



EN

FINANCE COMMITTEE
86th session
Rome, 4 April 2019

UNIDROIT 2019
F.C. (86) 5
Original: English/French
March 2019

Item No. 5 on the Agenda: Update on the implementation of the new compensation and social security package offered 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 and next steps with respect to job descriptions and the UNIDROIT Regulations</i>
<i>Action to be taken</i>	<i>To take note of the update</i>
<i>Related documents</i>	<i>A.G. (77) 8; A.G. (76) 7 rev.; A.G. (76) 10; F.C. (85) 7; F.C. (83) 9; F.C. (81) 5; F.C. (81) 6 rev.</i>

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 in February 2018 the compensation reforms and has continued to work to implement the social security reforms. The Secretariat has also 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).

2. The following provides a further update regarding (I) implementation of the compensation and social security reforms and (II) next steps being taken to further improve UNIDROIT's sustainability and administration.

¹ UNIDROIT 2017 – F.C. (83) 9, Item No. 9.

I. IMPLEMENTATION OF THE COMPENSATION AND SOCIAL SECURITY REFORMS

A. COMPENSATION

3. At its 76th session (Rome, 21 December 2017), the General Assembly adopted the recommended transition of UNIDROIT staff to the UN salary scales and, pursuant to the request of the Deputy Secretary-General, provided flexibility in the timing of their implementation, which would be reviewed by the Finance Committee.²

4. At the Finance Committee's 84th session (Rome, 15 March 2018), the Secretariat informed the Committee that it had implemented, with the assistance of the expert consultant on compensation matters, the transition to the UN salary scales localised for Rome and that, as of February 2018, all staff had been transitioned to those salary scales.³ Various inquiries were then raised regarding that transition, including with respect to the compensation reforms' budgetary impact and to reservations that had been expressed concerning the use of the UN salary scales together with retention of certain allowances linked to the Co-Ordinated Organisations' system of allowances.⁴ Those inquiries were discussed during the session, and the Secretariat also committed to provide further information at the Finance Committee's next session.⁵

5. At the Finance Committee's 85th session (Rome, 4 October 2018), the Secretariat provided the requested information, and the Finance Committee further considered those inquiries. First, with respect to the budgetary impact, the Secretariat reported that, as shown through the budgetary documentation for 2018 and 2019,⁶ the transition of staff to the UN salary scales localised for Rome was expected to be less costly than forecasted by the expert consultant on compensation matters. For 2019, for example, the expert consultant had predicted that UNIDROIT's gross annual salaries would amount to roughly 1,327,000€,⁷ whereas the Secretariat's forecast based on current staffing for that year was roughly 1,302,000€.⁸ Second, with respect to the reservations about the compensation package, the Finance Committee discussed whether the combination of the UN salary scales with certain Co-Ordinated Organisation allowances (i.e. expatriation, spouse and child allowances) resulted in a compensation package that was actually more costly than what was in place at the UN. In this regard, it was recalled that the Finance Committee had recommended, after lengthy debate, a different solution than adopting the UN salary scales together with the UN system of allowances, which would have been too expensive.⁹ Nevertheless, the Secretariat committed to

² UNIDROIT 2017 – A.G. (76) 10, paras. 62-64.

³ UNIDROIT 2018 – F.C. (84) 5, para. 38; UNIDROIT 2018 – F.C. (84) 4, part I; UNIDROIT 2018 – C.D. (97) 19, Item No. 15(b).

⁴ UNIDROIT 2018 – F.C. (84) 5, paras. 37-49; *id.* paras. 42, 47 (asserting that the combination of the UN salary scales together with certain allowances linked to the Co-Ordinated Organisations' system of allowances resulted in a compensation package that was costlier than what was in place at the UN, that UNIDROIT's expatriation and child allowances were actually higher than those offered by the UN" and that "the final net salary was higher").

⁵ UNIDROIT 2018 – F.C. (84) 5, paras. 38, 42-43, 45-49.

⁶ See UNIDROIT 2018 – F.C. (85) 3 (Adjustments to the Budget for the 2018 financial year); UNIDROIT 2018 – F.C. (85) 6 (Draft Budget for 2019 and observations submitted by Member States).

⁷ UNIDROIT 2017 – F.C. (81) 5, app. 1, Table 4 at page 12 (showing a comparison of projections of the UNIDROIT status quo and the UN model with expected salary increases and noting that gross salaries for 2019 were forecast to be 1,327,000€ under the UN model and 1,324,000€ under the UNIDROIT status quo).

