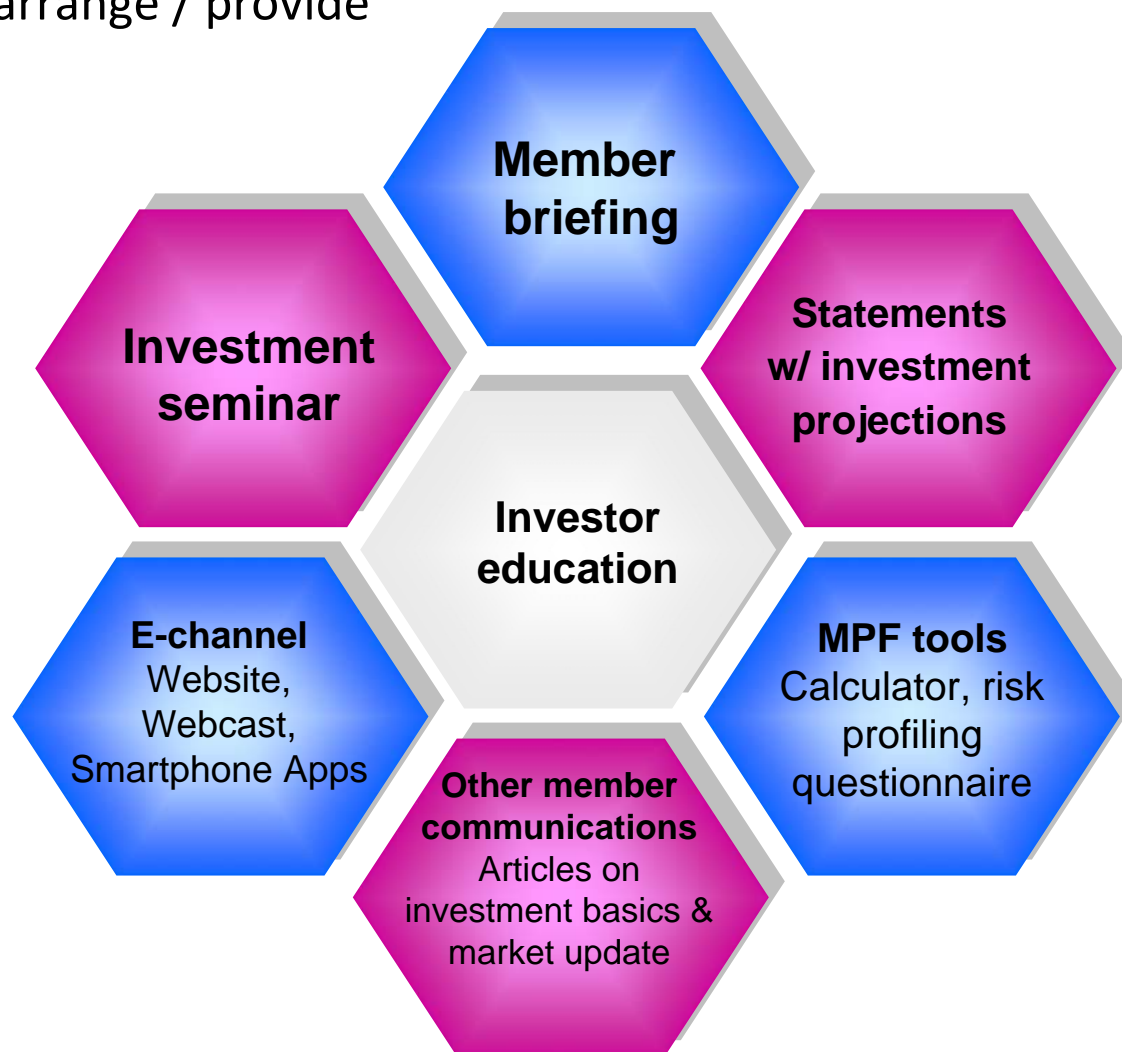
Proper retirement planning can help employees:


- Start planning and investing for retirement **early** – Power of compounding effect
- Develop and implement a **comprehensive** wealth management plan for retirement
- **Control** their monthly expenses and reduce unnecessary spending
- Increase the amount of **regular savings** (e.g. additional MPF contribution)
- **Learn** more about financial and retirement management
- **Seek professional advice** from financial advisers when necessary



Enhancing Staff's Financial Literacy & Engagement

Employers can seek help from experts such as MPF service providers who can arrange / provide





Financial elements are definitely very important.
So, are current MPF / ORSO plan(s) and service
provider most appropriate in providing
retirement benefits for your staff?

