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**Item No. 13 (e) on the Agenda: Report of the Secretary-General on the
implementation of the new compensation and social security scheme applicable
to UNIDROIT staff**

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Update regarding the implementation of the new compensation and social security package offered to UNIDROIT staff</i>
<i>Action to be taken</i>	<i>To take note of the update regarding the implementation of the compensation and social security reforms and next steps</i>
<i>Related documents</i>	UNIDROIT 2019 – F.C. (87) 7 ; UNIDROIT 2019 – F.C. (87) 9 ; UNIDROIT 2019 – C.D. (98) 15(b) ; UNIDROIT 2019 – A.G. (78) 10 ; UNIDROIT 2019 – A.G. (78) 12

INTRODUCTION

1. Following an extensive review, at its 83rd session (Rome, 21 September 2017), the Finance Committee recommended the adoption of important compensation and social security reforms, which would improve UNIDROIT's sustainability by enhancing staff mobility and ensuring that UNIDROIT was an attractive workplace.¹ At its 76th session (Rome, 7 December 2017), the General Assembly adopted those reforms, together with the necessary revisions to the UNIDROIT Regulations. The General Assembly further provided the Secretariat with flexibility in the timing of their implementation, which would be reviewed by the Finance Committee. Since that session, the Secretariat implemented the compensation reforms in February 2018 and implemented the social security reforms in September 2019.

2. The Secretariat has delivered updates in these respects to the Finance Committee at its 84th and 85th sessions (Rome, 15 March 2018 and 4 October 2018), as well as to the General Assembly at its 77th session (Rome, 6 December 2018). Additional updates were delivered to the Finance Committee in April and October of 2019 (86th and 87th sessions) as well as to the Governing Council at its 98th session (Rome, 8-10 May 2019) and to the General Assembly at its 78th session (Rome, 12 December 2019). The following provides a further update regarding (I) implementation of the

¹ [UNIDROIT 2017 – F.C. \(83\) 9, Item No. 9.](#)

compensation and social security reforms and (II) next steps being taken to further improve UNIDROIT's sustainability and administration.

I. IMPLEMENTATION OF THE COMPENSATION AND SOCIAL SECURITY REFORMS

A. COMPENSATION

3. Since the 76th session of the General Assembly, the Secretariat has continued to keep the Finance Committee, General Assembly, and the Governing Council apprised of the procedure used to implement the reform.

4. At the Finance Committee's 86th session (Rome, 4 April 2019), the Secretariat provided the Finance Committee with a chart comparing net salaries for all categories and grades across common family situations. At that session, the Finance Committee requested a detailed explanation of the methodology which had been utilised in the preparation of the Chart, including the date on which the currency rates had been calculated, and the applied multiplier for post adjustment payments.

5. Regarding compensation for General Service Staff, the Secretariat notes that the chart calculations are based on the net salaries provided by the United Nations applicable to General Service Staff posted in Rome, as published on 1 April 2018 (available at the following link: https://www.un.org/Depts/OHRM/salaries_allowances/salaries/italy.htm). As the salaries are already provided in Euro, no post adjustment multiplier applies.

6. Regarding compensation for Professional Staff and higher categories, the Secretariat would recall that the table was prepared on the basis of the net salaries provided by the United Nations applicable to Professional Staff and Higher Categories provided by the International Civil Service Commission (ICSC) as of 1 January 2019 (available at the following link: <https://icsc.un.org/Home/GetDataFile/5497>). The post adjustment multiplier for duty station Rome, along with the applicable official UN rate of exchange (from USD to EUR), were likewise taken as at 1 January 2019 from the ICSC website (available here: https://icsc.un.org/Resources/COLD/PostAdjustmentReports/History/pah_frm.htm), respectively 34.6 and 0.871.

7. Further details regarding the United Nations methodology for surveys at duty stations other than Headquarters is available on the ICSC website (https://www.un.org/Depts/OHRM/salaries_allowances/salaries/icsc2012.pdf).

8. The Finance Committee, at its 87th session (Rome, 10 October 2019), considered the information provided on the comparative methodology to be adequate and sufficient.