⁸ This gross figure differs from what is set forth in the Draft Budget for 2019 (UNIDROIT 2018 – A.G. (77) 7), specifically Article 1 of Chapter 2 (Salaries of Categories D, P and GS staff and consultant), because that Article reflects a net figure.

⁹ UNIDROIT 2018 – F.C. (85) 8, paras. 54-55.

provide the Finance Committee with a chart comparing net salaries for all categories and grades across common family situations.¹⁰

6. For the Finance Committee’s consideration at its 86th session (Rome, 4 April 2019), the Secretariat will circulate separately that comparison chart. In addition, further to the earlier inquiries regarding the ongoing budgetary impact of the reforms, the Secretariat recalls that the expert consultant had predicted that UNIDROIT’s gross annual salaries for 2020 would amount to roughly 1,369,000€,¹¹ whereas the Secretariat’s forecast based on current staffing for that year is roughly 1,320,000€.¹²

B. SOCIAL SECURITY REFORMS

7. At its 76th session (Rome, 21 December 2017), the General Assembly adopted the recommended pension scheme as well as the plan for health and related insurances.¹³ Pursuant to the Deputy Secretary-General’s request, the General Assembly provided flexibility in the timing of their implementation, which would be reviewed by the Finance Committee.¹⁴ Though it was hoped that the social security reforms would be implemented by the middle of 2018, such implementation remains ongoing.

8. Since the Finance Committee’s 85th session (Rome, 4 October 2018), the Secretariat has continued to move towards implementation of the new pension plan, which was developed by the International Service for Remunerations and Pensions (ISRP).¹⁵ There have been recent developments with respect to the following two key issues.

- *Identification of staff members:* For most staff members who have long contributed into the Italian social security system, it is likely not beneficial for them to transition to the new plan for various reasons (e.g. soon to gain a pension entitlement; non-transferability of contributions made). Nevertheless, the Secretariat has identified a small group of staff members who intend to opt into the new plan upon its implementation, with other staff members still having the opportunity to join prior to implementation. The Secretariat has also forecast, based on anticipated staffing changes, the number of new staff members likely to join the plan within the next five years and their estimated arrival times. Accordingly, it is estimated that the new plan could cover roughly half the staff within five years of implementation.
- *Fund management and administration:* The Secretariat has continued discussions with ISRP regarding pension fund management and administration. Those discussions have focused on finding an economical and secure solution, in particular during the transitional period until more UNIDROIT staff are covered by the new plan. In this regard, the Secretariat recalls that a meeting was held in Rome with Ms Leticia Andrés-Sánchez, the Head of the Fund Administration Unit at ISRP on 26 June 2018, during which she described ISRP’s full range of administration services

¹⁰ *Id.* paras. 50, 55.

¹¹ UNIDROIT 2017 – F.C. (81) 5, app. 1, Table 4 at page 12 (showing a comparison of projections of the UNIDROIT status quo and the UN model with expected salary increases and noting that gross salaries for 2020 were forecast to be 1,369,000€ under the UN model and 1,354,000€ under the UNIDROIT status quo).

¹² This gross figure differs from what is set forth in the Draft Budget for 2020 (UNIDROIT 2019 – F.C. (86) 2), specifically Article 1 of Chapter 2 (Salaries of Categories D, P and GS staff and consultant), because that Article reflects a net figure.

¹³ UNIDROIT 2017 – A.G. (76) 10, paras. 69-70.

¹⁴ *Id.*

¹⁵ ISRP is a common service platform for the 6 Co-ordinated Organisations and other international organisations, providing services for their pension schemes and remuneration policies.

(e.g. implementing an investment strategy; managing cash flows; and accounting and reporting on the fund for both the employer and the employees).¹⁶ While the ISRP services are comprehensive and attractive, in particular because pension-related matters would largely be handled by ISRP, that proposal – at that time – required a minimum annual fee of 23,000€.¹⁷ In the Secretariat’s view, this proposal appeared to be too costly for the transitional period in which only a few staff members would participate in the plan. As a result, the Secretariat contacted local banks and insurance companies in order to seek information and consider possible alternative arrangements for that transitional period. At the same time, the Secretariat informed ISRP that it was considering alternative arrangements and inquired again whether there could be a reduction in the minimum annual fee in light of UNIDROIT’s relatively small staff and the size of its budget. In response to that request, ISRP offered to reduce significantly that fee for the first two years.