**There is a need for a review /
monitoring mechanism.**

How do you evaluate your MPF scheme / service provider?

Is management fee competitive?

Are investment options comprehensive?

Fund performance
- Good?
- Sustainable?

Investor education (retirement investment knowledge) available?

Analysis of staff members' fund choice allocation?

On-site member briefings conducted regularly?

Multi-channels for staff to access account information?

Administration service standard up to your satisfaction?

Any dedicated relationship / administration manager for you?

How do you evaluate ORSO plan / service provider?

Plan Design and Management

- When was the last time the plan was reviewed for market competitiveness?
- Is the plan still appropriately designed for different categories of employees?
 - Investment choices appropriate?
 - Investment objective of different funds meet members' investment needs?
 - Investment choices and investment objectives communicated to members?
- A review mechanism in place on investment manager and investment choices?

How do you evaluate ORSO plan / service provider?

Pension
Administrator /
Custodian

Periodic review of on-going assessment of effectiveness?

- Comparison of current services with those in the market, e.g. Fund switching and investment instruction done online? Frequencies?
- Call center service available?
- Is website dedicated for employer? Contribution can be made online?
- Dedicated website for members to manage their assets?
- Can new funds / fund managers be added quickly?



1. Longer Lifespan - the Necessity of Planning Better for Retirement
2. Reasons for Talents Leaving - How to Make them Stay?
 - Financial Elements - MPF (Voluntary Contributions / Vesting Scale)
 - Non-financial Elements - Retirement Arrangement
3. Conclusion: Think and Act – What Suits YOU the Best?

Non-financial Elements in C&B are also Essential



Provision of
retirement arrangement

Work-life balance & CSR

Retirement Arrangement - When and What

- Good time to start: ASAP, but at least 3 – 5 years before retirement age
- It may be conducted through information sharing (briefings and forums) and should include various aspects such as:



Help Developing the Second Career for Employees

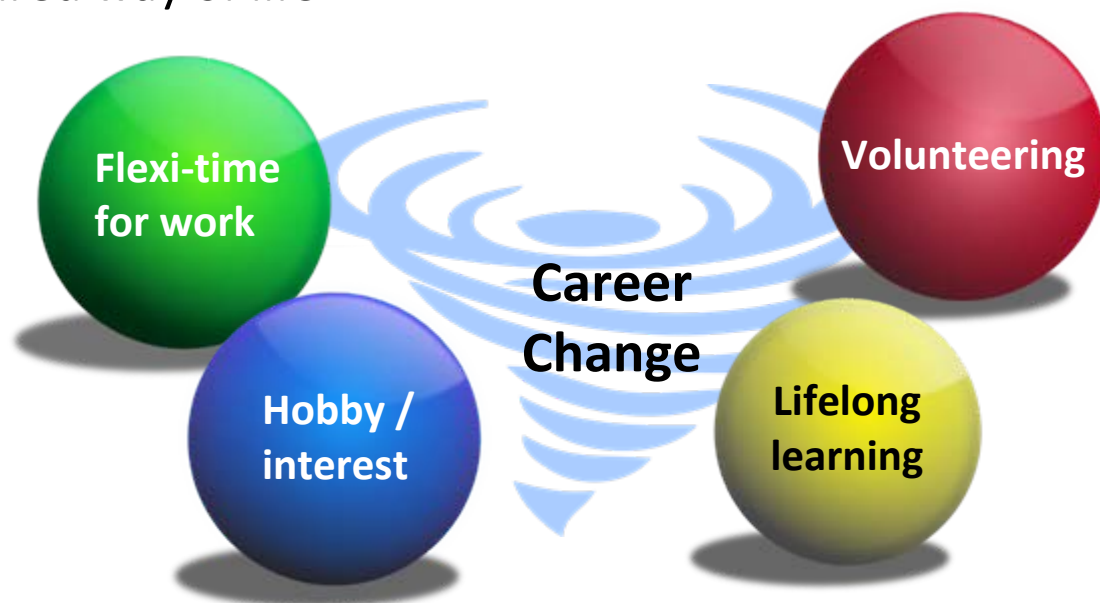
A “Second Career” is different from the traditional career

Before

Retirement = not working

Now

Retirement allows one to develop a Second Career – shaping work to suit one’s desired way of life



Other Important Things for Employers to Consider

- **Retirement age** – possibility of extending it to beyond 65?

