

IHB File No. S1/0550

CIRCULAR LETTER 28/2000/Rev1
7 July 2000

IHB SOCIAL SECURITY ARRANGEMENTS

Report to the Member States

Dear Sir,

Member States will find attached herewith a report (Annex A) concerning proposed changes to the social security regime for the staff of the IHB. The proposal is to transfer the responsibility for social security arrangements from the Organization to the State, in this case the Principality of Monaco.

The Directing Committee considers that this proposal is an important element of the modernisation of the personnel arrangements of the IHB. It will bring the IHB practices into line with standard social security practice in Europe. It will also reduce the long term liabilities of the Organization.

The proposal has the support of the majority of the members of the IHB staff.

Member States are asked to read the report carefully. The Staff Regulations of the IHB require that significant changes to the conditions of service of the IHB staff must be approved by the Member States.

Member States are requested to return the attached voting slip (Annex B) **by 30 September 2000**.

On behalf of the Directing Committee
Yours sincerely,

Commodore John LEECH
Director

Encls: Annex A - Report
Annex B - Voting Paper

Note: The Directing Committee has issued this revised version of CL28 in response to a request for clarification of arrangements for future staff, and to comment on a point connected with the Host Agreement. (Changes are on page 4 of Annex A and appear in italics and underlined).

IHB SOCIAL SECURITY ARRANGEMENTS

Report to the Member States

Introduction

At the present time the IHO carries the financial responsibility for the Social Security arrangements for the IHB staff. These arrangements are described in the Staff Regulations of the IHO, Chapters 7, 9 and 10.

The Directing Committee is researching an initiative to transfer the responsibility of social security cover for IHB staff from the IHB to the social security scheme in force in Monaco.

This initiative has received support from the Finance Officers Committee, and in the Moore Stephens Report [page 10]. It was briefly mentioned in the financial briefing provided to the Extraordinary I.H. Conference in March 2000 [Working Paper No 3, page 4].

Discussions with the Monaco Government indicate that such a transfer could be arranged on satisfactory terms, and it is timely to advise the Member States of details of the proposals.

Principles underlying the proposal.

In proposing this initiative, the Directing Committee has identified two basic principles which should be observed. They are :

- The social security arrangements of staff should be completely independent of the employer.
- The employer should not be responsible for staff after separation from employment.

The Directing Committee believes that it is time for the IHO to embrace these principles, which are fundamental to social security regimes in most of Europe.

Comment from the Moore Stephens Report

The Moore Stephens Report into the financial management of the IHO (which is being sent to Member States under cover of a separate CL) contained the following comment on the issue of social security :

The IHB operates its own social security scheme for the welfare of both its active and retired staff and their dependents. The scheme covers illness, accident, maternity, invalidity and death for active staff members, and for retired members who continue to live in France or Monaco.

The 1998 Annual Report shows medical premiums paid of FrF 340 K, and medical claims paid of FrF 751 K, giving a total cost of FrF 1,091 K. Offset against the cost is the amount of insurance refund of FrF 406 K, so that the net charge for the year amounted to FrF 685 K [7% of personnel costs].

The Organization is subject to claims of an unpredictable timing and nature for which effective budgetary procedures cannot be implemented. In recent years the cost of providing medical cover has increased by significantly more than the rate of inflation. In order to limit such claims we believe that a transfer to the Monegasque social security scheme would greatly reduce both the administrative and long-term financial burden on the Organization.

Fundamentals of the Monegasque Social Security Scheme

The Monagesque Social Security Scheme has two fundamental elements.

The first element is the element for medical cover and family allowances, called the "Caisse de Compensation des Services Sociaux [CCSS]".

The second element is the element for retirement, called the "Caisse Autonome de Retraites [CAR]".

Position of the Government of Monaco in relation to the proposed transfer

In principle the Monaco Government is agreeable to the transfer of active staff, subject to certain conditions which are described below. Retired staff will remain the responsibility of the IHO.

Details of proposals regarding the medical scheme CCSS

The Government of Monaco has advised the IHB that it will be mandatory for all active members of staff to belong to the CCSS. There can be no exceptions.

During their active service all members of staff will receive the medical benefits available under the CCSS scheme.

In addition, staff who have also been members of the CAR scheme for more than ten years will receive these benefits in retirement. This is a most important aspect of the scheme, since it will create a substantial [but not complete] independence from the employer for medical benefits in retirement.

Staff who retire before ten years will not be eligible for medical benefits in retirement. These benefits will continue to be the responsibility of the IHO.

The medical benefits of the Monaco scheme are less good than those available under the IHO scheme. The IHB will arrange cover for additional benefits through a health insurance policy ["mutuelle"], so that the total benefits available to active and future retired staff under the new arrangements will not be inferior to the benefits offered in the Staff Regulations.

The additional costs of this insurance will be partly offset by a reduction in the present medical insurance premiums, a reduction in medical claims paid, and a reduction in family allowance payments.

Details of proposals regarding the retirement scheme CAR

Retirement benefits under the CAR are available only to persons who have been members of the scheme for ten years or more. This is impractical for the international staff of the IHB, and for those local staff who are nearing retirement age.

