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**Item No. 12 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 offered to UNIDROIT staff</i>
<i>Action to be taken</i>	<i>To take note of the update</i>
<i>Related documents</i>	<a href="#">UNIDROIT 2017 – A.G. (76) 7 rev.</a> ; <a href="#">UNIDROIT 2017 – A.G. (76) 10</a> ; <a href="#">UNIDROIT 2020 – A.G. (79) 8</a> ; <a href="#">UNIDROIT 2022 – A.G. (81) 8</a> ; <a href="#">UNIDROIT 2023 – A.G. (82) 10</a> ; <a href="#">UNIDROIT 2024 – F.C. (97) 4</a>

## **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 and the General Assembly on the social security package applicable to UNIDROIT staff.
2. The new pension scheme 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)<sup>1</sup> had proposed to keep the incoming contributions to UNIDROIT's Pension Reserve Fund (PRF) in treasury until they reach a threshold amount of € 500,000. The assets would then be moved towards a portfolio invested in financial markets ([A.G. \(79\) 8](#)). In 2022, the minimum threshold for investment was increased to € 900,000 ([A.G. \(81\) 8](#)).
3. During its 81<sup>st</sup> session (December 2022), the General Assembly endorsed the recommendation of the Finance Committee to transfer a substantial amount of UNIDROIT's pension fund assets from a savings bank account to a longer term account to obtain a higher interest rate ([A.G. \(81\) 8](#)). Accordingly, a new bank account was opened and, since June 2023, UNIDROIT has benefited from higher interest rates with term deposits ([A.G. \(82\) 10](#)).
4. Regarding health insurance, the Secretariat obtained insurance with Cigna last year, given the general dissatisfaction of staff members with the previous insurance policy ([A.G. \(82\) 10](#)). The Cigna health insurance plan started on 1 October 2023, for a period of 12 months with tacit renewal.

## **II. UPDATE**

<sup>1</sup> 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).

Pension Fund:

5. The indicative threshold for investment has been reached in the first quarter of 2024 ([F.C. \(97\) 4](#)). The pension funds' total assets increased to € 1,138,758 by end-August 2024. Details regarding the management of the Institute's PRF are available in the CAF's Second Bi-Annual Report (please see the Annexe).

6. Since the indicative threshold for investment has been reached, the ISRP in cooperation with the UNIDROIT Secretariat is preparing a proposal for the investment of the PRF's assets in the financial markets. To this end, several steps are envisaged: (i) drawing up a report on the expected development of the PRF (cashflow analysis)<sup>2</sup>; (ii) establishing a Strategic Asset Allocation (SAA) plan; (iii) selecting, and negotiating with, asset managers of identified mutual funds; and (iv) engaging a custodian and an external performance consultant. The possible investment of UNIDROIT's PRF assets in the financial markets will be discussed during the next meeting of the CAF in November 2024. If it is deemed appropriate to invest the PRF assets in the financial markets in accordance with that plan, its implementation may take up to six months.

7. The one-off costs for the preparation of the two reports that are being prepared by the ISRP are around € 20,000 in total (€ 12,500 for the cashflow analysis and € 10,000 for the SAA plan). To reduce the impact on the Institute, UNIDROIT may pay these costs in installments of € 4,500 over a period of five years. In addition, the Institute would continue to pay CAF fees and would incur structural costs for investing the pension fund assets in the financial markets (e.g., custodian bank and investment manager fees, and costs for a performance consultant).

Health Insurance:

8. As anticipated during the 97<sup>th</sup> session of the Finance Committee, the Institute's health insurance policies with Cigna have been renewed for another 12-month period, until 30 September 2025.

**III. ACTION TO BE TAKEN**

11. *The General Assembly is invited to take note of this update regarding the social security package applicable to UNIDROIT staff, including the update provided in the CAF's Second Bi-Annual Report (**Annexe**). Please note that the Annexe is confidential.*

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<sup>2</sup> The cashflow analysis consists of (i) a projection of pension benefits to be paid to current and future staff, (ii) an elaboration of actuarial assumptions used in the projection of pension benefits, and (iii) a scenario analysis considering the impact of adjusting key assumptions on the cashflows and development of the PRF.