FOR AGENDA

EBAP/08/18

CONFIDENTIAL

March 18, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Staff Compensation—2008 Review**

Attached for the consideration of Executive Directors is a paper on the 2008 review of staff compensation, which is tentatively scheduled for discussion on **Wednesday, April 2, 2008.** A draft decision appears on page 15. This paper also provides background information for the informal meeting on Tuesday, March 25.

A background paper on recruitment and retention experience will be issued shortly.

Questions may be referred to Ms. Brookbank (ext. 36764) and Mr. Vicini (ext. 34474) in HRD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

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INTERNATIONAL MONETARY FUND

2008 Review of Staff Compensation

Prepared by the Human Resources Department

In consultation with the Finance and Legal Departments
and the Office of Budget and Planning

Approved by Diana Serrano

March 18, 2008

Contents Pages

EXECUTIVE SUMMARY

This paper presents proposals for the 2008 Review of Staff Compensation and an interim solution for determining Grades A1–A8 salaries:

The key points of the paper are:

- **A1–A8 compensation system**. The key findings of the A1–A8 study show that it is feasible to develop a local comparator market for grades A1–A8. The results previously presented to the Executive Board[1] confirm that the Fund payline for A1–A8 staff consistently exceeds the market and, importantly, reveal divergent market pay practices among occupational groups. Two approaches have been presented, the first to develop two separate paylines to obtain a better market alignment, and the second to maintain the current system of downward extrapolation from the A9–B2 payline, but hire new office assistants one grade lower than at present. In view of the current restructuring process and the fact that in 2009 a full market based review of compensation will be implemented, providing the possibility to obtain updated market data, it is proposed that a decision on the A1–A8 comparator market be deferred until the 2009 review of staff compensation.

- **Salary structure**. The 2008 adjustment in the salary structure for grades A9–B5 will be determined on the basis of an indexation formula comprising public and private sector salary indices for the United States. The formula indicates an increase of 4.2 percent. As an interim solution, in the absence of a decision on the salary system for staff in Grades A1–A8, it is also proposed to increase the salary structure for Grades A1–A8 during FY2009 in line with the mentioned indexation formula. The resulting May 1, 2008 salary structure is shown in the Attachment.

- **Merit pay**. It is proposed that the merit pay allocation comprise the indexation increase and a comparatio adjustment calculated on the basis of the comparatio for all grades combined. Pending Board approval of the proposed decision set out in Section V, the FY2009 administrative budget, that will be submitted for Board approval on April 7, 2008, will incorporate a 5.7 percent merit envelope, consisting of a 4.2 percent structural increase and a 1.5 percent comparatio adjustment. The comparatio adjustment contains a small allocation (0.1 percent) related to adjustments to the merit increases resulting from promotions that will become retroactively effective May 1, 2008.

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[1] *Development of the A1–A8 Comparator Marke*t (EBAP/07/5, 01/11/2007); *Staff Compensation—2007 Review* (EBAP/07/60, 4/19/2007); and *Issues Note on A1–A8 Compensation* (EBAP/07/137, 8/31/2007).

I. INTRODUCTION

1. **This paper presents proposals for the 2008 Staff Compensation Review**. The paper reports the key results and the status of the proposal to implement a market-based compensation system for staff in Grades A1–A8. For Grades A9–B5, the paper presents proposals that have been developed in the context of the three-year compensation cycle approved by the Executive Board in April 2006 as part of the Employment, Compensation, and Benefits Review (ECBR) (Box 1).[2]

2. **In the absence of an agreement on the new A1–A8 compensation system, an interim decision on A1–A8 compensation for 2008 is required as there is no standing rule to be applied for this group of staff.** For the 2008 compensation review, it is proposed to adopt a structure adjustment for the A1–A8 payline in line with the indexation formula applicable to Grades A9–B5. The merit budget would then be determined by applying a uniform indexation formula and the same comparatio adjustment to all staff in all grades. It is further proposed that a decision on the establishment of a local comparator market for A1–A8 staff be considered during the next comparator-based review in 2009.

