



## Report on the Pension Fund

### 1 REMINDER OF THE CONSTITUENT TEXTS

#### 1.1 Convention

##### *Article XXXI*

*In the event of the dissolution of the Organisation, the assets shall be distributed between all the Member States proportionally to the total of their previous dues subject to any agreement which may be made between those Member States which shall have paid their dues up to the date of dissolution and to the rights contracted or acquired by personnel in active service or retired.*

#### 1.2 Staff Regulations

**PG 2** *The conditions for benefiting from the OIML retirement scheme are:*

- *to have worked at the BIML for more than 5 years,*
- *to have paid contributions to the retirement fund, described in PG 6 below, during the whole period of employment with BIML.*

**PG 3** *The retirement pension shall be paid from the maximum age of termination of employment as fixed by the Staff Regulations or, for officers having left the Bureau before having reached that age, from age 60. However, procedures for earlier payment (between 55 and 60) of a reduced pension are specified in the Detailed Rules.*

*In the event of a married agent's death, a pension equal to half of the amount of the retirement pension will be paid to the spouse or legally recognized companion and only to him/her, provided that the conditions specified in the Detailed Rules are fulfilled; if death occurs before the agent starts to receive his/her retirement pension, the date of payment of the surviving spouse's pension, as well as its amount, is fixed by the Detailed Rules.*

**PG 4** *The retirement pension shall be paid quarterly in arrears at the beginning of the next trimester.*

**PG 5** *The monthly amount of the retirement pension shall be 2 % of the "average monthly salary over the period" (at the time of termination of employment of the agent) per year of service, with a maximum of 35 years or 70 %. This amount will be indexed to the variations in domestic prices in France according to the rules applying to the BIML scales of salaries for active agents.*

**PG 6** *Retirement pensions shall be paid from a retirement fund constituted as follows:*

- *BIML agents enrolled in the OIML retirement scheme shall be subject to a monthly deduction of 8 % of their salary, to be paid into the retirement fund,*
- *The BIML shall pay into the fund yearly and for each agent concerned, an amount such that, for each agent, a fund equal to 1/12 of the "average monthly salary over the period" per month of service from the start of his/her employment will be made up,*
- *if necessary, the budget voted by the Conference shall provide for sums to be added to the retirement fund, in order to allow payment of pensions.*

**PG 7** *Agents who have worked at BIML for 5 years or less and who will therefore not benefit from the OIML retirement scheme shall be reimbursed the deductions made from their salary for the retirement scheme (but the interest earned will be retained by the Organization) and they will receive in addition a compensation gratuity, the amount of which is fixed in PG 8 below.*

**PG 8** Agents declaring, when entering the BIML, that they renounce the benefits of the OIML retirement scheme will be irrevocably bound by that declaration. They will not be subject to the 8 % deduction from their salary. They shall receive the compensation gratuity provided for in Chapter VII, Art. XXII of the Staff Regulations.

**PG 9** The OIML retirement scheme entered into force on 1 July 1980. It does not apply to agents having left the Bureau before that date. The problem of retrospective effects for agents already employed at that date has been solved case by case.

**PG 10** In the event of dissolution of the Organization, or of a merger with another international organization, the provisions concerning retirement pensions shall be decided by the Committee and the Conference.

## **2 BALANCE OF THE PENSION FUND BY 2009**

### **2.1 Demographic information**

The demographic information for the pension fund is as follows:

- On 1 January 2001, the OIML pension scheme had three pensioners (Messrs Petik, Referowski and Thulin) and two current employees contributing to it (Messrs Dunmill and Szilvássy).
- Mr Referowski having died in September 2002, his widow receives a half-pension, according to the Staff Regulations.
- Later, Mr Vishenkov began to draw his pension (in August 2003), bringing the number of pensioners to 3.5.
- Following a change in French law in 2003, the BIML Director was permitted to contribute to the OIML pension scheme, which he did, including backdated payments for 2003, so that on 1 January 2004, the pension scheme includes 3.5 pensioners and 3 contributors.
- On 31 August 2007, Mr Szilvássy will begin to draw his pension and the scheme will have 4.5 pensioners and 2 contributors.
- It is likely that the next Assistant Director who will succeed Mr Szilvássy will find it advantageous to contribute to the OIML pension scheme, which will bring the number of contributors back to 3.
- The member of staff recruited on a four year contract from 1 January 2005 will have no interest in contributing to the OIML pension scheme unless it is likely that his or her position at the BIML will be maintained beyond 31 December 2008. This is not certain, but is nevertheless possible and is thus maintained as an option.

