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Point n°13 e) de l'ordre du jour: Rapport du Secrétaire Général sur la mise en œuvre des nouveaux systèmes de rémunération et de sécurité sociale appliqués au personnel d'UNIDROIT

(préparé par le Secrétariat d'UNIDROIT)

<i>Sommaire</i>	<i>Actualisation de la mise en oeuvre des nouveaux systèmes de rémunération et de sécurité sociale appliqués au personnel d'UNIDROIT</i>
<i>Action demandée</i>	<i>Prendre note de l'actualisation relative à la mise en oeuvre des nouveaux systèmes de rémunération et de sécurité sociale et futures étapes</i>
<i>Related documents</i>	<u>UNIDROIT 2019 – F.C. (87) 7</u> ; <u>UNIDROIT 2019 – F.C. (87) 9</u> ; <u>UNIDROIT 2019 – C.D. (98) 15(b)</u> ; <u>UNIDROIT 2019 – A.G. (78) 10</u> ; <u>UNIDROIT 2019 – A.G. (78) 12</u>

INTRODUCTION

1. A la suite d'un examen approfondi lors de sa 83^{ème} session (Rome, 21 septembre 2017), la Commission des Finances a recommandé l'adoption d'importantes réformes de la rémunération et de la sécurité sociale, qui amélioreraient la viabilité d'UNIDROIT en renforçant la mobilité du personnel et en garantissant qu'UNIDROIT soit un lieu de travail attrayant ¹. A sa 76^{ème} session (Rome, 7 décembre 2017), l'Assemblée Générale a adopté ces réformes, ainsi que les révisions nécessaires à apporter au Règlement d'UNIDROIT. L'Assemblée Générale a, en outre, accordé au Secrétariat une certaine souplesse quant au calendrier de leur mise en œuvre, sujet à examen par la Commission des Finances. Depuis lors, le Secrétariat a mis en œuvre les réformes de la rémunération en février 2018 et les réformes de la sécurité sociale en septembre 2019.

2. Le Secrétariat a fourni des mises à jour à cet égard à la Commission des Finances lors de ses 84^{ème} et 85^{ème} sessions (Rome, 15 mars 2018 et 4 octobre 2018), ainsi qu'à l'Assemblée Générale lors de sa 77^{ème} session (Rome, 6 décembre 2018). Des mises à jour supplémentaires ont été fournies à la Commission des Finances en avril et octobre 2019 (86^{ème} et 87^{ème} sessions), ainsi qu'au Conseil

¹ [UNIDROIT 2017 – F.C. \(83\) 9](#), Point n° 9.

de Direction lors de sa 98^{ème} session (Rome, 8-10 mai 2019) et à l'Assemblée Générale lors de sa 78^{ème} session (Rome, 12 décembre 2019). Ce qui suit fournit une nouvelle mise à jour concernant (I) la mise en œuvre des réformes de la rémunération et de la sécurité sociale et (II) les prochaines mesures pour améliorer la viabilité et l'administration d'UNIDROIT.

I. MISE EN OEUVRE DES REFORMES DE LA REMUNERATION ET DE LA SECURITE SOCIALE

A. Rémunération

3. Depuis la 76^{ème} session de l'Assemblée Générale (Rome, 21 décembre 2017), le Secrétariat a continué à tenir la Commission des Finances, l'Assemblée Générale et le Conseil de Direction informés de la procédure utilisée pour mettre en œuvre la réforme.

4. Lors de la 86^{ème} session de la Commission des Finances (Rome, 4 avril 2019), le Secrétariat a fourni à la Commission un tableau comparatif des traitements nets pour toutes les catégories et classes dans des situations familiales courantes. Lors de cette session, la Commission des Finances a demandé une explication détaillée de la méthodologie utilisée pour l'élaboration du Tableau, y compris la date à laquelle les taux de change ont été calculés et le multiplicateur appliqué pour les paiements d'ajustement de poste.

5. En ce qui concerne la rémunération du personnel des Services Généraux, le Secrétariat note que les calculs du tableau sont basés sur les salaires nets fournis par les Nations Unies applicables au personnel des Services Généraux en poste à Rome, tels que publiés le 1^{er} avril 2018 (disponibles sur le lien suivant: https://www.un.org/Depts/OHRM/salaries_allowances/salaries/italy.htm). Les salaires étant formulés en euros, aucun coefficient d'ajustement ne s'applique.

6. En ce qui concerne la rémunération du personnel professionnel et des catégories supérieures, le Secrétariat rappelle que le Tableau a été établi sur la base des traitements nets fournis par les Nations Unies applicables au personnel professionnel et aux catégories supérieures, fournis par la Commission de la fonction publique internationale (CFPI) au 1^{er} janvier 2019 (disponible à l'adresse suivante: <https://icsc.un.org/Home/GetDataFile/5497>). Le multiplicateur de l'indemnité de poste pour le lieu d'affectation de Rome, ainsi que le taux de change officiel des Nations Unies applicable (de USD à EUR), ont également été pris au 1^{er} janvier 2019 sur le site Internet de la CFPI (disponible à l'adresse suivante: https://icsc.un.org/Resources/COLD/PostAdjustmentReports/History/pah_frm.htm), 34,6 et 0,871 respectivement.