The authorities have therefore proposed that membership of the CAR will not be mandatory. After discussions between the CAR and IHB, it is proposed that the staff should be divided into two groups for retirement benefit purposes.

First Group - Local Staff

The first group will consist in principle of local staff. This group will be members of CCSS and CAR. On retirement they will be able to receive retirement and medical benefits from the Monaco scheme.

The local staff will be subdivided into two parts, based on their present retirement plans. This is because of the very different attributes of the two plans currently in use at the IHB.

Staff who are members of the Internal Retirement Fund [IRF]

It is forecast that the two IRF members who have more than ten years of service in prospect will be enrolled in the CAR. Their retirement entitlements will be unchanged; that is they will be based on the formula of final salary and years of service which is set out in the Staff Regulations. However, on reaching retirement, a part of their entitlement will be paid by the CAR, and the balance by the IRF. The CAR segment may be taken only as pension, but the IRF segment may be taken as pension or capital.

In addition, because the CAR contributions are less than the IRF contributions, the IHB will open for these members a supplementary pension fund with the IHO retirement insurance company, NSM Vie, in order to allocate properly any unused contributions. This acts as an incentive for the members to transfer to the CAR, since it will marginally increase their final package.

A graphic illustrating the proposal is attached.

The four IRF members who have only a short period of service remaining will not be enrolled in the CAR, and the IRF liability to these members will be unchanged. Whilst active they will be affiliated for medical benefits to the CCSS, but on retirement the responsibility for their medical expenses will revert to the IHB.

Staff who have NSM Vie Personal Retirement Plans.

About six of these members of staff will be enrolled in the CAR. On retirement they will receive a CAR pension according to their length of membership of CAR.

In addition they will receive the benefits which accrue from their membership to date of the NSM personal retirement plan [Hoche Retraite], to which in several cases they have subscribed for a considerable period of time.

In addition, because the CAR contributions are less than the NSM Vie contributions, the IHB will continue to pay a contribution to the NSM personal plans, in order to allocate properly any unused contributions. This acts as an incentive for the members to transfer to the CAR, since it will marginally increase their final package.

A graphic illustrating the proposal is attached.

Two members of the NSM group, because they are international staff, will be covered by the arrangements for international staff described below.

Second Group - International Staff

Under the proposed arrangements, the international staff of the IHB cannot qualify for retirement benefits as members of the CAR. This is because their tenure is, in most cases, less than ten years. As a result, international staff will not subscribe to the CAR, but will continue to be members of the existing personal retirement plans with Eagle Star Vista or NSM Vie. Their retirement arrangements and benefits will be unchanged.

The international staff will be members of CCSS whilst serving at IHB, and will obtain medical benefits as described earlier. Under the Staff Regulations, the IHB does not provide medical benefits to retired staff living outside Monaco or France.

Future Staff

Local staff recruited in the future will be enrolled in CAR and CCSS and the IHB will accept no responsibility for their social security benefits in retirement.

Future international staff will be recruited on the basis of the arrangements for international staff outlined above, except that the IHB will accept no responsibility for any social security coverage after leaving the IHB.

The Staff Regulations will be re-written to reflect these arrangements.

Additional Costs of this Proposal

Initially, the costs of this proposal will be an additional 750,000 FF for CCSS, and possibly 200,000 FF for CAR (depending on negotiations on administrative arrangements). This amount will be included in the budget for 2001, and can be accommodated within the budget envelope approved by the XVth I.H. Conference in 1997. However, there will be long term savings as the present active members of staff start to retire, since the IHB will have no financial responsibility for future retirees. These savings will begin to be realised from about 2010 onwards. There will also be a reduction in the administrative workload of the IHB in relation to medical claims.

Effect of this proposal in relation to the Host Agreement

Under the Host Agreement the IHB generally enjoys immunity from disclosure of any financial information. As a result of these new arrangements for social security, it will be necessary for the IHO to provide the Monegasque authorities with information about staff salaries, as envisaged in Article 7 [II] of the Host Agreement.

IHB Opinion

The IHB would have preferred that any new arrangements should apply to new staff, leaving the arrangements for present staff unchanged. However, this position is not acceptable to the Monaco authorities.

The arrangements described above are acceptable to the Directing Committee, and to the majority of the IHB staff. To some extent the final details can be negotiated to suit the individual requirements of staff, and to take advantage of any special offers made by the Monaco authorities.

The IHB has also retained the services of a lawyer specialising in this field, in order to be sure that the proposed arrangements are fair, both to staff and to employer.

The Directing Committee anticipates that the new arrangements will be put in place by October 2000, subject to the endorsement of Member States, which is required under Article 1.3 of the Staff Regulations.

Member States should note that the negotiations with the authorities are not yet completed, but the Directing Committee has no reason to suppose that there are any major impediments to a satisfactory outcome within the general framework described above.

Unemployment Benefits

The IHB staff do not, under the present Staff Regulations, receive any unemployment benefits if their jobs are abolished. This is because the IHB does not contribute to any unemployment benefit scheme.

