



International Oil Pollution
Compensation Funds

Agenda Item 7	IOPC/APR17/7/2	
Date	14 March 2017	
Original	English	
1992 Fund Assembly	92AES21	●
1992 Fund Executive Committee	92EC68	
Supplementary Fund Assembly	SAES5	

SECRETARIAT MATTERS

AMENDMENT TO THE STAFF RULES

Note by the Secretariat

Summary:

The 1992 Fund operates a Staff Provident Fund. The Staff Provident Fund is a defined contribution scheme and not a final salary pension scheme as used by United Nations (UN) organisations. Staff Rule VIII.5 allows for additional voluntary staff contributions to the Staff Provident Fund of up to 5% of the pensionable remuneration, to be deducted on a monthly basis from the staff member's salary.

In view of the fact that the current and foreseeable very low United Kingdom (UK) bank base rates (currently 0.25%) will lead to significantly lower interest rates earned on the Staff Provident Fund in the future, and in order to enable staff members to maintain as far as possible the value of their Provident Fund, the Director proposes that the 1992 Fund Assembly authorise an increase in the additional voluntary staff contribution level from 5% to 23.7% of the pensionable remuneration, to take effect from 1 May 2017. The proposed additional voluntary staff contribution level would be up to an amount that is equal to the combined total regular monthly contribution to the Provident Fund by the staff member and the organisation (7.9% + 15.8%). This proposal would have no impact on the 1992 Fund's contribution to the Staff Provident Fund. The Director's proposal is set out in section 2 of the document.

Should the Assembly authorise the increase in the voluntary staff contribution level to the Provident Fund, a corresponding amendment will be required to Rule VIII.5 of the Staff Rules.

Action to be taken:

1992 Fund Assembly

- (a) Decide whether to authorise an increase in the additional voluntary staff contribution level from 5% to 23.7% of the pensionable remuneration; and, if so
- (b) amend Staff Rule VIII.5 as set out in the Annex to take effect from 1 May 2017.

1 Background information

- 1.1 In accordance with Staff Regulation 26(b), the 1992 Fund operates a Staff Provident Fund to which both the 1992 Fund and staff members shall contribute on such terms and conditions as may be approved by the Assembly. The Staff Provident Fund is a defined contribution scheme and not a final salary pension scheme as used by United Nations (UN) organisations. All fixed-term staff

members holding a contract with the 1992 Fund for a period exceeding six months participate in the Staff Provident Fund.

- 1.2 The staff member makes a contribution of 7.9% of the pensionable remuneration and the organisation makes a contribution of 15.8% of the pensionable remuneration. The pensionable remuneration for staff members in the Professional and Higher (PH) categories is expressed in United States Dollars (USD) and for staff members in the General Service (GS) category in Pounds sterling (GBP). Unlike salaries, pensionable remuneration is not adjusted for monthly exchange rate variations in individual UN duty stations such as London i.e. between USD and GBP.
- 1.3 At its October 2009 session, the 1992 Fund Administrative Council decided to amend Staff Rule VIII.5 to allow for additional voluntary staff contributions to the Staff Provident Fund of up to 5% of the pensionable remuneration, to be deducted on a monthly basis from the staff member's salary. The decision was taken at that time based on a proposal from the Director who had acknowledged that currency fluctuations between USD and GBP had resulted in contributions added to the Provident Fund of staff members in the PH categories varying considerably from one year to the next or even one month to the next. In addition, the Director had highlighted that the then global financial crisis had resulted in very low United Kingdom (UK) bank base rates which would lead to significantly lower interest rates earned on the Staff Provident Fund in the future which would adversely affect both staff in the PH categories and in the GS category.
- 1.4 At its October 2015 session, the Director informed the Assembly that he had decided to introduce an additional voluntary scheme that would not rely on cash alone, which took effect from the beginning of 2015. As a result, there are two schemes which make up the Provident Fund; the Provident Fund (PF1) scheme invested by the organisation, and a voluntary Provident Fund (PF2) scheme which is managed by an independent financial advisor. Investing in PF2 is to be made only from the cash balance available in PF1 and there is no possibility of investing private funds in PF2. Currently some 43% of staff members are invested in PF2.

