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Pretium Benefits Sample Report

December 2014

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Introduction

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Pretium Benefits & Employment Conditions Study was conducted between October and November 2014. It was designed to provide clients with granular market information on employee benefits as well as employment conditions of the financial industry. The presented information helps firms understand the current and emerging benefits trends and optimize various terms and conditions of employment for HR planning. This will enable HR to strategically balance the cost and employee value of benefits for better talent attraction/retention.

The report includes following items:

- Retirement Scheme
- Medical and Insurance Benefits
 - Medical Insurance
 - Maternity Insurance
 - Medical Check-up
 - Emergency Medical Evacuation / Repatriation
 - Life and Disability Insurance
- Leave Entitlements
 - Annual Leave
 - Other Leave Policies
- Other Benefits
 - Housing and Car Benefits
 - Professional Membership, Employee Education & Club Membership
 - Festival and Important Event Allowances
- Employment Conditions
 - Overtime Arrangements
 - Business Travel
 - Other Terms and Conditions

Methodology and Participant Profile

Methodology

To ensure comprehensive understanding of policies on benefit and employment conditions, Pretium has adopted an integrated approach in data collection. In addition to completing the survey questionnaire, firms were encouraged to submit the original benefit documents and employee handbook to supplement the structured data collection process. We also extracted relevant proprietary data from previous consulting work and our on-going client discussions to maximize its value propositions.

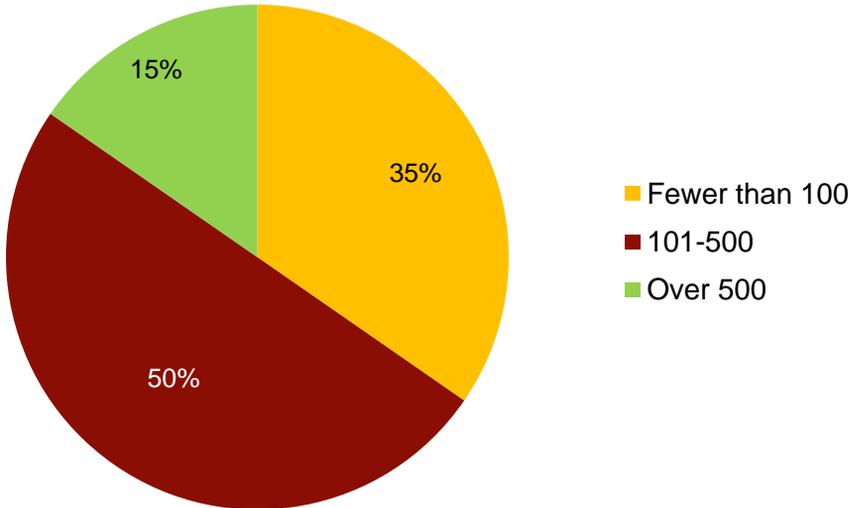
All individual firms' data is treated in the strictest confidence and only aggregate data is presented in the report.

Data reporting rule:

- Less than 4 data points: market range is presented
- 4 to 8 data points: market median is presented
- More than 8 data points: market P25, median and P75 are presented