The negotiations with the Monaco Government do not include unemployment benefits. The Directing Committee is aware of this deficiency, and intends to address it after the CAR / CCSS issue has been resolved.

In principle, adhesion to the French unemployment scheme ASSEDIC would add about 10% to IHB salary costs.

Action Requested of Member States

The Staff Regulations of the IHB, Article 1.3, require that substantive changes to the conditions of service of the IHB staff should be approved by the Member States.

Member States are requested to indicate their in-principle approval of these proposals, which the Directing Committee regard as very important to the future wellbeing of the staff of the IHB, and for the future financial viability of the IHO.

Attachments: Graphic simulation of mixed retirement plans
- Graphic - Staff Member in IRF
- Graphic - Staff Member with NSM

VOTING PAPER

(to be returned to the IHB by 30 September 2000)

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Member State _____

Date of reply _____

Proposed Changes to the IHB Social Security Arrangements

Do you agree to the proposed changes to the social security regime for staff of the IHB ?

YES

NO

Comments (if any):

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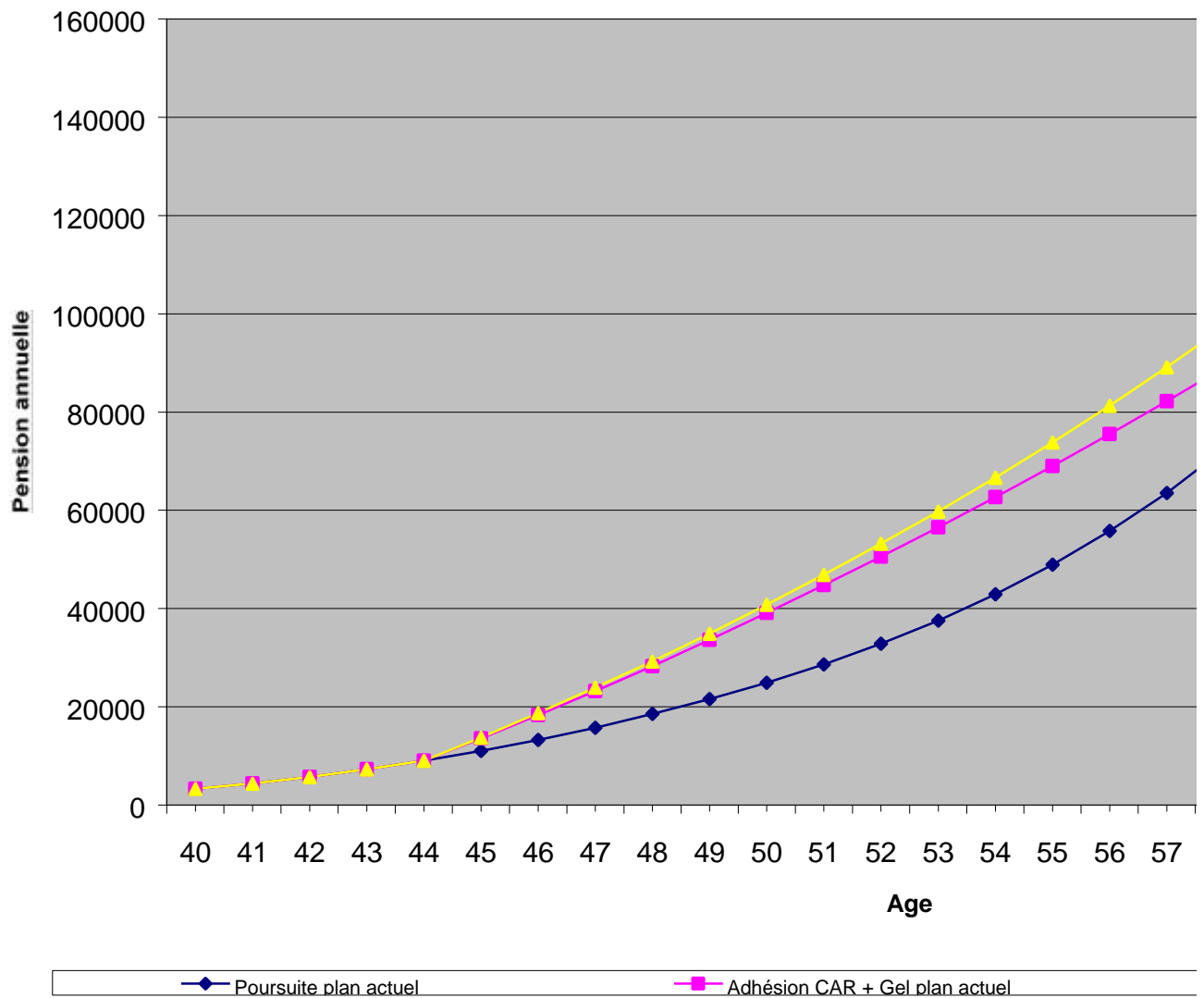
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Signature: _____

**Simulation - Staff Member with NSM
(Retirement at 62)**



Simulation - Staff Member in IRF (Retirement at 62)

