

For Discussion
on 19 November 2001

LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE

Civil Service Provident Fund Scheme – Progress Update

PURPOSE

This paper updates Members on the progress of setting up the Civil Service Provident Fund (CSPF) Scheme. It also seeks Members' support for the proposal to extend one supernumerary post of Administrative Officer Staff Grade 'C' (AOSGC) (D2) post in the Civil Service Bureau (CSB) to take forward relevant implementation work.

BACKGROUND

2. The CSPF Scheme will be the retirement benefits system for those appointed to the civil service under the new civil service entry terms on or after 1 June 2000 and when they progress onto permanent terms of appointment. Having regard to views received during the public consultation exercise which ended on 30 April 2001, the Executive Council (ExCo) approved the CSPF Scheme and its design principles on 10 July 2001. Details are set out in the Legislative Council Brief issued on 10 July 2001 (ref.: CSBCR/AP/5-090-005/10 Pt.23).

3. To recap, the design principles approved by ExCo are –

- (a) the normal retirement ages under the CSPF Scheme should be the same as that under the New Pension Scheme i.e. 60 for all civilian staff; 55 for disciplined services staff in general and 57 for certain prescribed disciplined ranks;
- (b) Government's contributions (including both mandatory and voluntary contributions) under the CSPF Scheme should follow a progressive schedule starting from 5% and increasing up to 25% of the basic salary;

- (c) for members of the disciplined services, a Special Disciplined Services Contribution (SDSC) at 2.5% of the basic salary should be provided in addition to (b) above;
- (d) Government's overall financial commitment of the CSPF Scheme, including contributions stated at (b) and (c) above, should be kept within 18% of the salary cost;
- (e) Government's contribution rate for an officer upon his joining the CSPF Scheme should be the rate corresponding to his years of continuous service since first appointment on civil service terms. In other words, as soon as the officer is confirmed on permanent terms, which is normally after three years of probation for disciplined services staff and after six years (three-year probation and a three-year agreement) for most civilian staff, the Government's contribution rate will be the rate applicable for the fourth year or the seventh year, whichever the case may be;
- (f) when an officer is directly appointed to a promotion post/rank on agreement and subsequently progresses to permanent terms, the Government's contribution for him will start at the rate corresponding to the years of experience required for the promotion post/rank plus his years of continuous service on civil service appointment;
- (g) Government's voluntary contribution (i.e. excluding the mandatory contributions stipulated under the Mandatory Provident Fund Schemes Ordinance (MPFSO)) should be fully vested in an officer on completion of ten continuous years of service since first civil service appointment or on reaching the normal retirement age, whichever is the earlier, with 0% vesting in the interim;
- (h) the SDSC should be fully vested in an officer on reaching age 55, with 0% vesting in the interim; and
- (i) both the Government's voluntary contribution and the SDSC should be fully vested in an officer on death or retirement on permanent incapacity.

4. In addition, ExCo also considered that there should be provisions in the CSPF Scheme to enable the forfeiture and reduction of benefits attributable to the Government's voluntary contribution and the SDSC on disciplinary grounds, and withholding of such benefits in case of doubt. Special additional benefits for death, incapacity and injury should be provided through lump-sum payments outside the CSPF Scheme. Serving officers on permanent and pensionable terms of appointment will not be allowed to transfer to the CSPF Scheme while new recruits will not be allowed an option for the New Pension Scheme.

PROGRESS UPDATE

Government's contribution rates

5. With ExCo's approval in July, we proceed to formulate Government's progressive contribution rates schedule under the CSPF Scheme. Working within the ambit approved by ExCo and having regard to our policy considerations, we have worked out three options and discussed with the staff sides as well as departmental management. Details of the options are at **Enclosure 1**. Among the three options, Option C is the one preferred by the majority of staff and departmental management.

6. In working out the options on Government's contribution rates, we have taken into account the financial ceiling set by ExCo (i.e. Government's overall long-term financial commitment, including mandatory and voluntary contributions as well as the SDSC, should be kept within 18% of the salary cost); provident fund schemes offered by private sector employers; the need to enable the Government to attract, motivate and retain quality staff; the need to maintain the overall stability of the civil service; and the consideration that a much higher standard of integrity and probity is required of the civil service.