Participants Profile

Participants by Number of Employees



Benchmark List

We have collected benefits data from 32 International and regional/local firms

- Please contact us for the benchmark list via email

catherinetao@pretium-asia.com or call us at +852 3996 7862

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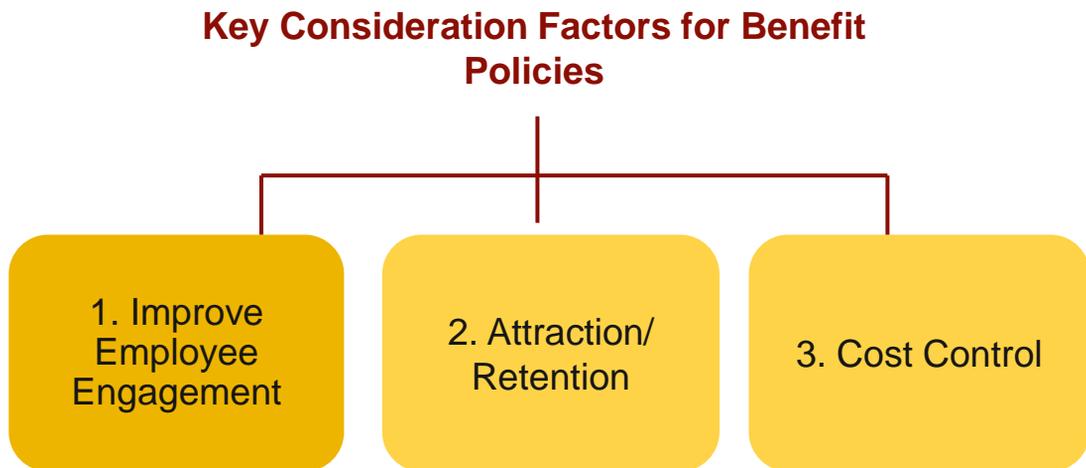
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Benefits Trends

Benefits Strategies – Key Consideration Factors

As benefits strategy is an integral part in enhancing the value proposition of total remuneration, the key consideration factors in changing benefit policies and levels are:



Improving employee engagement – this is the most important consideration since increasing awareness and understanding of the benefits can improve employee perception of the value of benefits

Attraction and retention – appropriate design of benefits programs to cater employees’ needs at various levels could be an effective attraction and retention tool in talent competition, which is an angle that firms tend to easily over look

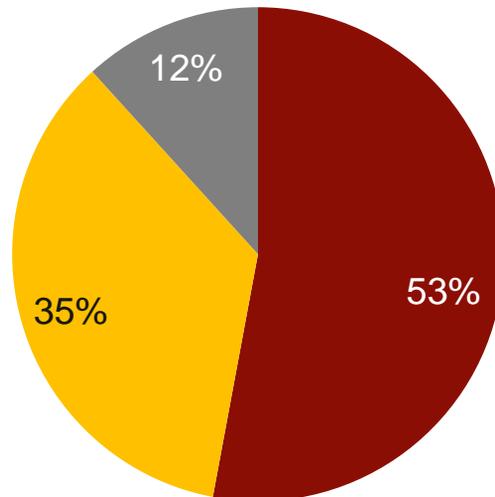
Cost control - benefits are a significant investment but cost control is not the primary nor the only consideration. Firms are trying to strike a balance between optimizing benefits offering and managing costs.

Benefits Cost as a Percentage of Total Annual Payroll

As reflected from the key considerations discussed before, benefits and employment conditions are important ingredients in the engagement and attraction / retention recipe. Among the firms surveyed, 53% of them indicated benefits cost accounts for less than 10% of their total payroll and 35% of the firms said the cost ranges from 10% to 20% of the total payroll.

Benefits Cost as a Percentage of Total Annual Payroll

■ <10% ■ 10%-20% ■ >20%

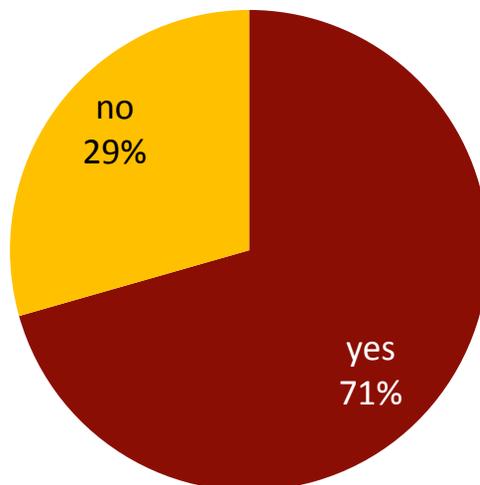


Apart from legally required benefits such as Mandatory Provident Fund or the recently passed legislation on paternity leave, how the benefits budget should be prioritized and spent among the competing benefits demands remains to be a challenging task for those firms which aspire to be the employer of choice. Some companies are assessing employees' perceived value of different benefits or employment conditions while others are benchmarking the benefits competitiveness and potential gap to identify whether the dollars should be spent. By combining the demographics of the employees population, identifying the market gap and referring to the perceived value of different benefit items, it becomes obvious whether the budget should be spent on time-off benefits, insurance benefits that protect the employees and their family members or benefits that provides future financial security, etc.