2 Director's proposal to increase the additional voluntary staff contribution level

- 2.1 The Assembly will recall that at its October 2016 session the Director reported that in view of the current and foreseeable low UK interest rates, he would examine alternative investment options for funds currently held in PF1. This exercise is ongoing and the Director will report any developments in this regard to the Assembly at its October 2017 session.
- 2.2 Nonetheless, at this point in time, the Director is of the view that the current and foreseeable very low UK bank base rates (currently 0.25%) will lead to significantly lower interest rates earned on the Provident Fund in the future. As the Provident Fund is a defined contribution scheme, contributions made into an individual Provident Fund have a direct impact upon the size of the fund when the individual retires or leaves the service of the IOPC Funds. In view of this, and to enable staff members to maintain as far as possible the value of their Provident Fund, the Director proposes that the Assembly authorise the increase in the additional voluntary staff contribution level. By allowing staff members to increase the amount that they can voluntarily contribute into the Provident Fund scheme, they will have a greater opportunity to be able to invest more funds into the PF2 scheme which has the potential to yield higher returns.
- 2.3 Following a review of staff voluntary contributions to provident fund schemes in other international organisations, as well as a review of the defined contribution system overall, it appears that there is either no cap stipulated on the amount a staff member can voluntarily contribute into such a scheme, or the staff member is able to make a voluntary contribution up to an amount that is equal to the combined total regular monthly contribution to the Provident Fund by the organisation and the staff member i.e. a provision to match the total regular contributions.

- 2.4 In view of this the Director proposes that the Assembly authorise an increase in the additional voluntary staff contribution level from 5% to 23.7% of the pensionable remuneration, thereby bringing in line the additional voluntary staff contribution level with that of the total regular monthly contribution to the Provident Fund by the staff member and the organisation (7.9% + 15.8%). The organisation's contribution would be retained at 15.8% of pensionable remuneration and therefore this proposal would have no impact on the 1992 Fund's contribution to the Staff Provident Fund.
- 2.5 The Director proposes that any amendment to the Staff Rule be effective from 1 May 2017.
- 2.6 The proposed amendment to Staff Rule VIII.5 is produced in the Annex to this document (proposed change in bold in paragraph (b) (iv)).

3 Action to be taken

1992 Fund Assembly

The 1992 Fund Assembly is invited to:

- (a) take note of the information provided;
- (b) decide whether to authorise an increase in the additional voluntary staff contribution level from 5% to 23.7% of the pensionable remuneration; and, if so
- (c) amend Staff Rule VIII.5 as set out in the Annex to take effect from 1 May 2017.

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ANNEX

RULE VIII.5

Provident Fund

- (a) A Provident Fund shall be established within the 1992 Fund with effect from 16 May 1998.
- (b) All staff members as defined in sub-clause VIII.5(h) shall participate in the 1992 Fund Provident Fund which shall consist of:
 - (i) contributions of 7.9% of the pensionable remuneration of all staff members payable by them as from the dates of commencement of their services with the 1992 Fund respectively;
 - (ii) contributions of 15.8% of the pensionable remuneration of staff members to be made by the 1992 Fund as from the date of commencement of their services with the 1992 Fund respectively;
 - (iii) any amount transferred to the Provident Fund of the 1992 Fund at the staff member's request from his or her share as at 15 May 1998 of the Provident Fund of the 1971 Fund, including interest thereon;
 - (iv) the additional voluntary contributions of up to ~~5%~~ **23.7%** of the pensionable remuneration of staff members from the commencement of their services with the 1992 Fund or at a future agreed date. The Organisation's contribution would be retained at 15.8% of pensionable remuneration;
 - (v) the interest accrued from the investment of amounts referred to in (i)-(iv).
- (c) Payment of contributions to the 1992 Provident Fund shall be effected monthly.
- (d) The administration, investment and control of the Provident Fund is the responsibility of the Director.
- (e) The share of the staff member in the Provident Fund shall, at the discretion of the Director, be payable upon separation of the staff member from the 1992 Fund or to his or her nominated beneficiary on his or her death. A staff member whose contract is terminated within or at the end of a probationary period shall be entitled only to that part of his or her share of the Provident Fund contributed by himself or herself plus the interest accruing thereon, unless such separation is in the opinion of the Director due to health reasons; the Fund's contribution under paragraph (b)(ii) of this Rule plus interest thereon shall revert to the Fund.
- (f) The final date used for the calculation of payment of the staff member's share in the Provident Fund shall be determined by the application of Rule VI.7.
- (g) The auditing of the Provident Fund shall be carried out in conjunction with the annual auditing of the accounts of the 1992 Fund.
- (h) For the purpose of this Rule "staff member" means a person holding a fixed-term contract with the 1992 Fund for a period exceeding six months.

- (i) The share of a staff member in the Provident Fund shall be the contributions referred to in paragraphs (b) (i), (ii) and (iv) of this Rule and any amount transferred pursuant to paragraph (b) (iii) together with interest thereon less a proportion of any administrative expenses or banking charges incurred in respect of the Provident Fund.
 - (j) The share of a staff member in the Provident Fund may be lent as a housing loan to the staff member concerned in conformity with the terms and conditions specified by an administrative directive issued by the Director. The Director shall report such administrative directives and amendments thereto to the Assembly.
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