

For information
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**Legislative Council Panel
on Information Technology and Broadcasting**

**Targeted Voluntary Retirement Scheme
for the Computer Operator Grade**

Introduction

This paper briefs Members on the Targeted Voluntary Retirement Scheme (TVRS) for the Computer Operator (COp) grade in the civil service.

Background

2. On 15 March 2004, the Administration briefed the Legislative Council Panel on Public Service on the progress of reduction of civil service establishment (LC Paper No. CB(1)1245/03-04(04)). While the Administration did not propose the launch of a third round of VR scheme on a service-wide basis, the Administration remained open to the possibility of implementing targeted voluntary departure schemes for a limited number of grades or ranks should this be considered useful to deal with surplus staff situation in these grades and ranks, having regard to the particular circumstances in the concerned grades and departments.

3. The COp grade comprises five non-directorate ranks, namely Computer Operation Manager (COM), Assistant Computer Operation Manager (ACOM), Senior Computer Operator (SCOp), Computer Operator I (COpI) and Computer Operator II (COpII). The salary structure of the COp grade is at Annex A. As at 31 October 2005, its establishment and strength are 470 and 449 respectively, distributed in 24 bureaux and departments (B/Ds). The Government Chief Information Officer (GCIO) is the Head of COp Grade.

4. In 2003, out of the 480 members of the entire COp grade, 26 COp grade members from all ranks, comprising three COMs, four ACOMs, ten SCOPs, seven COpIs and two COpIIs, joined the Second Voluntary Retirement (VR) Scheme and left the civil service during the period from August 2003 to January 2005. For those who remain in service after the Second VR Scheme, we have been providing focused competencies and skills training for them to undertake expanded roles and responsibilities in IT support services stated in paragraph 9 below. With the alternative modes of service delivery such as outsourcing and the diminishing requirements for computer operation duties in the Office of the Government Chief Information Officer (OGCIO) and other B/Ds, there will be a potential surplus of a maximum of 83 COp grade posts in 2006-07.

5. Following the policy of implementing targeted voluntary departure schemes on a need basis and having regard to the circumstances of the COp grade, we propose that a TVRS should be introduced to the COp grade to help relieve the potential surplus staff situation. Consultation with the staff side and the relevant staff association indicates that they have no objection to the introduction of the TVRS as a measure to provide an exit option to those officers who may wish to develop their IT career in the private sector or who want to leave the service for other reasons.

Justifications

6. In line with the Government's Digital 21 Strategy, the OGCIO has examined the opportunities for outsourcing the existing departmental information system hosting services being provided by its Central Computer Centre (CCC) to an external service provider, i.e. a commercial data centre operator, under a CCC Outsourcing Initiative (CCCOI). This will not only generate business opportunities for the private sector, but also opportunities for innovation, entrepreneurship and technological development. We aim to complete this outsourcing exercise in April 2006. By then, we estimate that a maximum of 27 COp grade posts may become surplus to requirements. These posts comprise eight SCOP

posts, five COpI posts and 14 COpII posts.¹

7. In addition, the manpower plans returned from various B/Ds revealed that there would be a potential surplus of 56 COp grade posts currently serving in the B/Ds by 2006-07, comprising five SCOp posts, 41 COpI posts and ten COpII posts. Of these, the surplus of 44 posts arises from planned alternative modes of service delivery such as outsourcing of data centre functions, and the remaining 12 posts from other cost saving initiatives and diminishing service demands.

8. The aggregated numbers of posts that will potentially become surplus in the COp grade by 2006-07 are in the following table, which has taken into account natural wastage and the overall manpower plan of the grade in the coming few years.

<u>Rank</u>	<u>No. of Posts</u>
Computer Operation Manager (COM)	0
Assistant Computer Operation Manager (ACOM)	0
Senior Computer Operator (SCOp)	13
Computer Operator I (COpI)	46
Computer Operator II (COpII)	24
Total:	83

9. To alleviate the staff surplus situation, we have been expanding the roles and responsibilities of the COp grade in IT support services, e.g. supporting local area networks, computer servers and personal computers, performing security monitoring and patching, administering outsourcing contracts and monitoring contractors' performance, etc., in addition to their traditional data centre operation roles. While we will continue to gainfully deploy the COp grade staff, the potential surplus of 83 posts cannot be fully handled by staff redeployment solely. We consider that providing an incentive scheme (i.e. the TVRS) to staff to leave the service and pursue alternative careers outside the civil service will be in the interest of the COp grade members, as well as a viable solution to help relieve the potential surplus staff situation.

¹ The figure of 27 posts identified to be surplus is the maximum figure. Some of the posts may be retained for redeploying staff to perform contract administration tasks and contractors' performance monitoring, etc., subject to the proposal submitted by and agreement with the external service provider of the CCCOI.