Many employees reaching the age of 65 are still energetic and healthy, and are eager to contribute to companies or society

- To retain knowledge and experience - for **better transition** to next generation of leaders



The Significance of Retirement Arrangement

- Retirement does not mean an end of relationship with employers
- Proper retirement arrangement provided by employers can:



help promote employers' goodwill



help enhance employees' loyalty



show that employers cherish the long-term relationship with their employees



encourage employee engagement even after their retirement

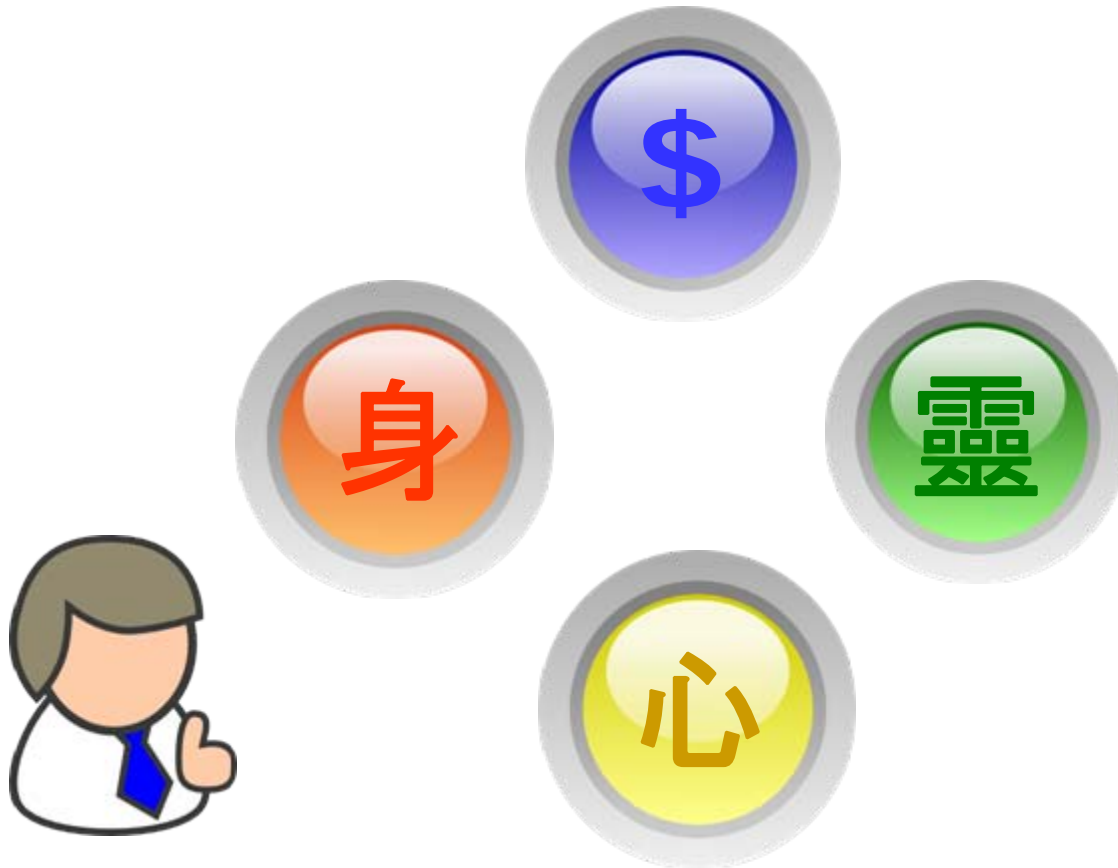
Pension service providers and NGOs may help



