



WATSON WYATT'S 2006/2007 assumption survey of HKGAAP valuations of retirement schemes in Hong Kong has been published recently. The survey covers 100 schemes with asset size representing roughly 50% of all ORSO DB schemes in Hong Kong and typical financial year end of 31 December. The discount rates adopted by the surveyed companies as of 31 December, 2006 have decreased, which is in line with the reduction of yields of the Hong Kong Government Exchange Fund Notes. This reduction brings the surveyed companies' HKGAAP total liability up by about 8%. However, with another year of strong investment return (average returns 2005: 9.5%, 2006: 15.6%), the average cost in respect of schemes' benefits booked to profit or loss has reduced from 6.0% to 5.8% of total salaries. At the same time, the average amount of surplus booked in the balance sheet has increased from 2.4 to 2.8 times of total monthly salaries.

In 2006, more employers decided to adopt the Statement of Recognition of Income and Expenses (SORIE), a new accounting policy which allows companies to book the actuarial gains and losses arising from retirement schemes in a reserve account. With SORIE, all of the retirement scheme's gains and losses arising in the financial year will be fully reflected in the balance sheet rather than through the profit or loss account.

Please visit <http://www.watsonwyatt.com/asia-pacific/research/reports.asp> for the full report.



MEET ELAINE HWANG, new Head of Watson Wyatt Retirement Benefits Practice in Hong Kong. A Principal Consulting Actuary, she has 18 years of consulting experience advising local and multinational clients on all aspects of retirement schemes, including design and restructuring, actuarial valuations, asset and liability modeling, and due diligence in mergers and acquisitions. In recent years, she has been actively involved in benefit consulting projects for PRC and Taiwan companies as well.

THE LATEST survey conducted by the HKEx revealed that overseas investors contributed 42% (39% from institutions) of the total securities market turnover in Hong Kong during the 12-month period to September 2006, up from 36% in 2004/05. Among the overseas investors, US investors were the largest contributors, followed by investors from the UK and the rest of Europe. Overseas investors also contributed 23% of total derivatives market turnover (i.e., contract volume of futures and options) during the 12-month period to June 2006, down from 29% in 2004/05. Again, institutional investors (21%) dominated the majority of overseas investor type, which was predominantly served by US-based and European-based derivatives brokers.

ASIA PACIFIC FLASH

Strong Link Between Employee Engagement and Business Success, Watson Wyatt Survey Finds

EMPLOYEE ENGAGEMENT can lead to superior financial performance, according to the latest WorkAsia™ research study by Watson Wyatt Worldwide. The WorkAsia™ study is an ongoing series on employee work attitudes and opinions about key people practices in the workplace.

The WorkAsia™ findings demonstrate that engaged employees understand the organization's business goals, the steps required to achieve those goals and how their contributions drive results. They have a strong desire to participate in the company's success.



It is therefore crucial for employers to first have insight into the top drivers of employee engagement within their own unique environment, as it affects productivity, retention and financial performance.

The WorkAsia™ study helps employers identify areas of improvement in order to increase employee engagement and effectiveness thus enhancing the organisation's financial performance.

"The WorkAsia™ study tells us that forward-looking organisations are replacing one-size-fits-all offerings with programs that target their most valuable employees. These efforts enable them to create a more productive and stable workforce," said Russell Huntington, Director, Human Capital Group, Asia-Pacific.

Key findings of the study:

- The top three drivers of employee engagement are customer focus, compensation and benefits, and communication. Customer focus, being the top key driver, affects an employee's sense of pride and job security. According to employees in the Asia-Pacific region, companies are doing a good job in this area. However, they are of the view that companies do a poor job in seeking their opinions and involving them in making decisions. These same workers also believe that their compensation package compares unfavorably with peers in other companies and are not satisfied with the information that is provided to them on their package.
- Drivers of engagement vary across employee segments. The 'Value Creators', representing 13 percent of the workforce in Asia-Pacific, are a segment with high levels of commitment and line of sight. They are more than twice as likely to be top performers than other employees and they contribute substantially to organizational success. They are also strongly engaged by strategic direction and leadership and also by performance management.
- Fifty-one per cent of the workforce in Asia Pacific, the 'Core Contributors', have high commitment levels but no clear line of sight. For this segment, retention is not a serious issue. Strategic direction and leadership is also a strong motivator of this segment. These employees have the potential to become Value Creators with programs that improve line of sight and therefore their overall engagement with their organization.

About WorkAsia™

In this 2007 study, Watson Wyatt surveyed more than 6,500 full-time employees covering all major employment sectors in Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

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Remuneration Committee Forum

WATSON WYATT'S second Remuneration Committee Forum was held in Hong Kong to an audience of corporate chairmen and company directors as well as senior executives of the HK Exchanges and Clearings Ltd. and the Securities and Futures Commission. Dr. Hans Kothuis (left), Director Executive Compensation, China and Hong Kong, US-based Michael Oclaray (right), Director Executive Compensation, Asia-Pacific Liaison and Alex Forrest (center), Senior Consultant took turns presenting on executive and director compensation trends as well as Remuneration Committee best practices, structure and responsibilities in Hong Kong and around the world.



The Remuneration Committee Forum is held twice a year to discuss factors to consider when developing an executive pay philosophy, selecting performance measures and interpreting market data. For more information, contact louisa.wong@watsonwyatt.com

Pigs can fly!!!

WATSON WYATT TEAM won the entertainment trophy at Hong Kong Sedan Chair Race for the second time in 4 years!

It was that time of the year again when Mike Button reconvened the Watson Wyatt Wacky Wacers to show their community spirit by running around the Peak carrying a sedan chair with passenger. This was all in the very worthy cause of raising money for a number of local charities.



The theme this year was "The Flying Pigs" and the team duly donned pig outfits to make a truly unforgettable visual impact!

Thanks to all clients, associates and friends who have supported this event through sponsorship and raffle tickets.

UK team completes 100 km MacLehose trail

A GROUP from Watson Wyatt Reigate office flew to Hong Kong to participate in this year's 100 km Trailwalker event. The team successfully completed all 100km of the trail in 28 hours and 34 minutes. They found it to be one of the most difficult challenges they had ever faced, requiring considerable mental and physical determination to succeed. The team are very grateful for the generosity of their friends and colleagues in sponsoring their efforts through donations to Oxfam, raising more than £7,000 (HK\$112,000).



2007-2008 Salary Increases in Asia-Pacific

THE ECONOMIC growth in Asia-Pacific is mirrored by the level of salary increases in the various countries. Double digit rises are planned for India, Indonesia and Vietnam, while the 2008 increase is expected to be even higher than in 2007 for Australia, China, Hong Kong, Malaysia, Singapore, Taiwan and Vietnam. Progressive companies however are focusing away from base pay toward a greater appreciation for total rewards as a way to address pressing talent retention and attraction concerns. In some countries, like Australia where there is exceptionally high staff turnover, employees are being rewarded through more aggressive bonus payments to prevent increasing the fixed costs.