B. SOCIAL SECURITY REFORMS

9. Since the Governing Council's last session (Rome, 8-10 May 2019), the Secretariat has completed the process of implementation of the new pension plan and health coverage, and hereby provides the following updates:

- *Pension Fund*: The Secretariat has held several calls with the International Service for Remunerations and Pensions (ISRP)² to negotiate the annual administration fee of the fund,

² ISRP is a common service platform for both the six Co-ordinated Organisations (NATO, ESA, EUMETSAT, ECMWF, Council of Europe, OECD) and Associated Organisations), providing services for their pension schemes and remuneration policies.

which, in its original proposal, was quoted at a minimum of €23,000.³ In light of UNIDROIT's unique position in terms of number of staff and initial contributions, the ISRP proposed terms that would ensure sustainability of the fund, based on conservative assumptions, as well as a lower rate of administration fees. At a first stage, the ISRP proposed to place the incoming contributions in a collections account, yielding a low return but bearing no financial risk (i.e. preservation of capital). In its second phase of implementation, when the fund reaches a threshold amount (estimated at €500,000.00), expected to occur by Year 3 according to projections, the assets would move towards a full Strategic Asset Allocation (SAA), implemented through selected mutual funds, and expected to return 5.05% per year (nominal) over the long term. In light of the limited reporting costs this sort of arrangement would entail, the ISRP offered to waive those costs and retain only an annual fee reflecting 0.5% of the assets (minimum of €12,000), plus the fees owed to the Secretariat of the Committee for the Administration of Funds (equal to €6,461.60) for the first three years. In light of these important developments, the Secretariat has signed the Memorandum of Agreement with the ISRP, effective as of 1 September 2019, which includes further details (Annexe I).

- *Report of the CAF:* Further details regarding the management of the pension fund are available in the Report of the ISRP – CAF (Committee for the Administration of Funds) (Annexe II). The Report covers access to investment vehicles (mutual funds and saving accounts), simulation of fund flows and methodological aspects, investment recommendation, and procedures for treasury management during the first investment period, and also contains a proposal for the approval of the Governing Council (see action to be taken under para 10 below):
- *Health Insurance:* Having obtained a favourable quote from AXA, an insurance provider that has improved coverage compared to the Allianz "Silver" quotation adopted by the General Assembly, at a lower cost, and not having obtained any update or counter offer from Allianz, the Secretariat has finalised the conditions of coverage for those staff members that have chosen to opt into the new system with AXA. The final Insurance Policy, in effect as of September 2019, is made available to the Governing Council members upon request.

II. ACTION TO BE TAKEN

10. *The Secretariat requests that the Governing Council take note of this update regarding the implementation of the new compensation and social security scheme applicable to UNIDROIT staff. The Governing Council is also requested to take note of the proposal made in the Report of the ISRP – CAF (Committee for the Administration of Funds) (Annexe II), and to provide its views and approval of said proposal.*

CAF PROPOSAL FOR APPROVAL BY THE GOVERNING COUNCIL:

1. The CAF proposes to the Governing Council of UNIDROIT to retain the proposal made in this document to proceed with the investment of the Fund in two stages, i.e. to initially invest the incoming contributions to the Fund in treasury until the Fund reaches EUR 500k, and in a second stage move the assets towards a portfolio invested in financial markets. The strategy to adopt in this second stage will be presented for approval in due time before this change.

2. The treasury investments of the first stage shall comply with the policy described in the Procedures for Treasury Management set out in this document.

³ In addition to that fee, there would also have been an annual asset management fee of 0.20-0.25% of the managed assets.

ANNEXE I

MEMORANDUM OF AGREEMENT WITH THE ISRP

**MEMORANDUM OF AGREEMENT IN RESPECT OF
ADMINISTRATION OF THE PENSION RESERVE FUND OF UNIDROIT**

BETWEEN

The Organisation for Economic Co-operation and Development, an international organisation established by virtue of the Convention of the Organisation for Economic Co-operation and Development dated 14 December 1960, whose headquarters are situated at 2, rue André Pascal, 75016 Paris, France, (hereinafter the "OECD")

AND

The International Institute for the Unification of Private Law, an international organisation established by virtue of the Statute of the International Institute for the Unification of Private Law Statute dated 15th March 1940 (most recently amended on 26 March 1993 and as amended from time to time), whose headquarters are situated in 28 Via Panisperna - 00184 Rome, Italy (hereinafter "UNIDROIT" or the "Associated Organisation")

Hereinafter referred to as the "Parties", and each individually as a "Party".