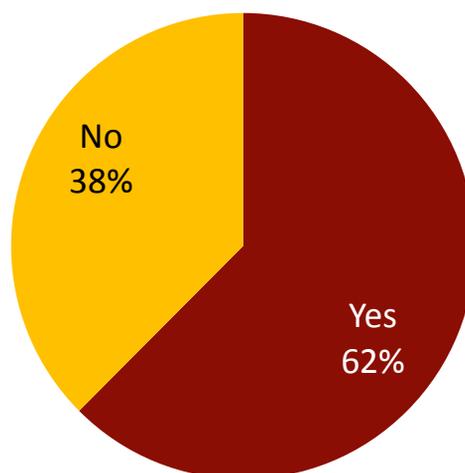
Benefits Changes

Benefits are high on the HR priorities as reflected from the survey that more than 60% of the firms have plans in changing benefit programs or employment conditions in 2015. How should HR prioritize among different benefits items and employment conditions in order to maximize the benefits dollars are critical to improving employee engagement.

Any Changes of Benefits Policies or Employee Conditions in 2014



Plans in Changing Benefits Policies or Employee Conditions in 2015



Benefits Changes – Medical Benefits



Top Agenda for both 2014 and 2015

Due to rising medical costs, medical benefits top the agenda on benefits changes in both 2014 and 2015.

- **Upgrade Outpatient and Hospitalization Benefits**
 - The changes focus on expanding the coverage of medical benefits to cover dependents. The maximum number of outpatient clinical visits has also increased to a median of 40 times.
- **Holistic approach to health management**
 - Some of the more progressive firms have adopted a more holistic approach emphasizing on illness prevention rather than cure, which has resulted in more health and well being programs for employees. For example, in many of our surveyed firms, the subsidized fees for gym and medical checkup are no longer confined by age limit and management levels. Junior staff and young employees are also entitled to a range of preventive health and well-being benefits.
- **Health Programs as a baseline for talent attraction and retention**
 - Due to the high perceived value in medical benefit, the comprehensiveness and competitiveness of medical coverage is becoming a baseline for talent attraction and retention. Therefore, health programs remain to be a high priority for change in 2015.

Benefits Changes – Leave Entitlement



Increasing Focus on Work Life balance in 2014

Over the past year, there was a wave of changes on leave programs. This was partly triggered by the increasing focus on work-life balance and the government advocacy in launching 3-day paternity leave which spillovers to a complete overhaul of the leave programs.

Wider Range of Leave Programs

Apart from annual leave and paternity leave, more firms have introduced birthday leave, elderly leave and social service leave which encourage employees to take time-off for different purposes.

Benefits Changes – Employee Education

Employee Education Vital to Company Development

Employees' professional development is important to both the company and the employees. Some companies have increased the reimbursement amount of employee education in 2014 to support job-related training and education including bachelor or master degree programs.

Training bond

Due to the substantial investment in employee education, most of the firms require employees to sign a training bond which requires employees to repay the whole or part of the education subsidies if they leave the company during the restrictive period.



