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**FINANCE COMMITTEE**  
**95<sup>th</sup> session**  
**Rome/remote, 23 March 2023**

UNIDROIT 2023  
F.C. (95) 5  
Original: English  
March 2023

**Item No. 7 on the Agenda: Update on the social security package applicable to  
UNIDROIT staff**

(prepared by the UNIDROIT Secretariat)

<i>Summary</i>	<i>Update regarding the implementation of the pension scheme offered to UNIDROIT staff</i>
<i>Action to be taken</i>	<i>To take note of the update regarding the pension scheme</i>
<i>Related documents</i>	<a href="#"><u>UNIDROIT 2017 – F.C. (83) 9</u></a> ; <a href="#"><u>UNIDROIT 2017 – A.G. (76) 7 rev.</u></a> ; <a href="#"><u>UNIDROIT 2017 – A.G. (76) 10</u></a> ; <a href="#"><u>UNIDROIT 2020 – F.C. (90) 7</u></a> ; <a href="#"><u>UNIDROIT 2022 – F.C. (93) 4</u></a> ; <a href="#"><u>UNIDROIT 2022 – F.C. (94) 7</u></a> ; <a href="#"><u>UNIDROIT 2022 – F.C. (94) 8</u></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 ([F.C. \(83\) 9, Item No. 9](#)). 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 provided the Secretariat with flexibility in the implementation of the new pension system, which would be reviewed by the Finance Committee ([A.G. \(76\) 7 rev.](#); [A.G. \(76\) 10](#)).

2. The Finance Committee and the General Assembly were regularly updated on the social security reforms in 2018 and 2019. Since the activation of the new pension scheme in 2019, the Secretariat has continued to provide the Finance Committee with regular updates. In 2020, the proposal of the Committee for the Administration of Funds (CAF) regarding the investment of the Institute's pension fund was approved. This approach entailed that the fund would be invested in two stages: Initially, the incoming contributions to the Fund would be kept in treasury (i.e., preservation of capital), and in a second stage, when the Fund reached a threshold amount of € 500,000, the assets would be moved towards a portfolio invested in financial markets ([F.C. \(90\) 7](#)).

3. During its 93<sup>rd</sup> meeting in May 2022, the Finance Committee was informed of important changes in the estimation of the administrative costs for UNIDROIT's Pension Reserve Fund (PRF), largely due to an expected significant increase in fees for the custodian bank. As a direct result of the increase in administration costs, the ISRP revised the minimum threshold for the PRF to be invested in the markets from € 500,000 to € 900,000. The Finance Committee was informed that, in consultation with the ISRP, several possible solutions were being considered to contain this dramatic increase in custodian fees ([F.C. \(93\) 4](#)).

4. During its 94<sup>th</sup> session in October 2022, it was recalled that the minimum fees of the current custodian bank (SGSS) would increase gradually in three steps: (i) € 7,500 from 1 July 2022; (ii) € 15,000 from 1 January 2023; and (iii) € 25,000 from 1 January 2024. The Finance Committee was informed that UNIDROIT would not be affected by the increase in custodian fees as long as it did not reach the threshold for investment. The Secretariat also noted that it expected to receive an update from the ISRP about possible solutions, including changing the custodian bank.

5. Furthermore, during its 94<sup>th</sup> session, the Finance Committee was informed that the Secretariat was looking to obtain a higher interest rate on the funds that were placed in a bank account. To this end, the Finance Committee agreed with the Secretariat's proposal to transfer a substantial part of the pension funds from the savings bank account at *Crédit Industriel et Commercial* to a longer term account, likely at another bank ([F.C. \(94\) 7](#); [F.C. \(94\) 8](#)).

## II. UPDATE

6. Pension Fund: The Secretariat received an update from the ISRP on the issue of custodian bank fees during the meeting of the CAF in November 2022. The ISRP confirmed that it was in the process of preparing a tender procedure to select a new custodian bank, which procedure was expected to be finalised in June 2023. As indicated during the 94<sup>th</sup> session of the Finance Committee, UNIDROIT will not have to pay any custodian fees until the funds are invested in the financial markets.

7. Moreover, the Secretariat, in cooperation with the ISRP, investigated the offers of several banks with a view to transfer a substantial part of the pension funds to a new, longer term account. It was decided to open a bank account at *Crédit Agricole*, which offered a 2.5% interest rate for a 3-month term deposit.

8. In addition, UNIDROIT signed a new Memorandum of Agreement (MoA) with the ISRP. The reason for this new MoA was mainly that the ISRP amended its fee structure. These amendments do not affect UNIDROIT negatively (to the contrary, UNIDROIT is expected to pay around € 7,000 less to the ISRP in 2023 as compared to 2022).

9. Further details regarding the management of the pension fund by the ISRP are available in the Report of the ISRP – CAF (Annexe I). The Secretariat wishes to highlight the following points:

- The PRF's total assets increased to € 701,975 by end-February 2023 (i.e., still below the threshold for investment).
- A first leaving allowance was paid to a departing official end-September 2022 (around € 100,000). A second leaving allowance will be paid to a departing official in April 2023 (around € 47,000).

10. Health Insurance: Since September 2019, the Secretariat obtained an Insurance Policy with AXA, which is renewable each year. The current policy is in place until September 2023. The general dissatisfaction of staff members with this insurance policy has led the Secretariat to explore alternative options. In March 2023, the Secretariat received a quotation from Cigna (see Annexe II). It is proposed that the Secretariat follows up with Cigna to verify whether the coverage and terms under the proposed insurance plan would offer staff members with an equitable level of protection, falling within the range of both the current AXA health insurance plan and the benchmark Allianz Silver plan approved by the General Assembly at its 76<sup>th</sup> session ([A.G. \(76\) 10](#)).

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

11. *The Finance Committee is invited to take note of this update regarding the social security package applicable to UNIDROIT staff. The Finance Committee is also requested to take note of the update provided in the Report of the ISRP – CAF (Committee for the Administration of Funds) (**Annexe I**) and the quote provided by CIGNA (**Annexe II**). For comparison purposes, the quote provided by Allianz is included as **Annexe III**.*

Please note that the Annexes are confidential.