CONSIDERING that the Council of Europe, the European Centre for Medium-Range Weather Forecasts (ECMWF), the European Organisation for the Exploitation of Meteorological Satellites (Eumetsat), the European Space Agency (ESA), the Organisation for Economic Co-operation and Development (OECD) and the North Atlantic Treaty Organisation (NATO), hereinafter the "Co-ordinated Organisations", have created the International Service for Remunerations and Pensions (hereinafter the "ISRP"), for which they provide joint funding and which is administratively part of the OECD;

CONSIDERING that the ISRP may provide assistance, within the framework of international co-operation and in accordance with Section II of its Mandate on the role of the ISRP, to certain intergovernmental organisations described under paragraph 1 b) of the said Mandate;

CONSIDERING that the Associated Organisation wishes to benefit from the assistance of the ISRP in respect of administration of its Pension Reserve Fund;

CONSIDERING that the Committee of Representatives of the Secretaries/Directors-General (hereinafter the "CRSG") of the Co-ordinated Organisations agreed to this Memorandum of Agreement concerning the above mentioned assistance with the Associated Organisation;


RECALLING that assistance to the Associated Organisation has been provided in respect of:

- periodical data from the Co-ordination system, in accordance with Memorandum of Agreement MOA/UNIDROIT(2012)27 entered into force on 1 January 2012,
- a first study on the design of a pension scheme, in accordance with Memorandum of Agreement MOA/UNIDROIT(2013)01, entered into force on 1 July 2013,
- a second study on the design of a pension scheme, in accordance with Memorandum of Agreement MOA/UNIDROIT(2016)11, entered into force on 22 June 2016, and the Addendum to this Memorandum of Agreement, entered into force on 6 February 2017;
- creation and maintenance of an internet retirement pension and leaving allowance simulator, in accordance with Memorandum of Agreement MOA/UNIDROIT(2018)15, entered into force on 22 July 2018;

RECOGNISING that, by allowing the ISRP to assist the Associated Organisation, the Co-ordinated Organisations are making available to it a shared administrative service and shall in no case be regarded as contractors for services, nor contribute financially to the shared administrative service made available to the Associated Organisation.

The Parties have agreed as follows:

ARTICLE 1

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- 1.1 The ISRP shall make available to the Associated Organisation shared administrative services and shall provide the assistance described below to the Associated Organisation:
- a. Secretariat of the Committee for the Administration of Funds: governance, organisation of meetings, preparation of the agenda, summary records and investment-related documents and reports;
 - b. Procurement and contract administration: selection process for external services providers; procurement services such as the preparation of investment mandates and contracts, verification and control of invoices, cost control;
 - c. Treasury management: management of cash-flows into the custodian bank for long-term investments and budgeted expenditures to be paid from the PRF;
 - d. Execution of long-term investments; portfolio rebalancing;
 - e. Monitoring of the external fund managers and advisors;
 - f. Accounting, reporting and audit: general accounting of the PRF; investment portfolio accounting; co-ordination of performance reporting with custodian bank, fund managers, consultants and investment advisers; preparation of annual financial reports; administration of the relationship with auditors.
 - g. Annual report to the Council of the Associated Organisation.
- 1.2 In order to ensure the sound achievement of the tasks described above, the Associated Organisation shall, by means of a delegation of power, authorise the ISRP to proceed in any operation from and to the custodian bank.
- 1.3 Documents, e-mails and forms used by the ISRP shall be in English.
- 1.4 Any additional assistance provided by the ISRP to the Associated Organisation outside the scope of this Exchange of Letters as defined in Article 1 shall be agreed upon in a separate Exchange of Letters.

ARTICLE 2

- 2.1 In order to allow the ISRP to provide the assistance set out in Article 1, the Associated Organisation shall provide any required information and support.
- 2.2 In executing this Agreement, the parties take into account and ensure compliance with the relevant provisions of the rules governing the Associated Organisations, including the practice and interpretation of the Associated Organisation. The Associated

Organisation shall provide in advance the ISRP with any rules, regulations and practices to be respected by the ISRP in the completion of the tasks covered by this Agreement.

