

**IMMEDIATE  
ATTENTION**

RP/CP/08/6

February 29, 2008

To: Members of the Pension Committee  
(Mr. Portugal, Acting Chairman; Mr. Gakunu, Mr. Ge, Mr. Kiekens,  
Ms. Alonso-Gamo, Mr. Ghosh)

From: Padma Gotur, Pension Committee Secretary

Subject: **General Rules for Approval and Payment of Expenses of the Investment Advisor**

Attached is a memorandum from the Acting Chairman of the Pension Committee formally putting forward, for adoption by the Pension Committee, the “General Rules for Approval and Payment of Expenses of the Investment Advisor.”

In the absence of a request from a member of the Pension Committee by **noon on Friday, March 7, 2008** that the matter be taken up at a meeting of the Pension Committee, the proposal of the Acting Chairman will be deemed approved and will be so recorded.

Att: (1)

Other Distribution:  
Members of the Executive Board  
Members of the Administration Committee  
Members of the Investment Committee





# *Office Memorandum*

To: Members of the Pension Committee

February 29, 2008

From: Acting Chairman of the Pension Committee

Subject: **General Rules for Approval and Payment of Expenses of the Investment Advisor**

Pursuant to the approval of the proposed amendment of the Staff Retirement Plan (SRP) document to allow chargeback of Administrative Expenses of Investment Activities (EBAP /07/195) by the Executive Board on January 8, 2008, this paper formally puts forward, for adoption by the Pension Committee, the "General Rules for Approval and Payment of Expenses of the Investment Advisor."

These rules, which were discussed at the December 18, 2007 meeting of the Pension Committee, are identical to those presented in Annex II of RP/CP/07/1, with the exception of Paragraph 6. Paragraph 6 has been modified to take into account the desire by Pension Committee members to have the Investment Committee provide the Pension Committee with information on the medium-term budget outlook of the Investment Office as well as related work program issues.

Attachment I is a finalized version of the General Rules.

It is not proposed to call a meeting of the Pension Committee to discuss these revised General Rules unless a Committee member so requests by noon Friday, March 7, 2008. In the absence of such a request, these General Rules will be deemed approved and will be recorded.

Attachment

**GENERAL RULES FOR APPROVAL AND PAYMENT OF EXPENSES OF  
THE INVESTMENT ADVISOR**

1. **Permissible Expenses.** Administrative expenses that may be charged to the Retirement Fund under Section 9.8 of the Plan shall be limited to the following:
  - (a) salary and benefits of the Investment Advisor and the staff and any other employees of the IMF who report to the Investment Advisor and have responsibility for the investment of the Retirement Fund;
  - (b) expenses incurred by INV for services to the Investment Committee or the Investment Advisor in connection with the investment of the Retirement Fund, including information subscription services, business travel, specialized publications, and consultancy services;
  - (c) expenses incurred by INV for goods utilized by the Investment Committee or the Investment Advisor in connection with the investment of the Retirement Fund.
  
2. **Maximum Chargeback Expenses.** Chargeback of administrative expenses will be limited to no more than 7 basis points of combined eligible assets under INV management. This amount may only be exceeded with prior consent from the Pension Committee (following endorsement by the Investment Committee). This limit will be based on end-December asset values of the SRP and RSBIA, subject to a 5-year high-water mark (with the high-water mark determined based on combined SRP, RSBIA, or other eligible assets). The high-water mark is intended to provide budgetary stability in the face of any potential sharp downward market developments. Pre-funded SRP or RSBIA contributions are included in the calculation. Assets of the SRBP are explicitly excluded unless such assets rise to such a level as to require material management and monitoring by the Investment Office. Investment management fees, custodial fees, and other expenses that are not administrative expenses shall not be included within or subject to the preceding limitation.
  
3. **Budget Approval.** By March 30 of each year, the Investment Committee shall prepare an annual budget of the expenses, other than investment management and custodial fees, to be charged to the Retirement Fund during the succeeding financial year, subject to the Executive Board's approval of the limit on gross administrative expenditures.
  
4. **Commitment Approval.** Contracts or other commitments for expenses to be charged to the Retirement Fund may be executed only by those signatories duly authorized by the Managing Director. The procedures for the approval of commitments to be charged to the Retirement Fund shall be as established under the authority of the Managing Director from time to time.

5. **Payments.** Any expenses that are properly chargeable to the Retirement Fund, if not paid for by the IMF and deducted from the Employer's contributions to the Plan or otherwise reimbursed by the Plan, may be charged directly to the Retirement Fund and paid by the custodian under the authority of the Managing Director.

6. **Reporting.** In its annual report to the Pension Committee on the performance of the Retirement Fund, the Investment Committee also shall report the approved annual budget of expenses to be charged to the Retirement Fund and the expected budget outturn for the then-current financial year. In addition, the Investment Committee shall also provide the Pension Committee with its medium term outlook for the budget of the Investment Office as well as key work program elements related to the budgetary outlook.

7. **Allocation of Expenses.** Expenses that are attributable solely to the investments of the Plan shall be charged to the Retirement Fund, and no expenses that are attributable solely to the investments of the RSBIA (or other eligible asset pool) shall be charged to the Retirement Fund. Staffing costs and expenses that are attributable partly to the investments of the Plan and partly to the investments of the RSBIA (or any other eligible asset pool) shall be allocated among them according to rules adopted by the Investment Committee.

8. **Operational Guidelines.** The Investment Committee shall adopt operational guidelines and procedures for such matters as reimbursement and accounting mechanisms, pro ration issues, and methods to assure budgetary transparency and oversight.