### **2.2 Balance of the pension fund during the periods 2001-2004 and 2005-2008**

Taking account of the imbalance between the number of contributors and pensioners noted in 1999, the 11th Conference, in 2000, voted an additional endowment of 135 000 Gold Francs (37 344 €) per year to the Pension Fund over the financial period 2001 – 2004. This sum was taken from the Reserve Fund and was intended to balance the Pension Fund over this financial period.

This additional endowment was necessary since the Director at the time was not allowed by French law to contribute, neither was it not sure that his successor would have the right to do so.

In fact, due to the Director's inclusion in the pension scheme in 2003, the Bureau's endowments to the Pension Fund have now increased from around 10 000 € to around 30 000 € and the employee's contributions have increased from 10 000 € to over 20 000 €. This increase is of the same order of magnitude as the additional endowment which was voted in 2000. The pension scheme is thus balanced in the medium term by this new contributor.

The 2005 – 2008 budget does not therefore foresee the continuation of this additional endowment, which will not be necessary over this financial period.

The tables and figures in the Annex show how the evolution of the contributions and pensions to be paid up to 2009, assuming that the next Assistant Director, to be recruited in 2007, decides to join the scheme. The employee's and employer's contributions are sufficient to assure the Pension Fund until the end of 2009, when the value of the Pension Fund will represent approximately 2.5 times the value of the pensions to be paid in 2010.

If Mr Szilvássy's successor does not join the OIML pension scheme, the shortfall in contributions will occur in the period 2007 - 2008 (4000 € in 2007 and 16 000 € in 2008). This does not pose a threat to the Pension Fund by 2009.

It will of course be necessary to re-examine the balance of the Pension Fund at the time of the 2008 Conference, so as to decide what measures to take in order to assure its balance in the future. Such measures could be, for example, as done in a number of countries:

- an adjustment of the employee's contributions,
- an adjustment of the employer's contributions.

### **3 THE ORGANISATION'S OBLIGATIONS TO EMPLOYEES AND PENSIONERS**

In the framework of the new Financial Regulations, it will be necessary to re-examine the legal and financial obligations of the Organisation to its employees and pensioners. Under French law, in organisations having a pension scheme, it is usual:

- to evaluate the acquired rights of participants in the pension scheme,
- to record these rights as liabilities, as a long term debt of the organisation,
- to establish a dedicated asset to guarantee these rights.

The evaluation of these rights must be conducted and updated by an actuary (expert in such matters). This is what is done for example by the OECD, which has a similar pension scheme to that of the OIML.

A crude approach, based on the average population life expectancy leads to an estimation of the total pension rights acquired by the pensioners and by the current contributors to the scheme of around 1.4 million Euros on 1 January 2005. This represents 1.2 times the Reserve Fund projected for the end of 2004, 1.9 times the Reserve Fund projected for the end of 2008, and 1.1 times the amount of Member States' annual contributions.

On the other hand, these guarantees are only necessary in the case of the Organisation's dissolution and it would certainly not be efficient from the point of view of annual resource management to freeze 1 to 1.2 million Euros to guard against such an eventuality.

The OECD has taken the following measures to record these rights as liabilities and to set up a dedicated asset:

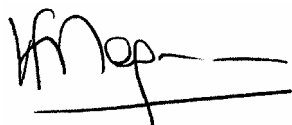
- a resolution of the OECD Council declared that the Member States guarantee the Organisation's obligations to employees and pensioners in the case of its dissolution;
- as a result of this guarantee, the OECD's obligations are evaluated by an actuary but are not recorded as a liability. They are the subject of a separate document.

#### 4 CONCLUSIONS

These questions require in-depth consideration, which cannot be undertaken before the 12th OIML Conference in October 2004, and which cannot be discussed during the Conference. The solution of this problem requires a revision of Annex 3 of the *Staff Regulations*, a study of and an amendment to the *Financial Regulations*, and appropriate Conference decisions.

It is therefore proposed that the Conference:

- adopts the 2005 – 2008 budget, noting the balance of the OIML Pension Fund over that financial period;
- instructs the CIML, the CIML President and the Director of the Bureau to study in detail the obligations of the Organisation to its employees and pensioners, and to propose to the 13th Conference the measures which need to be taken to guarantee these obligations in an appropriate manner.



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