3. **The remainder of the paper is organized as follows**. Section II highlights the key findings of the A1–A8 salary study. Section III presents the results of the indexation formula for 2008, which determines the increase in the salary structure. This section concludes that, under the safeguard provisions for indexation, no additional increase beyond that indicated by the formula is warranted at this time. Section IV discusses the determination of merit pay. Section V contains a draft decision for approval by the Executive Board.

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[2] *Employment, Compensation, and Benefits Review—Proposed Decisions* (EBAP/06/38, Cor. 1, 4/18/06).

Box 1. The Compensation Cycle

The compensation system operates on a three-year cycle. In the first year of the cycle, decisions on staff compensation are based on a customized survey of A9–B2 salaries in the United States, with the results tested for international competitiveness against salaries in France and Germany. The possible addition of academic and/or Asian comparator markets is under consideration for 2009. Salaries at B3–B5 are set in relation to A9–B2 salaries. Specific details of the method for setting the A1–A8 salary structure have not yet been determined. In the second and third years of the cycle, the entire A1–B5 salary structure is to be adjusted on the basis of an indexation formula, which is comprised of published indices of salary movements in the U.S. public and private sectors. In comparator-based years, the salary structure can be adjusted either uniformly, or on a grade-by-grade basis. In indexation-based years, the entire structure is adjusted uniformly by the percentage indicated by the formula, subject to certain safeguards.

The first three-year cycle reflects the transitional state of the system. The three-year cycle began in 2006, with A9–B2 salaries set on the basis of a comparator-based review, and B3–B5 salaries set in relation to A9–B2 salaries, as envisaged under the new system. The A1–A8 salary structure was adjusted using a transitional method, pending a decision by the Executive Board on the system for determining A1–A8 salaries. The 2007 compensation review included the application for the first time of an indexation formula to determine the adjustment in the salary structure. The indexation formula was applied uniformly, as an interim solution, to all grades. The same approach is being proposed for 2008; however, the merit allocation, related to adjustments for retroactive promotions, is being separated from the comparatio adjustment. The next three-year compensation cycle will begin in 2009.

II. A1–A8 Compensation

4. As a follow-up to the ECBR in 2007, the Board has considered the methodology for developing a local comparator market for A1–A8 positions and the key findings from the associated data collection.[3]

5. **Two broad conclusions were drawn from the comparator study**. First, the A1–A8 payline exceeds the market under a broad range of assumptions, even after adopting a high market pitch. Second, market pay practices among occupational groups within the support staff diverge sharply. In fact, while the Fund payline significantly exceeds the market average for office assistants positions (by approximately 29 percent), for other support staff, the payline is approximately 14 percent higher than the market average.[4]

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[3] *Development of the A1–A8 Comparator Market* (EBAP/07/5, 1/11/2007); *Staff Compensation—2007 Review* (EBAP/07/60, 4/19/2007); and *Issues Note on A1–A8 Compensation* (EBAP/07/137, 8/31/2007).

[4] The difference between the Fund payline and the market data relates to the market average.

6. Table 1 shows, by occupational groups, the staff weighted average difference between the Fund payline and comparator markets at various pitch levels and sector weights.

Table 1. A1–A8 Payline Over (Under) Market by Broad Occupational Groups at Different Pitch Level and Sector Weighting 1/
(In percent)

Occupational Groups	Sector (Weight) General Industry (GI) International Org.(IO)	Market Average	75th Percentile of Market	90th Percentile of Market	Markets Average +15 Percent
Office assistance	GI (75) / IO (25)	29.0	20.5	11.6	16.5
	GI (65) / IO (35)	26.4	19.2	11.6	15.9
Other support	GI (75) / IO (25)	13.7	6.6	-3.2	2.3
	GI (65) / IO (35)	13.0	6.9	-1.8	3.1

1/ International organizations are always pitched at market average, as these salaries already incorporate a premium over market averages.

7. In view of the above findings, three critical points remain to be addressed:

a) The compensation difference within the A1–A8 group between office assistance staff and other support staff positions;

b) The appropriate market pitch for the A1–A8 payline;

c) The impact of payline realignment on existing staff (transitional arrangements).