- 2.3 The ISRP and its employees shall keep in strict confidence any information, documents or data which come to their knowledge as a result of their assistance.

ARTICLE 3

- 3.1 To cover the costs of the assistance set out in Article 1, the Associated Organisation shall provide an annual compensatory contribution:
- a. to the budget of the ISRP, which shall be equal to 0.5% of the PRF assets as at 31 December of the previous year, with a minimum of EUR 12,000.00 (twelve thousand euros). The basis of calculation of such compensatory contribution may be revised five years after the entry into force of this Agreement.
 - b. towards the Secretariat of the Committee for the Administration of Funds (CAF), which shall amount to EUR 6,461.60 (six thousand four hundred sixty one euros and sixty cents).
- 3.2 The sum specified in Article 3.1 shall represent the full amount of the annual compensatory contribution payable by the Associated Organisation to cover the costs of the performance of the assistance set out in Article 1. The minimum amount set out in Article 3.1-a) and the sum specified under Article 3.1-b) shall be increased annually by 1% in addition to the salary scale increase at the OECD for the year concerned. Should the Council of the OECD apply the « *affordability clause* » for salary increases, the adjustment of the compensatory contribution shall not be less than the French inflation included in the CCR recommendation, plus one per cent.
- 3.3 For the year 2019, the minimum sum specified in Article 3.1.a and the sum specified in Article 3.1.b shall be divided by three, so as to reflect the proportional reduction of annual costs resulting from the entry into force of this Agreement on 1 September.
- 3.4 The Associated Organisation shall reimburse, on the basis of the OECD Staff Regulations, Rules and Instructions, the travel and daily subsistence expenses incurred by the ISRP staff in providing assistance contemplated in this Agreement. This should notably apply for any mission to the premises of the Associated Organisation, made upon the request of the Associated Organisation.
- 3.5 The Associated Organisation shall be invoiced for the sum specified in Article 3.1 at the beginning of each civil year.
- 3.6 The Associated Organisation shall make its payment within 30 (thirty) days of the date of the invoice.

ARTICLE 4

- 4.1 This Memorandum of Agreement shall enter into force as from 1 September 2019 and shall remain in force until 31 December 2023.

- 4.2 Each Party may terminate this Memorandum of Agreement at any time by giving written notice by registered mail with acknowledgement of receipt to this effect to the other Party on 31 December at the latest for the termination to be effective at the end of the subsequent year. The ISRP shall, in case of termination of this Memorandum of Agreement, promptly return all the documents and data made available to it by the Associated Organisation under this Memorandum of Agreement. All direct costs linked to the orderly winding-up of this assistance shall promptly be reimbursed to the OECD. In particular, should the termination of this Memorandum of Agreement be requested by the Associated Organisation, the Associated Organisation shall then pay to the ISRP a withdrawing penalty equal to the total annual compensatory contributions that the Associated Organisation would have provided had this Memorandum of Agreement remained into force until 31 December 2023.
- 4.3 This Memorandum of Agreement may be amended by mutual written consent of the Parties.

ARTICLE 5

- 5.1 Neither the OECD nor the Co-ordinated Organisations shall be held liable for any damages arising from the assistance as set out in this Memorandum of Agreement.
- 5.2 The Parties shall use their best efforts to settle any dispute arising from the interpretation or the implementation of the provisions of this Memorandum of Agreement.
- 5.3 Any dispute, controversy or claim arising out of or relating to this Memorandum of Agreement, or the breach, termination or invalidity thereof, shall be settled by arbitration in accordance with the PCA Arbitration Rules 2012. The number of arbitrators shall be one. The language to be used in the arbitral proceedings shall be English. The place of arbitration shall be Paris (France). The Parties expressly renounce their right to seek the annulment or setting-aside of any award rendered by the arbitral tribunal, or if this renunciation is not legally possible, the Parties expressly agree that if an award rendered by the arbitral tribunal is annulled, the jurisdiction ruling on the annulment proceedings cannot rule on the merits of the case. The dispute will therefore be settled by new arbitral proceedings in accordance with this clause.

