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Item No. 13 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 social security package applicable to UNIDROIT staff</i>
<i>Action to be taken</i>	<i>To take note of the update</i>
<i>Related documents</i>	UNIDROIT 2017 – A.G. (76) 7 rev. ; UNIDROIT 2017 – A.G. (76) 10 ; UNIDROIT 2020 – F.C. (90) 7 ; UNIDROIT 2020 – A.G. (79) 8 ; UNIDROIT 2022 – A.G. (81) 8 ; UNIDROIT 2022 – A.G. (81) 9 ; UNIDROIT 2023 – F.C. (95) 5 ; UNIDROIT 2023 – F.C. (96) 7

I. INTRODUCTION

1. Following an extensive review, upon recommendation of the Finance Committee, the General Assembly at its 76th session (Rome, December 2017) adopted important compensation and social security reforms, together with the necessary revisions to the UNIDROIT Regulations. The General Assembly provided the Secretariat with flexibility in the implementation of the new social security 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 have been updated on the implementation of the social security reforms on a regular basis. Regarding health insurance, the Secretariat obtained insurance with AXA in September 2019, which was tacitly renewed each year. The new pension scheme was activated in September 2019 and has since been administered by the International Service for Remunerations and Pensions (ISRP). In 2020, the proposal of the Committee for the Administration of Funds (CAF)¹ 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 pension fund would be kept in treasury (i.e., on a bank account to preserve capital), and in a second stage, when the fund reached a threshold amount of € 500,000,

¹ The CAF is composed of representatives of five Organisations that externalised the administration of their pension reserve fund assets to the ISRP (see Annexe I).

the assets would be moved towards a portfolio invested in financial markets ([F.C. \(90\) 7](#); [A.G. \(79\) 8](#)).

3. In 2022, the Finance Committee and the General Assembly were informed that the ISRP had increased the minimum threshold for investment in the financial markets to € 900,000, largely due to an expected significant increase in fees for the custodian bank. UNIDROIT would not be affected by the increase in custodian fees as long as it did not reach the threshold for investment ([A.G. \(81\) 8](#)). During its 81st session in December 2022, the General Assembly endorsed the recommendation of the Finance Committee to transfer a substantial amount of the pension fund assets from the savings bank account at *Crédit Industriel et Commercial* (CIC) to a longer term account to obtain a higher interest rate ([A.G. \(81\) 9](#)).

II. UPDATE

4. *Pension Fund*: Following the endorsement of the General Assembly in December 2022, a new bank account for pension fund assets was opened at *Crédit Agricole*, which offered advantageous rates for term deposits. Since January 2023, the interest rate at the CIC bank account was 1%. Since June 2023, UNIDROIT has benefitted from higher interest rates (3.60%/3.65%) on the newly negotiated short-term deposits at *Crédit Agricole*. Further details regarding the management of the Institute's pension fund are available in the CAF's Second Bi-Annual Report (Annexe I). The Secretariat wishes to highlight the following points:

- The pension funds' total assets increased to € 811,318 by end-August 2023. The threshold for investment (€ 900,000) is expected to be reached in the first quarter of 2024. The Finance Committee would then receive a proposal for investment.
- A leaving allowance was paid to a departing official in April 2023 (around € 40,000). Another leaving allowance was deducted from the pension fund assets in October 2023 (around € 30,000).

5. *Health Insurance*: During its 95th session in March 2023, the Finance Committee was informed that the general dissatisfaction of staff members with the AXA insurance policy had led the Secretariat to explore alternative options. The Secretariat had shared a quote from Cigna with the Finance Committee, and it was agreed that the Secretariat would follow up with Cigna to verify the coverage and terms under the proposed Cigna Beta plan with a view to change the insurance plan from AXA to Cigna, if beneficial ([F.C. \(95\) 5](#); [F.C. \(95\) 6](#)). During its 96th session in October 2023, the Finance Committee was informed that the Secretariat had further negotiated Cigna's health insurance offer. Cigna's plan had thereby become clearly more attractive than AXA's policy from an economical perspective. Furthermore, the Secretariat had compared the terms and coverage under the proposed Cigna Beta plan, on the one hand, with the coverage under the AXA health insurance plan and the benchmark Allianz Silver plan that had been approved by the General Assembly at its 76th session, on the other. It had concluded that Cigna's plan would offer staff members with a comparable, and in some cases better, level of protection.² Moreover, due to Cigna's extensive experience in serving international organisations, it was expected that the system would be more user-friendly for UNIDROIT staff. During a staff meeting in July 2023, the affected staff members had agreed that it would be beneficial to replace AXA's health insurance policies with the Cigna Beta plan. Accordingly, notice had been given to AXA in July 2023 to cancel the sickness and accidents policies

² One difference between the AXA and Cigna policies concerned the subjective scope: under the AXA policies, a staff member's entire household was covered for a fixed premium while coverage under Cigna is individual, limited to staff members and their dependents. Given this difference, staff members were provided with the option to extend coverage under the new Cigna plan to non-dependent household members at their own cost.

from the expiry date (30 September 2023), and coverage under the Cigna plan³ began on 1 October 2023 ([F.C. \(96\) 7](#)).

III. ACTION TO BE TAKEN

6. *The General Assembly is invited to take note of this update regarding the social security package applicable to UNIDROIT staff. The General Assembly is also requested to take note of the update provided in the CAF's Second Bi-Annual Report (**Annexe I**) and of Cigna's final health insurance quotation as accepted by UNIDROIT (**Annexe II**). Please note that the Annexes are confidential.*

³ UNIDROIT signed up for Cigna's Beta health insurance plan, as well as the accidental death & disability protection and the temporary incapacity coverage (see Annexe II).