10. As an additional incentive for COp grade staff to join the TVRS, in particular to those who wish to pursue their career in the IT industry in the private sector by joining the external service providers under outsourcing initiatives, we encourage the service providers to employ personnel with relevant experience and Government expertise, whom we expect will mainly come from the COp grade. In fact, in the CCCOI tender, which was issued in April 2005 and is now undergoing tender evaluation, we specify that we will award higher marks to tenderers who commit to employing such personnel. It has been recognised by the industry as a best practice for the external service providers to employ a certain number of employees of the organisations outsourcing their data centre, in this case the Government, in order to smoothen the transition and maintain continuity of service. As COp staff are mainly responsible for internal computer operation tasks and have little direct dealing with the industry, nor are they involved in any policy formulation the effects of which may benefit their prospective employers, it is unlikely that there would be any conflict of interests for them to join the external service providers during their pre-retirement leave or after retirement.

11. We consider that the opportunity to be employed by external service providers after voluntary retirement should provide an additional incentive to staff to join the TVRS. A survey of all 450 staff members of the COp grade was conducted in November and December 2004. Out of the 382 respondents, 49 expressed interest in joining a TVRS if selected by the external service provider for appointment.

12. Considering the number of potential surplus posts (i.e. 83) in the coming few years and the number of COp grade members who have expressed interest in joining the TVRS (i.e. 49), we will approve as many applications as possible. We will redeploy those who choose to remain in the service to other IT-related job duties including those expanded roles mentioned in paragraph 9 above. When there are other concrete outsourcing initiatives in the OGCIO or other B/Ds in future, we may put forward a proposal to launch another round of TVRS similar to the current proposal.

13. Being a compensation scheme by virtue of section 6A of the Pensions Ordinance (Chapter 89) and section 13 of the Pension Benefits Ordinance (Chapter 99), for the purposes of section 6(1)(h) of Chapter 89 and section 11(1)(i) of Chapter 99 respectively, the TVRS requires approval from the Chief Executive in Council. At the meeting of the Executive Council on 5 July 2005, the Council advised and the Chief Executive ordered that the TVRS for the COp grade should be approved.

Features of the Targeted Voluntary Retirement Scheme

14. The features of the TVRS will generally follow those of the Second VR Scheme. Participation in the TVRS is strictly voluntary in nature. An outline of the features of the TVRS is set out below.

Eligibility

15. The TVRS is open to the ranks of the COp grade with potential surplus posts, i.e. SCOp, COpI and COpII. The eligibility criteria will follow those of the Second VR Scheme. In particular, officers with five years or less than five years of active service before reaching normal retirement age will not be eligible.

Compensation Package

16. Following the Government's policy that the compensation package of any targeted voluntary retirement scheme should be no more favourable than that of the Second VR Scheme, the compensation package of the TVRS is the same as that of the Second VR Scheme -

- (a) the pension benefits for which an officer would be eligible as at the date of voluntary retirement. These include a commuted pension gratuity payable on the date of retirement and a monthly pension payable immediately after the officer's retirement;
- (b) a lump-sum payment (VR payment) payable on the date of the officer's retirement.

17. A table showing the amount of VR payment in terms of months of salary is at Annex B.

18. Neither pension payment nor short service gratuity will be granted to those VR takers who have less than ten years of qualifying service on the date of their retirement from the civil service under the TVRS as these officers are not qualified for pension payment under the prescribed pensions legislation under normal circumstances. Officers with less than ten years of qualifying service retiring under the TVRS will only be eligible for VR payment referred to in paragraph 16(b) above, but not for the pension benefits referred to in paragraph 16(a) as these officers are not qualified for pension payment under the prescribed pensions legislation under normal circumstances.

Post-Retirement Employment

19. If VR takers want to commence employment with the external service provider of the outsourcing initiative concerned during pre-retirement leave or after retirement, they will be subject to the prevailing rules and regulations governing post-retirement employment. They are required to apply for prior permission from the GCIO, who will ensure that there is no impropriety in the new employment before giving approval.

Deletion of Post

20. A VR taker's post or a post of the same rank of the VR taker will be deleted upon the departure of a VR taker as soon as possible and in any case not longer than 18 months after the approval date to be designated. If in the event that there are more VR takers in a particular rank than the number of posts which can be deleted in that rank, some flexibility would be given to allow deleting posts one rank below to facilitate departure of staff on condition that substantial savings can still be derived and an appropriate grade structure reflecting operational needs is maintained after deletion of the posts, and subject to exceptional approval from the GCIO.

Financial Implications

21. The TVRS will incur pension expenditure (both the commuted gratuity and the monthly payments) and compensation cost in the form of one-off VR payment.