8. Two main approaches have emerged from the Board discussion:

a) The first, presented by management for consideration,[5] proposed to implement two paylines for A1–A8 staff, one for office assistants, and one for other support staff, reflecting substantial differences in market pay for the two occupational groups. The proposal was to determine the market pitch at the average plus a premium of 15 percent and included transitional arrangements of six years, where by existing staff's salary increases, in case of salary beyond the reduced range maxima, would have been fully protected for that period, and thereafter would receive partial protection;

[5] *Issues Note on A1–A8 Compensation,* (EBAP/07/137, 8/31/2007).

b) The second, supported by some Executive Directors, proposed to maintain the current system of downward extrapolation of the A9–B5 payline, but to downgrade office assistants' positions by one grade level, while permanently grandfathering the existing office assistants at their current grades.

9. In the short to medium term, savings under both approaches would be minor, and would occur only through the lower salaries of new hires (EBAP/07/137). Under the first approach, additional savings would materialize at the end of the transitional period, due to reduced merit allocation for staff over the maximum of their salary range. Detailed analysis on the impact that both approaches would have on cost savings will be elaborated in conjunction with the final proposal to the Board.

10. In light of the Fund's current downsizing, limited cost savings, and a lack of convergence of views among stakeholders, it is proposed that the decision on the new A1–A8 compensation system be taken during the 2009 compensation review, when a full comparator market review for all grades is planned. This will also allow the entire payline to be considered in the context of full market data for all grades, and to have two rounds of full market data for all grades (the first round comprising data collected in 2006 for Grades A9–B2, and in 2007 for Grades A1–A8).

11. Management is committed to bring the proposal of the new A1–A8 compensation system forward with the 2009 compensation review so as to bring to conclusion the ECBR. The data collection process for A1–A8 will be consistent with the methodology previously presented to the Board (EBAP/07/05). At that time, the impact of restructuring will also be known. Transition arrangements for affected staff could be considered at that time as well.

III. Indexation Formula

12. **The indexation formula comprises two publicly available indices, as previously agreed by the Board**.[6] The public sector component is the percentage salary increase for the U.S. Civil Service, including locality pay for the Washington metropolitan area for the current year. The private sector component is the percentage change forecast for the current calendar year in the annual WorldatWork Salary Budget Survey for the category of Exempt Salaried employees. The two components are given equal weight in the indexation formula.

13. **The indicated increase in the salary structure for Grades A9–B2 is 4.2 percent**. The public sector component for 2008, as reported by the U.S. Office of Personnel Management, is 4.49 percent.[7] The private sector component for 2008 is 3.9 percent, as

[6] *Staff Compensation—Indexation and Merit Pay* (EBAP/07/37, 3/20/2007).

[7] The approved salary increase is published on the agency web site at www.opm.gov/oca/08tables/html/dcb.asp.

reported by WorldatWork.[8] Weighted equally, the combination of the public and private sector salary increases indicates a 4.2 percent increase in the Fund's A1–B5 salary structure for 2008.

14. **The application of the formula is subject to safeguards**. In adopting the indexation formula approach in April 2006, the Executive Board recognized the inherent risk that increases indicated by the formula could deviate from salary movements in the Fund's comparator markets, with potentially adverse consequences for the Fund's competitiveness. To mitigate this risk, management may propose an upward adjustment to the salary increase indicated by the index under certain conditions (*Employment, Compensation, and Benefits Review—Proposed Decisions,* EBAP/06/38, paragraph 43):

- compelling evidence to suggest that movements in the index are unrepresentative in a material way of general salary trends in the U.S. comparator market;
- changes in U.S. tax policy that make it likely that there will be significant increases in net salaries at the Fund at the time of the next comparator-based review; or
- movements in the euro-dollar exchange rate that create significant competitiveness problems for staff recruitment and warrant remedial action prior to the next comparator-based review.

15. **No safeguard adjustments are proposed for the current compensation review**. The two safeguards relating to U.S. salary and tax developments offer no compelling reason to adjust the results of the indexation formula in 2008. On salary developments, there is no compelling evidence to suggest that the 4.2 percent salary increase indicated by the indexation formula is unrepresentative in a material way of general salary trends in the U.S. With respect to U.S. tax policy, the effective tax rates applicable to the Fund's comparator market for A9–B2 salary ranges have not materially changed relative to their 2007 levels. Moreover, no changes in U.S. tax policy are currently planned that would lead to significant increases in net salaries at the Fund at the time of the next comparator-based review in 2009.[9]

16. **International competitiveness requires continuous monitoring.** Table 2 offers two perspectives on recent euro-dollar exchange rate movements. Using the reference period and exchange rate definition embodied in the international competitiveness test that is applied in comparator-based reviews every three years, exchange rate movements suggests that the risk

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[8] The headline number is published on the WorldatWork web site under Library at www.worldatwork.org.