FOR THE OECD:

Paris, on 2019,

Josée Touchette
Executive Director

FOR UNIDROIT:

Rome, on

23/08/2019


Ignacio Tirado
Secretary-General

MANDATE OF THE COMMITTEE FOR THE ADMINISTRATION OF FUNDS (CAF)

ARTICLE 1 – DEFINITION

1.1 The CAF is a joint committee of some international organisations that have delegated the management of their reserve and / or pension funds to the International Service for Remunerations and Pensions (ISRP). It oversees selected management guidelines and policies.

ARTICLE 2 – COMPETENCES

2.1 The CAF provides recommendations to the Boards/Councils of member organisations relating to funds management, notably the definition of general guidelines and goals related to the investment of funds' assets. The CAF may provide advice on any question submitted by the Board/Council of an organisation.

2.2 The CAF advises the Directors / Secretaries general of member organisations on the modalities for implementing the general guidelines and goals related to the investment of their Fund's assets. It may provide advice on any question submitted by the Directors / Secretaries general.

2.3 The CAF oversees the Funds performance reports.

ARTICLE 3 – COMPOSITION

3.1 Each organisation shall appoint one representative to sit on the CAF. The CAF, upon proposal of the secretariat, shall also select one or two qualified personalities.

3.2 The members of the CAF shall be submitted to the code of conduct approved by the Boards / Councils.

3.3 The members of the CAF shall elect among themselves a President and a Vice-president. The Vice-president shall replace the President in case of need.

3.4 The CAF shall seek any advice or expertise necessary to fulfil its obligations.

ARTICLE 4 – WITHDRAWAL

4.1 Any member organisation may withdraw from the CAF upon not less than one civil year's prior notice.

ARTICLE 5 – INTERNAL RULES

5.1 The CAF shall issue and approve its Internal Rules.

ARTICLE 6 – MEETINGS

6.1 The CAF shall meet as often as necessary and at least once a year, upon the convening of the President. The decisions of the CAF shall be made by consensus.

ARTICLE 7 – SECRETARIAT

7.1 The International Service for Remunerations and Pensions shall act as secretariat for the CAF.



**CODE OF CONDUCT FOR MEMBERS OF
THE COMMITTEE FOR ADMINISTRATION OF FUNDS (CAF)**

ARTICLE 1 – PREAMBLE

1.1 The members of the Committee for the Administration of Funds (CAF) shall observe the highest standard of ethical conduct. They are expected to act honestly, independently, impartially, and without regard to self-interest and to avoid any situation liable to give rise to a conflict of interests or appearance of conflict of interests.

ARTICLE 2 – INDEPENDENCE AND INTEGRITY

2.1 The members of the CAF shall not seek or take instructions from any Member State or from any other body, including any decision-making body that they belong to except as provided for under their statute.

2.2 The members of the CAF shall act independently from any commercial interference in the exercise of their functions and powers. They shall neither seek nor accept any gratuity, benefit, or remuneration in connection with their functions.

2.3 The members of the CAF shall report any fraud, corruption or misuse of any fund's assets.

ARTICLE 3 – PROFESSIONAL SECRECY

3.1 The members of the CAF shall be subject to an obligation of strict confidentiality in performing their duties.

ARTICLE 4 – KNOWLEDGE AND SKILLS

4.1 The members of the CAF and their advisors should together possess and apply the knowledge and skills to fulfil governance responsibilities. They should act in order to constantly meet with the highest level of knowledge required for their mission.

ARTICLE 5 – CONFLICT OF INTERESTS

5.1 The members of the CAF shall avoid any situation liable to give rise to a conflict of interests or appearance of conflict of interests. A conflict of interests arises where the members of the CAF have interests, which may influence or appear to influence the impartial and objective performance of their duty. Interests of the members of the CAF mean any potential advantage for themselves, their families, and their other acquaintances.

5.2 Any member of the CAF that should consider him / herself to be in a situation liable to give rise to a conflict of interests or appearance of conflict of interests shall immediately inform the CAF, which shall take the appropriate measures.

ARTICLE 6 – STATUTS OF OFFICIALS

6.1 Officials who have been appointed members of the CAF will exercise such functions in an official capacity. In this respect, they will remain fully subject to the Staff Regulations and Rules of their organisation and will be covered by the relevant privileges and immunities.

ARTICLE 7 – APPLICATION OF THE CODE OF CONDUCT

7.1 In case of any difficulties encountered in the application of the present code of conduct, the CAF shall report to the Councils of the member organisations, which shall take the appropriate measures.