9. Due to these important developments, the Secretariat believes that it will be feasible to implement the social security reforms by the end of 2019. The Secretariat is currently reviewing the Memorandum of Agreement proposed by the ISRP, which specifies the fund management and administration services, as well as the corresponding fees. The Secretariat is also seeking new and updated quotations from providers of health and related insurances, including Allianz, whose “Silver” quotation had been recommended by the Finance Committee and adopted by the General Assembly, and remains the preferred plan. With such quotations, the Secretariat seeks to ensure that UNIDROIT ultimately obtains the most affordable rate for the requisite coverage.

10. In the lead up to the Finance Committee’s 86th session (4 April 2019), the Secretariat will continue to work towards implementation of the social security reforms in an efficient, economical and timely manner and will provide a further update in this regard at the session.

II. NEXT STEPS

11. At the Finance Committee’s 84th session (Rome, 15 March 2018), there were preliminary discussions of possible next steps – which had been raised during the review of the compensation and social security package offered to UNIDROIT staff – to further improve UNIDROIT’s sustainability and administration. These steps, in particular, relate to the further development of job descriptions for UNIDROIT staff and review of the UNIDROIT Regulations. At the Finance Committee’s 85th session (Rome, 4 October 2018), the Secretary-General elaborated upon his intentions with respect to both of those steps.¹⁸ The Secretary-General similarly provided an update in this regard to the General Assembly at its 77th session (Rome, 6 December 2018).¹⁹

12. With respect to job descriptions, as the Secretary-General has emphasised, full job descriptions tailored to the newly implemented compensation system are needed.²⁰ Having conducted a review of staff members’ various responsibilities and requested their input in this regard, the Secretary-General is working to draft flexible job descriptions and terms of references for staff members. Such flexibility in those descriptions and terms is important because of the small number of staff working at UNIDROIT. If those draft descriptions and terms of reference are ready in time for

¹⁶ For a fuller description of those services, see UNIDROIT 2017 – F.C. (81) 6 rev., app. 1, part 5 at pages 14-20.

¹⁷ In addition to that fee, there would also an annual asset management fee of 0.20-0.25% of the assets managed.

¹⁸ UNIDROIT 2018 – F.C. (85) 8, para. 49; UNIDROIT 2018 – F.C. (85) 7, part III.

¹⁹ UNIDROIT 2018 – A.G. (77) 9, Item No. 10.

²⁰ *Id.* para. 55.

the Finance Committee's 86th session (Rome, 4 April 2019), the Secretariat will circulate them to the Committee as soon as possible before that session. In this regard, the Secretariat would note that the job descriptions are linked with the review of the UNIDROIT Regulations (see para. 13), and hence they will be completed only after draft amendments to the relevant parts of the Regulations have been finalised. Alternatively, the Secretariat will submit the job descriptions to the Committee for consideration at its 87th session in late September or early October 2019.

13. With respect to the review of the UNIDROIT Regulations, although prior discussions had focused on whether a polishing of the Regulations was necessary,²¹ the Secretary-General has indicated that, in his view, the Regulations are in need of a more in-depth review and require further work than a mere polishing²² in order to bring them more in line with those of other inter-governmental Organisations. Accordingly, consistent with the procedure set out in Article 17(1) of the UNIDROIT Statute,²³ the Secretariat intends to submit to the Governing Council, for consideration at its 98th session (Rome, 8-10 May 2019), a document reviewing, identifying and analysing various provisions of the Regulations that might be in need of revision. The Secretariat further intends to make that document, which is meant as an initial step, available on UNIDROIT's website, so that Member States and staff members have the opportunity to review and provide any input. With that document and any input received, the Secretariat is planning to craft a review of the Regulations that is not open-ended but specific and time-limited and, if necessary, to engage an expert consultant to assist with that review.

²¹ See, e.g., UNIDROIT 2018 – F.C. (84) 5, paras. 46, 48.

²² UNIDROIT 2018 – F.C. (85) 8, para. 49 (reflecting the Secretary-General's statement that "the language was a bit outdated and there were certain important aspects that were not regulated or insufficiently regulated, such as: (a) extension of the spousal allowance to couples which were not married, but legally recognised to have the same rights in many States; (b) paternity leave, because the Regulations only mentioned maternity leave; and (c) medical certifications for sick leave, because the Regulations only required such certifications after five days of absence, which seemed to be too broad and inconsistent with current practice.").

²³ UNIDROIT Statute, art. 17(1) ("Rules governing the administration of the Institute, its internal operations and the conditions of service of the staff shall be adopted by the Governing Council and must be approved by the General Assembly and communicated to the Italian Government.").