Benefits Changes – MPF Voluntary Employer Contribution



Increasing Popularity of MPF Voluntary Contribution in 2015

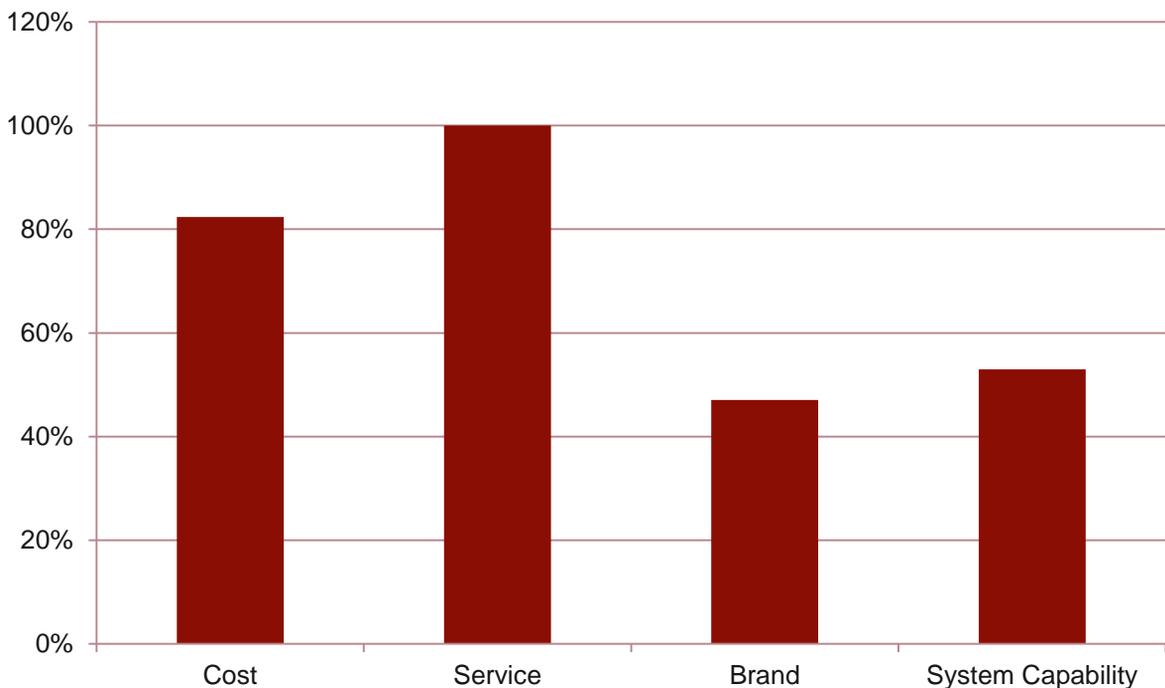
Most of the firms provide voluntary employer contribution to Mandatory Provident Fund (MPF). Normally, employer's voluntary contribution is subject to 5 to 10 years of vesting which serves as a retention tool. Some firms plan to increase employer voluntary contribution in the coming year to provide more future financial security to the employees and increase employees' cost in job hopping.

Key Drivers in Selecting Benefits Providers

Again, cost is not the number one driver when firms are selecting benefits providers. Service is the primary consideration which includes service provided to both the HR department and the employees directly. Service excellence is reflected from the seamless delivery of the claim and administration processes, which is especially important for different types of medical and other insurances.

Growing emphasis of self service enables employees to deal directly with the vendors or insurance companies for claim reimbursement or enquiries. System capability of the vendor is more important than the brand of the benefits providers since employees can file or raise enquiries about their claims 24 hours a day and 7 days a week. Web-based platform or interactive voice response (IVR) systems enable employees to initiate and check the status of applications or claims and to verify a member's eligibility and benefits.