[9] Prospective changes in the Alternative Minimum Tax cannot be ruled out, although neither the direction nor magnitude of any such changes are known at this time.

of significant competitiveness problems has increased rapidly during the last 12 months.[10] In particular, the combined nominal exchange rate and purchasing power parity rate depreciated by 3.5 percent for France, and depreciated by 4.6 percent for Germany during the reference period of November 2006–October 2007, relative to the corresponding period in the preceding year.

Table 2. Comparator Markets' Euro/Dollar and Purchasing Power Parity Movements

		France		Germany		France and Germany 1/	
	Euro/$	PPP	Euro/$ and PPP Avg	PPP	Euro/$ and PPP Avg	PPP	Euro/$ and PPP Avg
Nov. 2005–Oct. 2006	0.8104	0.8977	0.8540	0.8771	0.8437	0.8874	0.8489
Nov. 2006–Oct. 2007	0.7445	0.9044	0.8245	0.8657	0.8051	0.8851	0.8148
Change (percent)	-8.1	0.8	-3.5	-1.3	-4.6	-0.3	-4.0

1/ France and Germany are equal weighted.

17. **The international competitiveness of the Fund's payline versus the combined French and German market payline has also eroded, though a positive premium has been maintained.** As shown in Table 3, the Fund payline is now on average 3.9 percent above the French and German combined market.

Table 3. Fund Payline Relative to the French/German Comparator Market 1/ 2/
(in percent)

Grade	Staff (number)	2006	2007	2008
A9	83	7.1	6.8	2.8
A10	98	8.2	7.8	3.7
A11	209	8.0	7.7	3.7
A12	248	7.4	7.1	3.2
A13	319	7.9	7.6	3.9
A14	480	9.3	9.1	5.2
A15/B1	259	6.7	6.6	3.0
B2	141	7.8	7.5	3.5
Total	1,837	8.0	7.8	3.9

1/ Based on 2006 staff count and 2006 tax tables.
2/ French and German markets are weighted equally.

[10] In comparator-based reviews, and by extension in indexation-based years, the period average exchange rate over the 12-month reference period (November–October) is compared with the period average rate for the same period in the previous year. The exchange rate definition is the simple average of the nominal euro-dollar exchange rate and the purchasing power parity rate for France and Germany.

18. **From a recruitment perspective, however, movements in nominal exchange rates may be more telling.** Compared with the reference period for the 2007 Compensation Review (November 2005 to October 2006), the U.S. dollar depreciated by about 8.1 percent against the euro during November 2006–October 2007, and by a further 3.3 percent through end-January 2008. Preliminary indications from the job offers that have been extended to EPs show that there are increasing challenges in attracting international candidates. The weakened dollar, though an increasing threat, has not been identified as a determining factor in the EP candidates' decisions to reject the Fund's job offers. Strong competition from academia, the insecurity related to the Fund restructuring process, and the uncertainty about the Fund's mission have had an effect on EP recruitment this year. Furthermore, the mid-career hiring experience shows that the Fund has been able to hire selected international candidates in the context of a more flexible utilization of the current pay ranges, although a significant number of these offers had to be negotiated and increased.

19. **Although the international competitiveness of the Fund payline has decreased in the last 12 months,** the Fund is still competitive with the international comparators market, as shown in Table 3. In view of the current budget restrictions and the fact that a full comparator-based review is scheduled to occur in 2009, with direct and updated information about international competitiveness, it is not recommended to implement the safeguard provision to augment the structure increase at this time.

20. **It is proposed that the A1–B5 salary structure be increased by 4.2 percent**. The 4.2 percent increase indicated by the indexation formula would be applied uniformly to the salary range midpoints for grades A1–B5, as shown in the Attachment.

