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FINANCE COMMITTEE
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Item No. 5 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 2022 – F.C. (93) 4 ; UNIDROIT 2022 – F.C. (94) 7 ; UNIDROIT 2022 – F.C. (94) 8 ; UNIDROIT 2023 – F.C. (95) 5 ; UNIDROIT 2023 – F.C. (96) 7

I. INTRODUCTION

1. Following the adoption of important social security reforms in 2017 ([A.G. \(76\) 7 rev.](#); [A.G. \(76\) 10](#)), the Secretariat has regularly updated the Finance Committee on the social security package applicable to UNIDROIT staff.

2. The new pension system was activated in 2019 and has since been administered by the International Service for Remunerations and Pensions (ISRP). Initially, the Committee for the Administration of Funds (CAF)¹ had proposed to keep the incoming contributions to UNIDROIT's Pension Reserve Fund (PRF) in treasury (i.e., preservation of capital) until a threshold amount of € 500,000 would be reached. The assets would then be moved towards a portfolio invested in financial markets ([F.C. \(90\) 7](#)). In 2022, the minimum threshold for investment was increased to € 900,000, mainly due to a dramatic increase in custodian fees ([F.C. \(93\) 4](#)). During its 94th session (October 2022), the Finance Committee agreed with the Secretariat's proposal to transfer a substantial part of UNIDROIT's pension fund assets from a savings bank account to a longer term account to obtain a higher interest rate ([F.C. \(94\) 7](#); [F.C. \(94\) 8](#)). In 2023, a bank account was opened at Crédit Agricole, and since June 2023, UNIDROIT has benefited from higher interest rates with term deposits.

3. Regarding health insurance, the Secretariat had obtained insurance with AXA in September 2019, which was tacitly renewed each year. During its 95th session (March 2023), the Finance Committee was informed that the general dissatisfaction of staff members with the AXA insurance

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).

policy had led the Secretariat to explore alternative providers, particularly Cigna ([F.C. \(95\) 5](#)). Following negotiations and a staff meeting, it was decided to replace AXA's health insurance policies with Cigna's plan ([F.C. \(96\) 7](#)).

II. UPDATE

4. *Pension Fund*: Details regarding the management of the PRF by the ISRP are available in the Report of the ISRP – CAF (Annexe I). The Secretariat wishes to highlight the following points:

- Since June 2023, UNIDROIT has benefitted from higher interest rates on the newly negotiated short-term deposits at Crédit Agricole. Currently, fixed term deposits of three months (with different maturities) are being used, which provide an interest rate of around 4%.
- The PRF's total assets increased to € 948,884 by end-February 2024. This means that the indicative threshold for investment has been reached. The ISRP, in cooperation with the UNIDROIT Secretariat, will prepare a proposal for the investment of the PRF's assets in the financial markets. To this end, the CAF identified the following envisaged next steps: (i) drawing up a projection of expected cashflows, custodian fees and management costs; (ii) assessing expected returns; (iii) establishing a Strategic Asset Allocation plan; (iv) selecting, and negotiating with, asset managers of identified mutual funds; and (v) engaging a custodian and an external performance consultant.

5. *Health Insurance*: The coverage of staff members under the new Cigna health insurance plan started on 1 October 2023, for a period of 12 months with tacit renewal. Since the staff members are satisfied with Cigna, it is proposed to renew the policies for another 12-month period.

III. ACTION TO BE TAKEN

6. *The Finance Committee is invited to take note of this update regarding the social security package applicable to UNIDROIT staff and the Bi-Annual Report of the ISRP – CAF (Annexe I). Please note that the Annexe is confidential.*

ANNEXE I

**ISRP – CAF
UNIDROIT – FIRST BI-ANNUAL REPORT 2024**