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FINANCE COMMITTEE
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Item No. 9 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>	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) 8 ; UNIDROIT 2024 – F.C. (97) 4

I. INTRODUCTION

1. Following the adoption of important social security reforms 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 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)¹ 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 ([F.C. \(90\) 7](#)). In 2022, the minimum threshold for investment was increased to € 900,000 ([F.C. \(93\) 4](#)).

3. In the meantime, the Finance Committee agreed 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 ([F.C. \(94\) 8](#)). Accordingly, a new bank account was opened and, since June 2023, UNIDROIT has benefited from higher interest rates with term deposits.

4. During its 97th session (April 2024), the Finance Committee was informed that the indicative threshold for investment had been reached, and that the ISRP in cooperation with the UNIDROIT Secretariat would prepare a proposal for the investment of the PRF's assets in the financial markets ([F.C. \(97\) 4](#)). To this end, the several steps were envisaged: (i) drawing up a projection of expected cashflows, custodian fees and management costs; (ii) assessing expected returns; (iii) establishing

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).

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. Regarding health insurance, the Secretariat obtained insurance with Cigna last year, given the general dissatisfaction of staff members with the previous insurance policy ([F.C. \(96\) 7](#)). The Cigna health insurance plan started on 1 October 2023, for a period of 12 months with tacit renewal. At the 97th session of the Finance Committee (April 2024), the Secretariat had proposed renewing the policies for another 12-month period.

II. UPDATE

Pension Fund:

6. 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 (Annexe I).

7. Since the indicative threshold for investment of the pension fund assets has been reached, the ISRP is preparing a report on the expected development of the PRF (cashflow analysis), as a first step towards investment of the PRF assets in the financial markets. This report will include (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.

8. Following the cashflow analysis, the ISRP will produce a proposed Strategic Asset Allocation (SAA) plan for UNIDROIT's PRF, which is expected to be finalised 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.

9. As anticipated during the 97th session of the Finance Committee, the one-off costs for the preparation of the two reports that are being prepared by the ISRP are around € 20k 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:

10. As anticipated during the 97th 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 Finance Committee 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 I**). Please note that the Annexe is confidential.*

ANNEXE

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