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FINANCE COMMITTEE
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Item No. 8 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 implementation of the compensation and social security reforms.

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

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. In September 2019, the Secretariat 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, 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

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.

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.

(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, as reported at the 87th session of the Finance Committee, signed the Memorandum of Agreement with the ISRP, effective as of 1 September 2019.

- *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 I). 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 which was submitted to and approved by 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, was presented to the Finance Committee at its 87th session and approved by the General Assembly at its 78th session.

II. ACTION TO BE TAKEN

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

CAF PROPOSAL APPROVED 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.*

ANNEXE I

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

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