Key Drivers to Select Benefits Providers



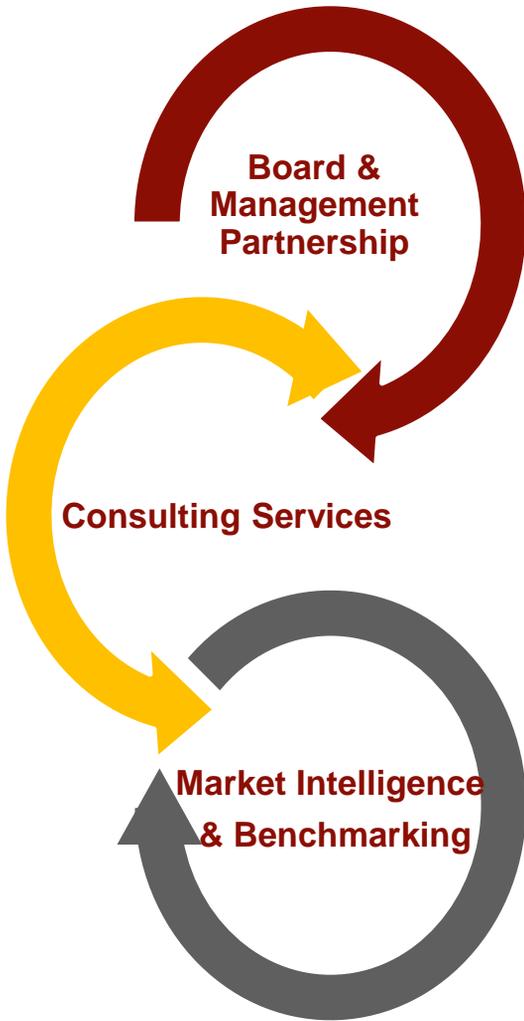
About Pretium Benefits Solutions

- As a niche advisor on reward, performance and strategic human resource strategy, Pretium provides one-stop benefits solutions through our new B-D-B benefits advisory services covering the following areas:
 - **Benchmarking** – Provide tailor-made comparison of benefits provisions versus target comparator group
 - **Design** – Review your existing plans and benefit costs to develop a robust benefits strategy and process to support your people agenda and business goals
 - **Brokering** – Partner with Asia One insurance broker to enhance benefits cost effectiveness and seamless logistics
- Pretium’s benefit solutions can assist your firm in aligning benefits design and levels to best practices, improving value propositions of benefits and optimizing costs. Should you have any query of this report or want to further explore our full spectrum of B-D-B services, please feel free to contact us at 3996 7868.



Our Service Value Chain...

Pretium is a niche management consulting firm that helps accelerate clients' growth and increase profitability through effective reward, performance and strategic human resource strategy.



- We facilitate Board and Management partnership by reinforcing corporate governance model, reviewing composition and fees for INED & ED, strengthening incentive review & design and conducting pay-for-performance alignment assessment
- We help our clients create value and architect change through our unique spectrum of management consulting services which includes short/long-term incentive plan review and design, organization transformation, business performance management
- Our extensive experience in clients' projects and ongoing proprietary benchmarking researches enable clients fully utilize the value of market intelligence at the strategic & implementation level

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Sample Report

Medical Insurance

Medical Insurance (Hospitalization) – Surgeon’s Fee

All the firms surveyed provide surgeon’s fee benefit. One of the firms provides full coverage for surgeon fee. The total and breakdown of the surgeon fee for the rest of the firms are as follows:

Limit per Disability (HKD)		Surgeon’s Fee		
Grade		P25	Median	P75
Complex Operation	MD/ED	80,000	110,000	120,000
	Director	70,000	100,000	120,000
	VP & Manager	56,000	75,000	113,000
	Associate & Analyst	44,000	61,000	90,000
Major Operation	MD/ED	40,000	56,000	64,000
	Director	38,000	46,000	60,000
	VP & Manager	30,000	36,000	45,000
	Associate & Analyst	25,000	33,000	43,000
Intermediate Operation	MD/ED	20,000	28,000	32,000
	Director	20,000	24,000	30,000
	VP & Manager	15,000	18,000	24,000
	Associate & Analyst	12,000	17,000	22,000
Minor Operation	MD/ED	9,000	12,000	13,000
	Director	8,000	10,000	12,000
	VP & Manager	6,000	9,000	11,000
	Associate & Analyst	5,000	8,000	11,000