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71FUND/AC.16/4

SHARING OF JOINT ADMINISTRATIVE COSTS BETWEEN THE 1992 FUND, THE 1971 FUND AND THE SUPPLEMENTARY FUND

Note by the Director

Summary: On the assumption that the 1992 Fund Secretariat will also administer the Supplementary Fund, the costs of running the joint Secretariat will have to be apportioned between the three Organisations. It is proposed that the Supplementary Fund should pay to the 1992 Fund a management fee which for 2005 should be set at £125 000.

Action to be taken: To decide on the sharing of costs for the administration of the joint Secretariat.

1 The issue

- 1.1 On the assumption that there will be a joint Secretariat administering the 1992, the 1971 and the Supplementary Funds, the costs of running the Secretariat will have to be apportioned between the three Organisations.
- 1.2 At their June 1996 sessions, the Assemblies agreed that the distribution of the costs of running the 1992 Fund and 1971 Fund's joint Secretariat should be decided yearly by the Assemblies of the two Funds (documents 92FUND/A.1/34, paragraph 11.1 and 71FUND/A/ES.2/22, paragraph 9). For the financial years 1996-2003 the governing bodies of the Organisations decided that the costs should be distributed on a percentage basis, the percentages varying over this period.
- 1.3 At their October 2003 sessions, the governing bodies approved a proposal by the Director that the distribution of the costs between the 1992 and 1971 Funds should be made in a different way, namely that the 1971 Fund should pay a flat management fee set approximately at 10% of the joint administrative expenses for 2004. The fee was set at £325 000 for 2004 (documents 92FUND/A.8/30, paragraph 24.1 and 71FUND/AC.12/22, paragraph 19.1). In October 2004, the governing bodies set the fee for 2005 at the same amount (documents 92FUND/A.9/31, paragraph 25.1 and 71FUND/AC.15/21, paragraph 18.1).

- 1.4 At its 8th extraordinary session, held in May 2004, the 1992 Fund Assembly concluded that, when the Supplementary Fund was established, the most practical solution would be for the 1992 Fund Secretariat to administer also the Supplementary Fund. The Assembly also considered that the present arrangement for sharing the costs of running the joint Secretariat between the 1992 Fund and the 1971 Fund would be most appropriate also for the Supplementary Fund, ie that the Supplementary Fund pays a management fee to the 1992 Fund, at least until the Supplementary Fund became involved in incidents. The 1992 Fund Assembly agreed with the Director's proposal that the flat management fee should initially be set at £150 000 per annum, being approximately 5% of the administrative expenses of the IOPC Funds' Secretariat for 2004. The Assembly also agreed that the management fee could be adjusted for later years by the governing bodies in the light of experience in respect of the workload of the Supplementary Fund (document 92FUND/A/ES.8/4, paragraphs 3.4.4, 3.4.9 and 3.8.2).
- 1.5 The Director proposes that the Supplementary Fund should pay the 1992 Fund a management fee of £125 000 for administering the joint Secretariat for the period 3 March - 31 December 2005, ie £150 000 per annum pro-rated for a ten month period from the date when the Protocol came into force, ie 3 March 2005. A corresponding proposal will be considered by the Supplementary Fund Assembly at its March 2005 session (document SUPPFUND/A.1/13).

2 Action to be taken by the governing bodies

The governing bodies are invited to consider the Director's proposal that the Supplementary Fund should pay a flat management fee of £125 000 for the period 3 March - 31 December 2005.