7. De plus amples informations concernant la méthodologie des Nations Unies pour les enquêtes dans les lieux d'affectation autres que le siège sont disponibles sur le site Internet de la CFPI (https://www.un.org/Depts/OHRM/salaries_allowances/salaries/icsc2012.pdf).

8. La Commission des Finances, lors de sa 87^{ème} session (Rome, 10 octobre 2019), a estimé que les informations fournies sur la méthodologie comparative étaient adéquates et suffisantes.

B. Réformes de la sécurité sociale

9. Depuis la dernière session du Conseil de Direction (Rome, 8-10 mai 2019), le Secrétariat a achevé le processus de mise en œuvre du nouveau système de retraite et de la nouvelle assurance maladie, et présente les mises à jour suivantes:

- *Fonds de pension*: le Secrétariat a organisé plusieurs appels avec le Service international des rémunérations et des pensions (SIRP) pour négocier les frais de gestion annuels du fonds, qui, dans sa proposition initiale, étaient évalués à un minimum de 23.000,00 euros. Compte tenu de

la position unique d'UNIDROIT quant au nombre de membres du personnel et aux contributions initiales, le SIRP a proposé des conditions qui assureraient la durabilité du fonds, sur la base d'hypothèses prudentes, ainsi qu'un taux de frais de gestion plus bas. Dans un premier temps, le SIRP a proposé de placer les contributions entrantes sur un compte de recouvrement, ce qui produirait un faible rendement mais ne comporterait aucun risque financier (à savoir la préservation du capital). Dans sa deuxième phase de mise en œuvre, lorsque le fonds atteindrait un certain seuil (estimé à 500.000,00 euros), d'ici la troisième année selon les projections, les actifs se rapprocheraient d'une allocation stratégique d'actifs (ASA) complète, mise en œuvre par le biais de fonds communs de placement sélectionnés, et qui devrait rapporter 5,05 % par an (nominal) à long terme. Compte tenu des coûts limités qu'un arrangement de cet ordre entraînerait, le SIRP a proposé de renoncer à ces coûts et de ne conserver qu'une cotisation annuelle correspondant à 0,5 % des actifs (minimum de 12.000 euros), plus les frais dus au Secrétariat du Comité d'administration des fonds (équivalant à 6.461,60 euros) pour les trois premières années. Vu ces développements importants, le Secrétariat a signé le Protocole d'accord avec le SIRP, en vigueur à partir du 1^{er} septembre 2019, qui comprend de plus amples détails (**Annexe 1**).

- *Rapport du CAF*: de plus amples détails concernant la gestion du fonds de pension sont disponibles dans le Rapport du SIRP - CAF (Comité pour l'administration des fonds) (**Annexe 2**). Le Rapport couvre l'accès aux instruments d'investissement (fonds communs de placement et comptes d'épargne), la simulation des flux de fonds et les aspects méthodologiques, les conseils d'investissement et les procédures de gestion de la trésorerie pendant la première période d'investissement. Il contient également une proposition pour approbation par le Conseil de Direction (voir Action demandée au para. 10 ci-dessous).
- *Assurance maladie*: ayant obtenu un devis favorable d'AXA - compagnie d'assurance qui a fourni une meilleure couverture par rapport au devis "Silver" d'Allianz adopté par l'Assemblée Générale, à un moindre coût, et n'ayant obtenu aucune mise à jour ou contre-offre d'Allianz - le Secrétariat a finalisé les conditions de couverture pour les membres du personnel qui ont choisi d'opter pour le nouveau système avec AXA. La police d'assurance définitive, en vigueur à partir de septembre 2019, est mise à la disposition des membres Conseil de Direction sur l'Annexe.

II. ACTION DEMANDEE

10. *Le Secrétariat demande au Conseil de Direction de prendre note de cette mise à jour concernant la mise en œuvre des nouveaux systèmes de rémunération et de sécurité sociale appliqués au personnel d'UNIDROIT. Le Conseil de Direction est également invité à prendre note de la proposition faite dans le rapport du SIRP - CAF (Comité pour l'administration des fonds) (Annexe 2), et à donner son avis et son approbation sur ladite proposition.*

PROPOSITION DU CAF POUR APPROBATION PAR LE CONSEIL DE DIRECTION:

1. *Le CAF propose au Conseil de Direction d'Unidroit de retenir la proposition faite dans ce document de procéder à l'investissement du Fonds en deux étapes, c'est-à-dire d'investir initialement les contributions entrantes au Fonds dans la trésorerie jusqu'à ce que le Fonds atteigne 500.000 euros, et dans un second temps de déplacer les actifs vers un portefeuille investi sur les marchés financiers. La stratégie à adopter dans cette seconde étape sera présentée pour approbation en temps utile avant tout changement.*

2. *Les placements de trésorerie de la première étape doivent être conformes à la politique décrite dans les procédures de gestion de la trésorerie exposées dans le présent document.*

ANNEXE 1

PROTOCOLE D'ACCORD AVEC LE SIRP

**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

- 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~~ 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.