7. We have paid particular attention to provide a more attractive contribution rate at the earlier stage of the staff's career. This is in response to the management need to retain good staff at their earlier stages when intensive investment on training has been made by the management to build up the necessary professional knowledge and experience in staff. It is also relevant to note that for many officers at the earlier stage of their career, they are not yet eligible for fringe benefits such as housing, therefore the contribution rates under the CSPF Scheme is likely to become an important retention factor. Since we need to keep the overall

financial commitment of the CSPF Scheme within 18% of the salary costs, the incremental rate will level off towards the latter part of an officer's career. We shall decide on the final contribution rate schedule shortly, taking into account views from all relevant parties.

Financial Arrangements

Government's financial commitment

8. Government's long-term financial commitment under the CSPF Scheme will be kept within 18% of the salary cost, as compared to the average pension on-cost of about 22% under the New Pension Scheme. The actual cashflow requirement for the CSPF Scheme will be worked out based on the exact number of civil servants who will become eligible for the Scheme in future and their salaries.

Arrangements for making provisions for the CSPF contribution

9. In line with the practice of delegating more authorities and responsibilities to Heads of Departments/Heads of Grades, we would ask individual Controlling Officers to make provisions under their respective heads of expenditure for making CSPF contributions for their eligible staff. This arrangement will better reflect the total cost of individual departments in the delivery of services and is more transparent in terms of financial management. As June 2003 is the time when the first batch of civil servants will become eligible for joining the CSPF Scheme, we shall create a new Recurrent Account Subhead under the respective heads of expenditure of individual bureaux/departments before June 2003 to enable the Government, as an employer, to make contributions towards the CSPF Scheme for eligible employees from 2003-04 onwards. Individual Controlling Officers would seek provisions to make CSPF contributions for their eligible staff in the context of preparing the 2003-04 Draft Estimates.

Other preparatory work in the pipeline

10. Apart from formulating the Government's contribution rates under the Scheme, other preparatory work in the pipeline include -

- (a) embark on Stage Two of the consultancy to map out the detailed design features of the Scheme and all the implementation details;

- (b) finalise the governing rules of the Scheme, having regard to the MPFSO and other relevant legislation, as well as civil service management policies;
- (c) draw up detailed arrangements for conducting a tender exercise in accordance with Government procedures to select scheme trustees from the market for the operation of the CSPF Scheme. Our target is to conduct the tender exercise in early 2002;
- (d) put in place a set of detailed disciplinary procedures to enable the Government to withhold, reduce, forfeit and recover an officer's accrued benefits attributable to the Government's voluntary contributions and the SDSC on disciplinary grounds;
- (e) co-ordinate with relevant bureaux/departments to set up service-wide budgetary and accounting procedures to ensure timely and effective operation of the Scheme; and
- (f) conduct publicity and training programmes to ensure smooth implementation of the CSPF Scheme. This includes organising briefings for staff and departmental management on the implementation details and administrative arrangements of the CSPF Scheme; introducing to staff the services provided by the selected scheme trustees, etc.

STAFFING

11. The Finance Committee approved on 10 March 2000 the creation of an Administrative Officer Staff Grade 'C' post (AOSGC) (D2) (\$122,450-\$130,050) on a supernumerary basis for 24 months from 1 April 2000 to 31 March 2002. The AOSGC heads a Special Duties Team to oversee the implementation of Mandatory Provident Fund (MPF) arrangements for eligible Government employees; to co-ordinate matters relating to the setting up of service-wide human resources management, computer and accounting systems to enable the Government to comply with the requirements of the MPFSO as an employer; and to explore the proposal of introducing the CSPF Scheme as a new retirement benefit system for new recruits to the civil service. The AOSGC is supported by staff at

non-directorate level comprising one Chief Executive Officer, one Senior Executive Officer, one Executive Officer I, one non-civil service contract staff, and general secretarial and clerical support.