II

STATUTE OF THE PENSION FUND

ARTICLE 1 – GENERAL PRINCIPLES

- 1.1 All assets of the UNIDROIT Pension Fund are the property of UNIDROIT. They are held and accounted for separately from all the other assets of UNIDROIT.
- 1.2 The Fund's assets may be used only to pay benefits under the pension schemes and to finance the expenses related to the management of the Fund.

ARTICLE 2 – BUDGET

- 2.1 The income of the Fund shall be constituted by:
- a. all Pension Scheme contributions, including staff contributions and employer's share;
 - b. all income earned on the assets of the Fund;
 - c. such other amounts as the UNIDROIT General Assembly may decide.
- 2.2 The expenses of the Fund shall include:
- a. the payment of pensions and other benefits under the pension scheme;
 - b. all the costs related to the management of the Fund and its assets.
- 2.3 The UNIDROIT General Assembly shall take the appropriate decisions in order to ensure the long-term viability of the Fund. It shall issue to the Secretary-General guidelines and goals in respect of the investment of Fund assets.

ARTICLE 3 – MANAGEMENT OF THE FUND

- 3.1 The Secretary-General shall ensure the proper management of the Fund. Pursuant to articles 29 to 31 of UNIDROIT's Regulations, and as reflected in the decision taken by the UNIDROIT General Assembly (UNIDROIT 2017 – A.G. (76) 10) the latter has authorised the Secretary-General to delegate the management of the Fund to an external specialised authority, organisation or financial institution. The concrete modalities and conditions of such a delegation are defined by the UNIDROIT General Assembly on proposal of the Secretary-General.
- 3.2 The Fund shall be administered and audited in accordance with the UNIDROIT Regulations.
- 3.3 The operating budget of the Fund shall be approved annually by the UNIDROIT General Assembly.
- 3.4 The Secretary-General shall report annually to the UNIDROIT General Assembly on the status of the Fund.

ANNEXE II

**ISRP – CAF (COMMITTEE FOR THE ADMINISTRATION OF FUNDS)
UNIDROIT – REPORT TO THE GOVERNING COUNCIL**

CAF/WD(2020)14/ADD1

August 2020

**COMMITTEE FOR THE ADMINISTRATION OF FUNDS
ADDENDUM TO THE REPORT TO THE GOVERNING COUNCIL**

ACTION:

This addendum completes the Report to the Governing Council [CAF/WD(2020)14], which first has been presented to the General Assembly of UNIDROIT on 12 December 2019 [CAF/WD(2019)26] after having been approved by the Committee for the Administration of Funds (CAF) in its meeting of 15 November 2019.

As per UNIDROIT's request in view of the Report's presentation to the Governing Council, which shall take place from 23 to 25 September 2020, this addendum provides an update on the Fund's evolution and expected development.

The Committee for the Administration of Funds is invited to take note of the information presented in this document.

**COMMITTEE FOR THE ADMINISTRATION OF FUNDS
ADDENDUM TO THE REPORT TO THE GOVERNING COUNCIL**

INTRODUCTION

1. This addendum completes the Report to the Governing Council of UNIDROIT [CAF/WD(2020)14¹] ("main document"), with an update on the situation of the Fund and Fund projections as of the end of June 2020.

UPDATE FROM UNIDROIT

2. On July 2020, UNIDROIT informed the ISRP on the arrival of a new person (General Service staff member) joining the UNIDROIT pension fund on 1 January 2020, with a three-year, renewable contract.

3. The number of participants to the Fund therefore reaches seven active members (including the Secretary General), bringing the annual theoretical contribution to the Fund to EUR 201.4k as from 2020 (from EUR 191.0k expected in the previous report of 2019). UNIDROIT also provided the ISRP with an updated situation of the staff composition and applicable grades, salary and duration of contracts.