IT

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 2**SIRP – CAF (COMITE POUR L'ADMINISTRATION DES FONDS)
UNIDROIT – RAPPORT AU CONSEIL DE DIRECTION**

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.

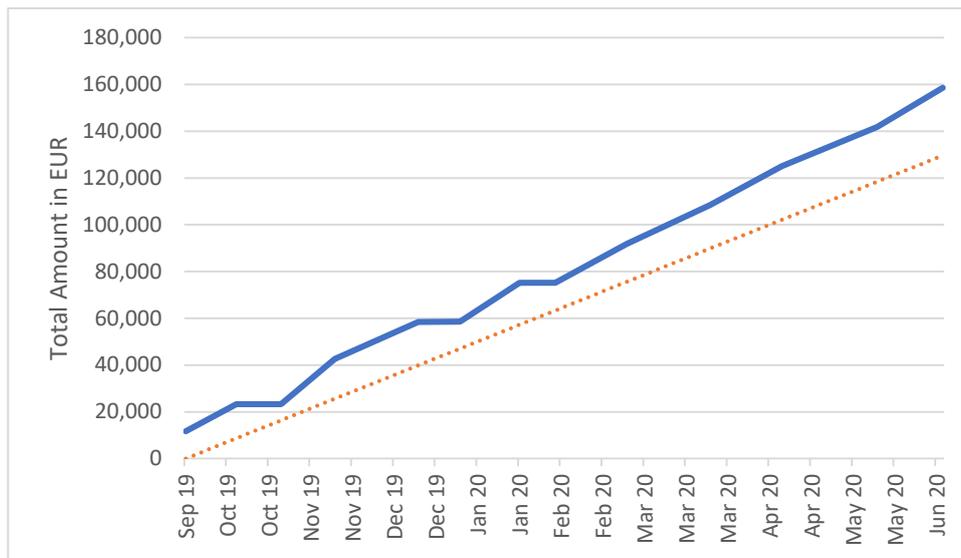
CURRENT SITUATION AND EXPECTED EVOLUTION OF THE FUND

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.

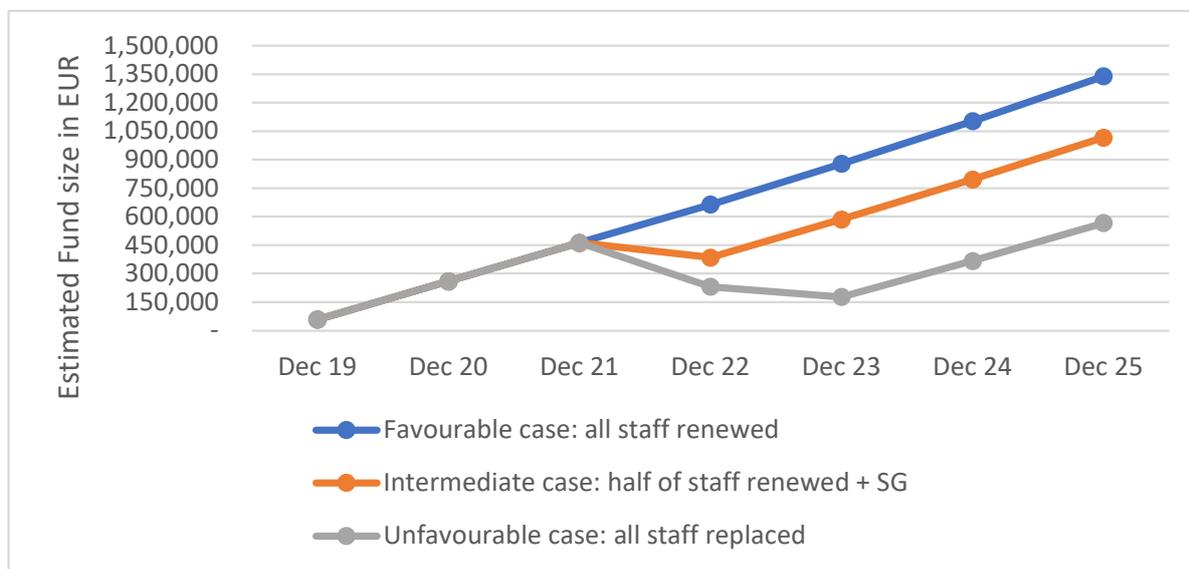
¹ The document CAF/WD(2020)14 had its origin in the document *CAF/WD(2019)26 Report to the General Assembly*, presented to the Organisation on 12 December 2019.



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.