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**FINANCE COMMITTEE**  
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**Item No. 4 on the Agenda: Update on the implementation of the new social security scheme applicable to UNIDROIT staff**

(prepared by the UNIDROIT Secretariat)

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|---------------------------|--|
| <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>  | <a href="#">UNIDROIT 2020 – F.C. (90) 7</a> ; <a href="#">UNIDROIT 2020 – C.D. (99) B.20</a> ; <a href="#">UNIDROIT 2020 – A.G. (79) 8</a> ; <a href="#">UNIDROIT 2021 – F.C. (91) 4</a> ; |

## **I. INTRODUCTION**

1. Following an extensive review, at its 83<sup>rd</sup> session (Rome, 21 September 2017), the Finance Committee recommended the adoption of important compensation and social security reforms, with a view to improve UNIDROIT's sustainability by enhancing staff mobility and ensuring that UNIDROIT was an attractive workplace.<sup>1</sup> At its 76<sup>th</sup> 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 up until its 90<sup>th</sup> session, in which it was invited to recommend the adoption of the proposal in the report provided by the Committee for the Administration of Funds (CAF) to the General Assembly at its 79<sup>th</sup> session (remote, 17 December 2020).

## **II. UPDATE**

3. The proposal having been approved by the General Assembly ([UNIDROIT 2020 – A.G. \(79\) 8](#)), the attached document is a further update provided by the CAF in respect of the developments since November 2020 (see Annexe I). The Secretariat notes that the latest CAF Report contains a number

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

of points which merit bringing to the attention of the Finance Committee’s Members. The first concerns important changes in the International Service for Remunerations and Pensions (ISRP)’s estimation of the administration costs for UNIDROIT’s Pension Reserve Fund (PRF). Whereas the estimation provided by the ISRP in 2019 totalled EUR 25 251, the revised estimation in 2022 totals EUR 40 036, which is attributable to increases across the various component fees (ISRP Administration Fees, UNIDROIT’s Contribution to CAF’s Secretariat, Custodian Bank, Performance Reporting).

4. In particular, the Custodian Bank fees for the current custodian bank (SGSS) are expected to increase from EUR 800 per annum to EUR 25 000. It is important to note that the revised estimation of EUR 40 036 assumes that the custodian bank will be changed to one charging less than half this amount; indeed, staying with the current custodian bank SGSS would entail an even greater increase to approximately EUR 53 036. In this regard, the Secretariat further notes that there are ongoing efforts to identify alternatives to attempt to contain this dramatic increase in custodian fees, with one possibility being switching to use another custodian bank (for instance, the ISRP has received a quote from HSBC of EUR 12 000). Another possibility would be to forgo the use of a custodian bank and for the ISRP to directly perform this function, however, the Secretariat is still awaiting further details regarding the feasibility of this alternative as well as the expected costs.

5. As a result of the foregoing, the ISRP has noted in its most recent report that the previously cited minimum threshold for the PRF to be invested in the markets according to a Strategic Asset Allocation plan has been revised from EUR 500 000 to above EUR 900 000. Given that any expected return on investment below the new threshold would be less than the revised estimated administration costs, it would appear to be inevitable that the investment of the PRF in the markets ought be delayed by at least one year in order to allow for the fund to accrue a larger asset base and meet the minimum threshold.

6. On a separate matter, the Secretariat also notes that the Institute has been approached by two other intergovernmental organisations to discuss the possibility of their joining the UNIDROIT Pension Reserve Fund. These organisations are the International Iberian Nanotechnology Laboratory (INL),<sup>2</sup> and the International Development Law Organization (IDLO).<sup>3</sup> In the case of both the INL and IDLO, they approached the ISRP to indicate their interest in adhering to an existing pension reserve fund and were invited to contact UNIDROIT. The Secretariat has requested additional information from the ISRP to ascertain: (1) whether there are any precedents of multiple intergovernmental organisations joining their pensions together or otherwise collaborating to reduce administrative overheads associated with the management and administration of a pension reserve fund; and (2) what, barring the existence of any relevant precedent, the requirements might be from an administrative and governance perspective to establish such a structure. Any views on this from the Finance Committee Members would be welcome.

### **III. ACTION TO BE TAKEN**

7. *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, provide any views it may have regarding the possibility of joining UNIDROIT’s pension fund with other*

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<sup>2</sup> The International Iberian Nanotechnology Laboratory (INL), an intergovernmental organization under its own Statute, having currently 2 Member States (the Kingdom of Spain and the Portuguese Republic). The Treaty establishing INL is registered with the UN Secretariat in New York (<https://inl.int/organisation/>).

<sup>3</sup> The International Development Organization is an intergovernmental organization composed of 37 Member Parties with the aim of promoting the rule of law to advance peace and sustainable development (<https://www.idlo.int/>).

*intergovernmental organisations for administrative purposes, and make its recommendation to the Governing Council accordingly.*

*Please note that the Annexe is confidential.*