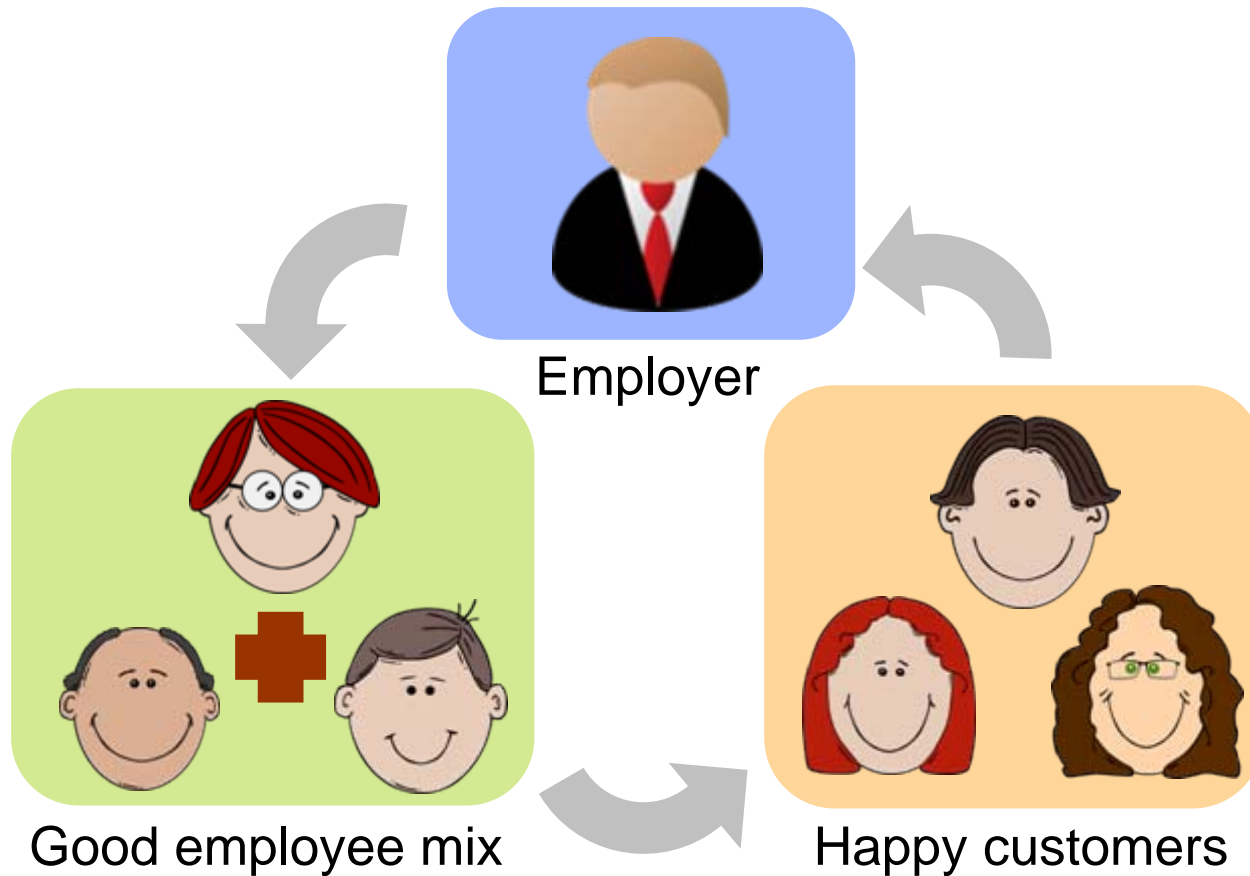


1. Longer Lifespan - the Necessity of Planning Better for Retirement
2. Reasons for Talents Leaving - How to Make them Stay?
 - Financial Elements - MPF (Voluntary Contributions / Vesting Scale)
 - Non-financial Elements - Retirement Arrangement
3. Conclusion: Think and Act – What Suits YOU the Best?

Enhanced Staff Incentives with Holistic Retirement Planning



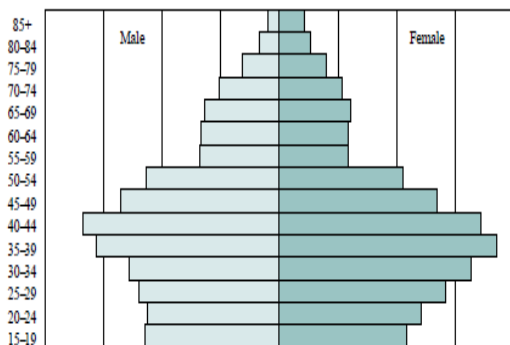
Overall employee mix is important & crucial to business sustainability



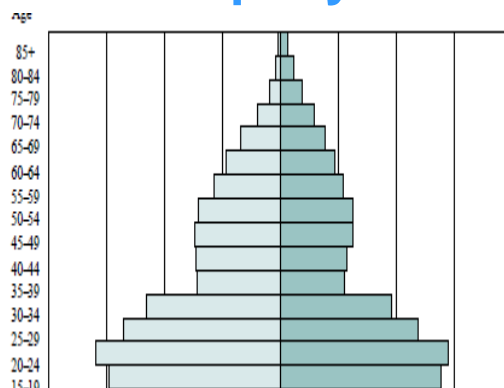
Retirement Planning Plans for Different Staff Structures

Since no companies are the same, we should work for retirement planning plans that suit your company the best.

Company A



Company B



Company C



What suits **YOU** the best?

Thank you

