



IHB File No. FO/599/01

FINANCE COMMITTEE
CIRCULAR LETTER 3/2014
10 December 2014

**FINANCE COMMITTEE OFFICERS' MEETING
25 November 2014, IHB**

Dear Hydrographer,

1. The six-monthly meeting of the Finance Committee Officers (FCO) took place at the IHB in Monaco on 25 November in accordance with Article 14 of the General Regulations. The meeting comprised the Chair of the Finance Committee, Ms Muriel Natali-Laure (Monaco) represented by Mr Romain Loulergue, the Vice-Chair, Mr Andrew Millard (United Kingdom), and the IHB Directing Committee. The Auditor, Ms Pascale Taramazzo, of Frank Morel Chartered Accountants and the IHB Manager Finance and Administration (MFA) and her assistant also attended. The following topics were presented and discussed at the meeting.

Progress of 2014 budget

2. A review of the current financial situation was undertaken, based on the monthly finance report for October. The Directing Committee and MFA presented the current financial statements and indicated that all aspects of the execution of the budget for 2014 were progressing satisfactorily. The Directing Committee reported that it expected that 85% of the 2014 Capacity Building (CB) Work Programme agreed in 2013 would be executed. While some planned events have been postponed or cancelled because of various national constraints or other difficulties, the execution of the CB Work Programme is progressing well compared to previous years.

Status of Member States' contribution payments

3. The status of Member States' contribution payments was examined. It was noted that the amount received at the end of October was 87.47% of the total amount of the contributions due for the year. This was about 6% higher than the amount received at the same time last year, and an improvement over preceding years. The FCO was informed that three Member States run the risk of being suspended in 2015: Argentina, the Syrian Arab Republic and Ukraine. However, the Directing Committee has been informed that the Syrian Arab Republic and Ukraine are actively seeking ways to address their situation.

4. The FCO was also informed that three States (Viet Nam, Brunei Darussalam and Georgia) are now eligible to become Member States as soon as they deposit their Instrument of Accession with the Government of Monaco. If they do so, this could provide an increase in income in 2015.

Status of the Internal Retirement Fund

5. The FCO considered that the assets available in the Internal Retirement Fund (IRF) are currently adequate to meet the expected liabilities of the Fund, noting that this commitment is very sensitive to two factors:

- the duration of payment of pensions to retirees, and their survivors when applicable, and
- the interest rates on the IRF capital.

The Directing Committee reported that the IRF is closely monitored to identify any need for additional reserves to meet its liabilities.

IHB medical claims insurance

6. The Directing Committee reported that successful negotiations have taken place to obtain a greater rate of reimbursement for medical claims made under the existing medical insurance policy covering the IHB staff. This resulted from a study of the ratio between the reimbursements from the insurance company and the premiums paid between 1998 and 2013 which appeared to be far too low.

Financial exposure of the IHO in relation to Personalized Retirement Plans

7. The Directing Committee reported that it had recently become aware that the IHO is likely to face an increased financial burden due to the poorer than anticipated performance of the commercial personalized retirement plans that were offered to members of Staff at the time that the IRF was closed to new Staff in 1987. This is because the conditions contained in the personalized retirement plans contracted before 2011 provide an option for pensioners to choose between a payment based on their personalized retirement plan or, in the case that the personalized retirement plan is worth less than the value of a similar pension under the Monaco (CAR) system, they may opt to allocate the capital in their personalized retirement plan to the IHO and draw a pension at the CAR rate from the IHO instead.

8. In the current economic climate, it appears that the personalized retirement plans are unable to compete with governmental schemes such as the CAR. As a result, a Staff Member due to retire in 2015 has exercised the option to draw a pension from the IHO rather than from her personalized retirement plan. This is likely to require the IHO to invest an additional capital sum of approximately 90,000€ in order to meet this new pension obligation. Additional investment will be required if other Staff Members concerned (up to six others due to retire between 2020 and 2035) take the same option upon retirement in future years.

9. The FCO considered that the financial liability to meet any shortfall in obligations associated with discharging personalized retirement plans must be reflected in the IHO budget from 2015 onwards. They further considered that this newly discovered liability might be most efficiently addressed by including it as an additional liability on the IRF and to progressively provide additional capital in the IRF to meet this liability. The Directing Committee agreed to take appropriate action in the drafting of the 2016 budget proposals.

10. The FCO noted that the personalized retirement plans that have been offered to the Staff are normally considered to be a supplementary pension scheme, rather than a basic retirement pension scheme.

Progress on the re-drafting of Staff Regulations

11. The Directing Committee provided a short progress report on the re-drafting of the Staff Regulations, resulting from Decision 1 of the 5th Extraordinary International Hydrographic Conference. Meetings have been held so far with the departments of human resources at the International Maritime Organization in London, the UN International Atomic Energy Agency laboratories based in Monaco, and the Monaco *Caisse de Compensation des Services Sociaux* (CCSS), in order to make a comparison of the key elements in the Staff Regulations with those in other international organizations, and with the local conditions.

12. The Directing Committee intends to identify and compare realistic options to align the Staff conditions with those of the comparator organizations that have been agreed, particularly in terms of the cost and value implications for both the existing Staff and the IHO. This will be presented to the Staff Members, to the Staff Regulations Working Group and ultimately to the Member States for approval of a revised version of the Staff Regulations.

Next Meeting

13. It was agreed that the next meeting of the Finance Committee Officers will take place at the IHB in Monaco, on 10 April 2015.

On behalf of the Directing Committee
Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R. Ward', with a period at the end.

Robert WARD
President

Copied to: Ms Muriel NATALI-LAURE (Monaco), FC Chair
Mr Andrew MILLARD (UK), FC Vice-Chair