



## Report on the OIML Pension System

### 1 COSTS RECORDED IN THE PREVIOUS ACCOUNTANCY SYSTEM

#### 1.1 Provisions of the Staff Regulations

*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.*

This means that for each staff member enrolled in the OIML Pension System, the provision for pensions should be maintained at a level equal to 1/12 of the individual's last monthly salary, multiplied by the number of months.

This provision allows the payment of pensions in the short and medium terms to be balanced, but does not cover all the rights acquired by all the staff members enrolled. This system is based on repartition (similar to the French pension system), not on capitalization. However, the contributions of the Organization (defined in the second hyphen above) may not be sufficient to pay the pensions in the long term, which is why the third hyphen above provides for additional contributions to be voted by the Conference.

In the case of dissolution of the Organization, this provision does not cover the payment of all the rights acquired by the staff members and the Conference would have to decide how to finance this payment – either by selling off some of the assets of the Organization, or by voting an additional contribution.

#### 1.2 Application in 2004

This resulted in the following evolution of the provision for pensions in 2004:

- Endowment of the Bureau: amount corresponding to the increase of the fund mentioned in the second hyphen of PG 6 above, i.e. 33.6 k€
- Staff contributions: 8 % of the salaries of the active staff members enrolled in the system, i.e. 21.4 k€
- Complement from the reserve fund, as voted at the 11th Conference: 37.3 k€
- Use of a provision (pensions paid): - 49.4 k€

The provision for pensions increased by 42.9 k€ in 2004.

### **1.3 Simulation for 2006**

If the previous rules of the Pension System had been maintained, including the exceptional complement from the reserve fund, the following would have resulted:

- Endowment to the provision for pensions: 40.0 k€
- Staff contributions: 23.4 k€
- Complement from the reserve fund: 37.3 k€
- Use of a provision (pensions paid): - 51.0 k€
- Increase of the provision for pensions: 49.7 k€

## **2 PROVISION FOR PENSION IN THE NEW ACCOUNTANCY SYSTEM**

### **2.1 Principles in the new accountancy system**

The accountancy defined in the new Financial Regulations is based on the International Accountancy Standards (IAS) and differs from the former system:

- Income and charges are recorded when they accrue and not when money is paid or received,
- All assets and liabilities have to be recorded, and assets are subject to depreciation.

In particular, the pensions due to staff members who have already retired and to active staff members when they retire, are undertakings of the Organization and must be recorded as such in the liabilities. The implementation of the International Accountancy Standards therefore transforms the OIML Pension System into a system based on capitalization.

In this system, the provision for pensions is sufficient to pay all future pensions due at the time this provision is recorded, the provision being based on the expected date of retirement of staff and on their life expectancy (updated each year). In the case of dissolution of the Organization, this provision covers the payment of all the rights acquired by the staff members.

### **2.2 Application for 2006**

The rights acquired by the staff are evaluated each year by an actuary. Based on this evaluation, the evolution of the provision for pensions has been the following:

- Provision at 31/12/2005: 1 412.2 k€
- Endowment to the provision: 191.2 k€
- Staff contributions: 23.4 k€
- Use of the provision: - 51.0 k€
- Increase of the provision: 163.6 k€
- Provision at 31/12/2006: 1 575.8 k€

The total endowment to the provision in the new accountancy system, 214.6 k€(OIML plus staff), is to be compared with the total endowment which would have resulted from the previous accountancy

system, 100.8 k€ which represents an increase of 113.8 k€ Considering that 51.6 k€ of the provision has been used to pay pensions, the increase in the provision is 164 k€ instead of 50 k€

### **3 PROPOSALS CONCERNING THE FUTURE OF THE PENSION SYSTEM**

Those BIML staff members who are eligible for the French Social Security pension are also eligible for a French complementary pension system, called IRCANTEC. The IRCANTEC system has the same staff contribution as the OIML system and gives similar rights (2 % per year of contribution).

There are therefore three possible cases to consider:

- 1 BIML staff members who are not civil servants in their country, and who are eligible for the French Social Security pension and the IRCANTEC pension,
- 2 French civil servants who are not eligible for IRCANTEC but who may join a specific French complementary system, in which case they receive a compensation gratuity of 5 % of their salary, as stipulated in the Staff Regulations, in order to compensate for the employer's contribution to the complementary system,
- 3 Civil servants from other countries who are not eligible for IRCANTEC and who may need an alternative system.

#### **3.1 Revision of the Staff Regulations**

The BIML Staff Regulations, and in particular Annex 3 "OIML retirement scheme: General principles and detailed rules" should be revised.

This revision should include the consequences of the new accountancy rules (definition and evaluation of the provision for pensions, the staff contribution and the contribution of the Organization).

It should also make the following clarifications:

- For those staff members who are eligible for a French Social Security pension, this system plus the IRCANTEC complementary pension system shall be mandatory,
- French civil servants shall remain affiliated to the French civil servants pension system and shall receive a compensation gratuity equal to the employer's contribution that would be paid for them to the complementary pension system mentioned above,
- Other staff members may apply to be affiliated to the OIML pension system, or they may receive a compensation gratuity equal to the employer's contributions that would be paid for them to the French Social Security pension plus the IRCANTEC pension system mentioned in the first hyphen above.

#### **3.2 Consequences of this proposal**

The staff costs (see simulation, below) which would have resulted in 2006 if those BIML staff members presently enrolled in the OIML Pension system were either enrolled in the French Social Security plus IRCANTEC, or enrolled in the French civil servants system, are as follows:

	<b>Actual</b>	<b>Simulation</b>	<b>Difference</b>
Social Security	141.1 k€	165.7 k€	24.6 k€
IRCANTEC	25.3 k€	42.4 k€	17.1 k€
Compensation gratuity	3.5 k€	10.3 k€	6.8 k€
Endowment to the OIML provision for pensions	164.5 k€	0	- 164.5 k€
<b>Total</b>			<b>- 116.0 k€</b>

However, a small part of the endowment to the OIML provision for pensions is due to an update of the life expectancy of presently retired staff, so the savings would have been a little lower.

### **3.3 Implementation**

This amendment to the Staff Regulations may be drawn up in time to be submitted for approval by the CIML at its 2008 Meeting.

During this interval,

- one of the staff members presently enrolled in the OIML Pension system will have retired,
- one of the staff members presently enrolled in the OIML Pension system has already been transferred to the French civil servants system.

Such an amendment to the Staff Regulation cannot be retroactive, so the envisaged new provisions would be applicable only for new contracts and for the renewal of existing contracts.