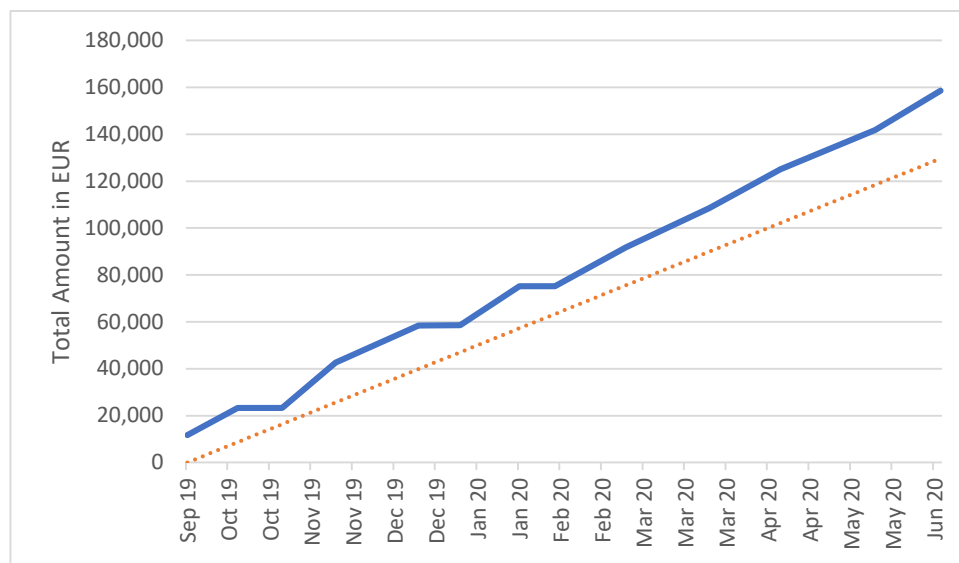
CURRENT SITUATION AND EXPECTED EVOLUTION OF THE FUND

4. At the start of the operations on 30 September 2019, and in agreement with UNIDROIT, the ISRP opened a savings account, alongside a current account for the Fund with Bank CIC (currently rated 'A', 'A+' and 'Aa2' by S&P, Fitch Ratings and Moody's, respectively).

5. Starting with no asset (i.e. value of zero), the ISRP progressively placed the Fund contributions, which started on 30 September 2019, onto the CIC saving account.

6. The below graph shows the evolution of the Fund's assets, held at CIC, from the inception of operations on 30 September 2019, up to 30 June 2020.

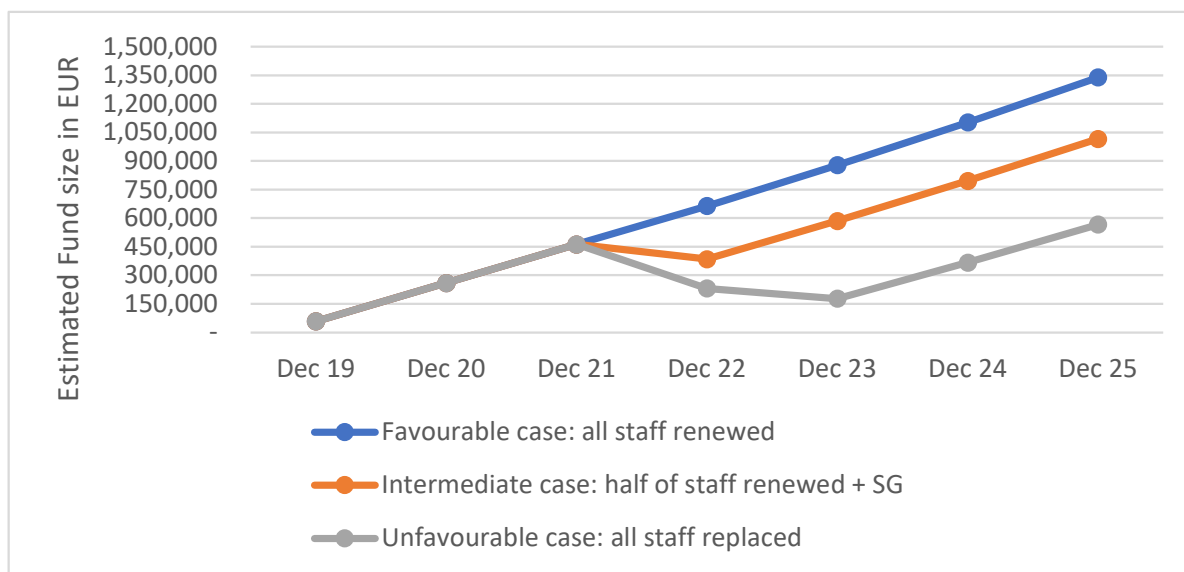
¹ The document CAF/WD(2020)14 had its origin in the document *CAF/WD(2019)26 Report to the General Assembly*, presented to the Organisation on 12 December 2019.