12. We now enter into the implementation phase of the Scheme and are carrying out the tasks detailed in paragraph 10 above as a matter of urgency. The timetable is tight given the number of Government bureaux/departments involved; the various administrative and accounting arrangements to be resolved; and the legal and policy issues involved. We proceed with the preparatory work on implementation upon ExCo's approval in July 2001 and there is a continued need to maintain the Special Duties Team at its current strength to attend to the full range of setting up arrangements for the CSPF Scheme. Considering that the CSPF Scheme will be in operation in mid 2003 and that certain teething problems may emerge during the initial period, we consider it appropriate to extend the supernumerary AOSGC post for another 24 months from 1 April 2002 to 31 March 2004.

13. The duty list of the supernumerary AOSGC is at **Enclosure 2**. An organisation chart indicating the relationship of the Special Duties Team with other divisions in CSB is at **Enclosure 3**. The supernumerary AOSGC will continue to report to Deputy Secretary (Civil Service)1 (DS(CS)1). At present, DS(CS)1 is supported by two Principal Assistant Secretaries (PASs) at the AOSGC level. The two PASs are responsible for policies on appointment, directorate succession, qualifications, examinations, pensions, and management of the Administrative Officer Grade respectively. They are fully occupied in their existing schedules and cannot absorb the duties of the proposed AOSGC post.

WAY FORWARD

14. We shall continue with all necessary preparatory work with a view to having the CSPF Scheme in operation by mid 2003. We shall keep Members informed of progress. On the proposed extension of the supernumerary AOSGC post, subject to Members' views, we shall submit the proposal to the Establishment Sub-committee of the Finance Committee for consideration on 12 December 2001.

Civil Service Bureau
November 2001

**Options of Government's contribution rates schedule
under the CSPF Scheme**

Years of completed service on civil service terms (in Years)	Government's Contribution Rate* in terms of the percentage of the officer's basic salary at his/her substantive rank (*includes mandatory contributions required under the MPFSO but excludes SDSC)		
	Option A	Option B	Option C
below 3	5%	5%	5%
3 – below 6	10%	15%	15%
6 – below 10	15%	15%	15%
10 – below 15	15%	15%	15%
15 – below 20	20%	15%	17%
20 – below 25	20%	20%	20%
25 – below 30	20%	25%	22%
30 or above	25%	25%	25%

**Job Description of the Proposed Post of
Principal Assistant Secretary (Appointments) Special Duties**

Post Title : Principal Assistant Secretary (Appointments) Special Duties

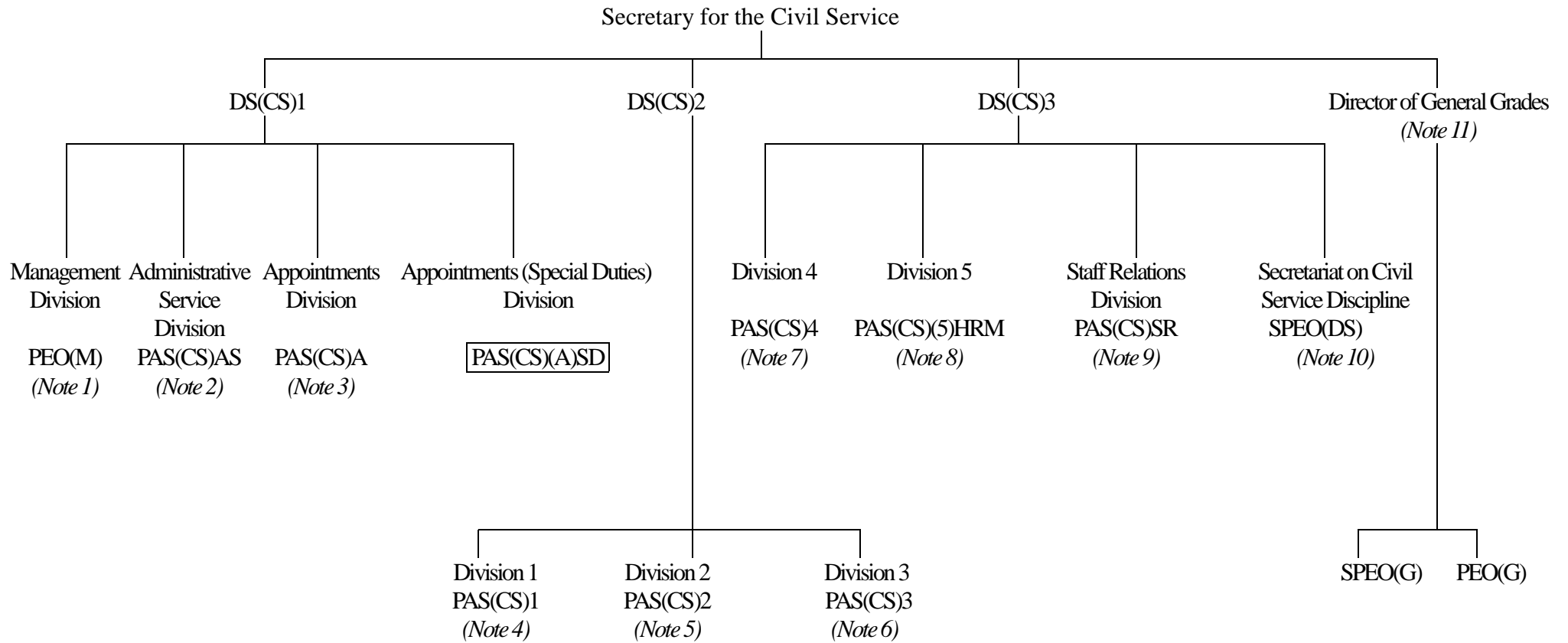
Rank : Administrative Officer Staff Grade 'C' (D2)