22. The terms of the one-off VR payment would follow those offered in the Second VR Scheme. The total cost would depend on the number of VR takers, their last substantive monthly salary and their years of service. For the purpose of estimating the financial implications, we assume 49 officers, being the number of staff members who have expressed interest in joining the TVRS, would eventually join it² and take the average actual service period in the respective ranks. The total cost of the VR payments would be in the region of \$12.6 million. The related pension expenditure would be about \$41.5 million for the commuted pension gratuities and about \$3.0 million annually for recurrent pension payments.

23. Departure of staff under the TVRS could lead to savings in salaries, allowances, etc. We estimate that the savings in terms of notional annual salary at mid-point (NAMS) would be \$13.98 million. In terms of full annual average staff cost, including salaries and staff on-costs, we estimate that the savings would be around \$20.6 million per year. On this basis, the costs of compensation and the pension payments under the TVRS can be paid back in the fourth year.

24. In terms of cost and benefit in the long-run (over an assumed 40 years), we estimate that the net savings would be at \$243.8 million, having considered the combined effect of the VR payment, the additional pension costs and the recurrent savings of salary and other allowances and benefits.

² Assuming the 49 officers comprising 17 Senior Computer Operators, 25 Computer Operator I's and seven Computer Operator II's, taking into account factors including -

- a) profile in age and number of eligible officers in the respective ranks;
- b) estimated number of employments offered by the external service providers of the outsourcing initiative concerned; and
- c) profile in service period and attractiveness of the VR compensation package to officers in the respective ranks.

Civil Service Implications

25. The TVRS helps reduce both the size of the civil service and staff costs. On staff side, ongoing communication with them indicates that they in general have no objection to the introduction of the TVRS as a measure to provide an exit option to those officers who wish to develop their IT career in the private sector, including joining the external service providers of outsourcing initiatives, or who want to leave the service for other reasons.

26. Some COp staff members are concerned about the possible increase in workload after the departure of the VR takers for those who choose to remain in the service. The TVRS should not give rise to such situation because approval of TVRS applications will be subject to operational exigencies. Some also worry about the impact on their promotional prospect, as posts will be deleted under the TVRS. At present, due to the surplus situation of the COp grade, there is in fact little room for promotion, which would not be further affected by the launching of the TVRS. To alleviate staff concern, we will continue to closely communicate with them, including arranging briefings, and providing counseling and any other necessary assistance to them as appropriate.

27. For those who remain in the civil service after the TVRS, we will continue to provide specific competencies and skills training for them to undertake expanded roles and responsibilities in IT support services in addition to their traditional computer operation roles. We are committed to gainfully redeploying all COp staff to undertake IT-related duties in the civil service.

Financial Arrangement

28. The bureau with deletion of COp post arising from the TVRS will fund the VR payment for the respective VR taker. The Housing Authority (HA) will also be responsible for the VR payment for the VR

taker working therein as the HA is financially autonomous.

29. Approval for additional funding from the Finance Committee (FC) of the Legislative Council is not required, as the VR payments will be borne by the respective bureaux with posts deleted arising from the TVRS. We also estimate that none of the bureaux concerned will have to bear more than \$10 million of VR payments. In the unlikely event that a bureau should bear more than \$10 million, we would seek the FC's approval for creating the relevant account for the VR payments in due course.

Way Forward

30. We will implement the TVRS for the COp grade in 2005-06 to help relieve the potential surplus staffing situation of the grade. To align with the implementation schedule of the CCCOI, for which we plan to award the outsourcing contract by the end of 2005 or early 2006, we aim to accept applications for the TVRS from staff starting from January or February 2006.

Advice Sought

31. Members are requested to note the content of this paper.

**Office of the Government Chief Information Officer
Commerce, Industry and Technology Bureau
November 2005**

Salary structure of the COp grade

Rank	Salary Point on Master Pay Scale	Pay Scale (\$)
COM	34 – 39	45,240 – 56,765
ACOM	29 – 33	36,575 – 43,940
SCOp	21 – 28	25,340 – 34,920
COpI	16 – 20	19,860 – 24,135
COpII	4 – 15	9,845 – 18,915

VR compensation package under the TVRS

Years of Service	TVRS Package
	Monthly Salary
2	1 month
4	2 months
6	3 months
8	4 months
10	5 months
12	6 months
14	7 months
16	8 months
18	9 months
20	10 months
22	11 months
24	12 months
26	13 months
28	14 months
30	11 months
32	8 months
34	5 months
36	2 months

TVRS Package : (Same as Second VR Scheme Package)
 1 month's final salary for every 2 complete years of service, capped at total package in lump sum not exceeding the lump sum pension at normal retirement (50% commutation).

Note : Assuming VR takers joined the service at the age of 20 and are under the New Pension Scheme. In addition to the above VR payment, VR takers with not less than 10 years of service are eligible for pension benefits.