Source: ISRP, CIC. The dotted line corresponds to the initial simulation of asset evolution, linearised over the year.

7. The Fund's assets stood at EUR 58.5k at the end of December 2019, and at EUR 158.5k at end-June 2020. At the current level of contributions and savings account rate, the Fund's assets are now projected to reach around EUR 192k at the end of September 2020, after one year of operations. This figure is higher than expected in the initial simulation made in the main document, at around EUR 173k at the end of "Year 1".
8. The positive factors leading to this outcome are:
 - The addition of a new staff in 2020, increasing the amount of monthly contributions as from January 2020, as well as the updated salary scale and career advancement from last year, which also contributed to a slightly higher absolute contribution level.
 - The election of UNIDROIT to pay the administrative fees separately, i.e. outside the Fund, as mentioned in the main document. This allows for a faster development of the Fund assets (under the initial simulation, all the administrative fees – roughly EUR 18.5k per year –, were paid from the Fund).
9. On the other hand, the following factors had a negative impact compared to the initial simulation:
 - Two out of the six participating staff started contributing to the Fund in November and December 2019 only, instead of September as simulated. This lowered the overall level of expected contributions for the first three months of the Fund's life.
 - As expected, the remuneration rate on the saving account offered by CIC, which was of 0.30% as the time of opening in September 2019, has been decreased to 0.15% as from November 2019, then further down to 0.10% as from February 2020. The ISRP already anticipated a downward evolution and factored in a 0.20% remuneration rate in its initial simulation, yet above the actual applicable rate. Considering the amounts and the time period considered, the impact linked to this change was not significant.
10. The ISRP has updated the simulation presented in the main document, as from the actual situation of December 2019 in terms of Fund's assets, with the new set of participants and contribution levels data received from UNIDROIT in July 2020. It also took into account the fact that administrative fees

are not taken from the Fund, and factored in the change in remuneration rate of CIC on the Fund's saving account. The outcome of this simulation, on the three pre-set scenarios² is shown below:



Source: ISRP, UNIDROIT.

11. While being favourable to the Fund development, this update does not bring any material change to the Fund expected shape of evolution and does not modify the recommendation or conclusion presented in the main document (and to the General Assembly in document CAF(2019)26). Under this updated simulation, the Fund is still expected to reach EUR 500k by the end of year 3 (i.e. 2022) in the favourable scenario, albeit quite sooner in the year, at which point a full Strategic Asset Allocation (SAA) implementation (with investments in financial markets) is recommended. It shall be noted that the constitution of pension liabilities/accumulated rights (which is more important in this favourable scenario in which there is no departure) is not simulated here, as it does not affect the Fund's asset evolution during the first years of existence. It shall be considered though, at the time of the actual SAA construction, in an asset-liability management context.

12. In the intermediate scenario, the EUR 500k threshold situation could happen by the end of 2023 (so almost one year sooner than in the initial simulation), and by the end of 2025 in the unfavourable scenario (not attainable within the next 6 years in the initial simulation).

13. It is to be noted that these simulations are very sensitive to the actual turnover (it is assumed here that any leaving staff is replaced immediately, at the same grade level), and the date at which actual leaving allowances are paid, among others. The situation of the Fund is therefore continuously monitored, and the Annual Reports to UNIDROIT, which will be provided and presented once a year to the Organisation³, shall provide a timely and more accurate view of the actual status of the Fund on all these aspects.

² In the « favourable » scenario, all staff are renewed at the end of their contract, so that the level of net contributions is maintained. In the « unfavourable » scenario, all staff are replaced (in 2023 for the SG and the newly appointed staff, and 2022 for all others). In the « Intermediate » scenario, half of the staff (randomly selected), on top of the SG i.e. 4 out of 7 staff, are renewed at the end of the contract (in the initial simulation, half of the staff including the SG, i.e. 3 out of 6 staff, were renewed).

³ The next – and first – Annual Report to UNIDROIT will be presented in the CAF meeting of 13 November 2020.