Responsible to : Deputy Secretary (Civil Service) 1

Main duties and responsibilities :

1. To head the Special Duties Team and to co-ordinate with policy bureaux, departments, grades, advisory bodies and other relevant parties on all matters relating to the development and implementation of the Civil Service Provident Fund (CSPF) Scheme.
2. To carry out consultation with the staff sides on the scheme details, and to draw up guidelines to educate staff on the overall arrangements under the CSPF Scheme.
3. To finalise the detailed design features and governing rules of the CSPF Scheme.
4. To oversee all matters relating to the implementation of the CSPF Scheme as the new retirement benefits system for the civil service. This includes working out the detailed implementation strategies; carrying out a tender exercise to select service providers for the CSPF Scheme; putting in place proper institutional arrangements for day-to-day administration of the Scheme; making suitable amendments to civil service regulations and other documents such as specimen appointment letters to reflect the CSPF arrangements; setting up new service-wide budgetary and accounting procedures for use by bureaux/departments in making CSPF contributions for their eligible staff, etc.
5. To oversee all matters relating to the service-wide arrangements to enable the Government to comply with the requirements of the MPFSO as an employer.

Organisation Chart of the Civil Service Bureau



PAS(CS)(A)SD Supernumerary post proposed for extension

DS Deputy Secretary
 PAS Principal Assistant Secretary
 SPEO Senior Principal Executive Officer
 PEO Principal Executive Officer

Footnote

- Note 1* Management Division is responsible for general administration and resource management of CSB.
- Note 2* Administrative Service Division is responsible for management of the Administrative Officer Grade.
- Note 3* Appointments Division is responsible for policies on appointments, qualification assessment and examinations, pensions, retirement and post-retirement employment.
- Note 4* Division 1 is mainly responsible for policies on civil service housing benefits.
- Note 5* Division 2 is mainly responsible for policies on civil service pay, leave and passage, and travelling expenses.
- Note 6* Division 3 is mainly responsible for policies on education and job-related allowances, as well as civil service medical and dental benefits.
- Note 7* Division 4 is mainly responsible for policies on conduct and discipline.
- Note 8* Division 5 is mainly responsible for policies on training and human resource management.
- Note 9* Staff Relations Division is responsible for matters on staff relations and welfare, central consultative councils and departmental consultative committees.
- Note 10* Secretariat on Civil Service Discipline is responsible for processing disciplinary cases under the Public Service (Administration) Order 1997.
- Note 11* Director of General Grade is responsible for the management of the Executive Officer, Secretarial and Clerical grades.