IV. Merit Pay

21. **During indexation years, two factors contribute to the determination of the merit pay budget.** The first factor is the indexation formula that ensures the alignment between the average movement of the salary structure and the actual salary of staff to ensure that staff members' actual pay, and not only the salary structure, remains competitive. The second factor is the comparatio adjustment that ensures that actual staff salaries are aligned, on average, with the range midpoints and, through them, the indicated level of comparator pay.[11] The comparatio adjustment and the resulting merit pay budget are the method by which the

[11] The comparatio component of the annual merit pay allocation, which does not require specific authorization as part of the Executive Board's decision on the annual salary review, is encompassed within, and approved as part of the administrative budget.

Fund provides resources needed for staff salaries to progress, based on performance, within salary ranges.[12]

Box 2. Maintaining Competitive Staff Salaries

The structure adjustment and comparatio adjustment work in tandem to maintain staff salaries at competitive levels relative to the Fund's comparator markets:

- The **structure increase** adjusts the Fund's payline (i.e., the midpoints of its salary ranges) to the level indicated by the comparator markets. The size of the structure increase is based on a full comparator review every three years and on the indexation formula in the intervening years.

- The **comparatio** is an indicator of the extent to which actual salaries are above, below, or in line with the intended market levels. The comparatio measures the ratio between average staff salaries and the Fund's salary range midpoints, with the midpoints representing the target level of salaries in the comparator markets. A comparatio of 100 indicates that average salaries are equal to the average of the range midpoints.

- The **comparatio adjustment** ensures that average actual salaries remain broadly competitive and provides resources for in-range, performance-based salary progression. In the absence of a comparatio adjustment, average salaries that are set at the average of the midpoints (i.e., comparatio = 100) at a point in time would fall below the average of the midpoints over time (comparatio < 100), pulling average salaries below indicated market levels. Over time, the level of the comparatio typically falls as a result of the normal dynamics of staff turnover: as staff separate during the year, the comparatio will tend to decline, as departing staff are replaced (through external recruitment or internal promotion) by staff with salaries lower in the range. The comparatio is therefore a technical mechanism to offset the decline in average salaries relative to the average of the midpoints during the year. All else being equal, maintaining a comparatio of 100 from year to year would indicate that average staff salaries are growing in line with the rate of increase in the salary structure.

- The **merit pay allocation** is normally determined as the sum of the structure increase and the comparatio adjustment. The entire amount is distributed to staff on the basis of performance.

22. **As in 2007, the method for calculating the comparatio will reflect the technical change recommended in EBAP/07/37**. The comparatio is calculated as a simple ratio of total actual salaries to total notional salaries based on salary midpoints. In these calculations,

[12] The comparatio adjustment is thus broadly comparable to step increases that allow in-grade salary progression in traditional civil service systems. In the Fund, however, these increases are based on merit rather than service.

actual salaries and the salary midpoints are those projected (salaries) or in place (midpoints) before the structure is adjusted on May 1. In contrast to previous years, the May 1 promotion submissions will be delayed due to the restructuring process[13] and therefore the comparatio includes the estimated impact of the May 1, 2008 promotions based on the May 1, 2007 promotion experience. The indicated comparatio is 98.5 percent for Grades A1–B5, as shown in Table 4.

Table 4. Projected Comparatio as of April 30, 2008 1/

				Comparatio
Grades	Number of Staff 2/	Total Payroll as of February 11, 2008	Total Midpoints 2007 Fund Payline	Estimated With Promotions
A1–A8	640	39,056,670	39,171,000	99.4
A9–B5	1,970	274,318,080	277,574,490	98.4
A1–B5	2,610	313,374,750	316,745,490	98.5

1/ “Total Payroll” as of February 11, 2008, and “Total Midpoints” of the 2007 Fund payline do not include the May 1, 2008 promotions, and the comparatio has been projected to include the impact of promotions with an estimated impact of promotion of 0.4 percent for Grades A9–B5, and Grades A1–B5, and 0.3 percent for Grade A1–A8, based on May 1, 2007 experience.
2/ Includes Leave Without Pay, Sabbaticals, and Short-Term External Assignments. Excludes OED and SBF.

23. **The comparatio is projected to decline in FY 2008**. As shown in Table 5, the comparatio for Grades A1–B5 is projected to fall from 99.8 to 98.5 over the course of the financial year. The comparatio was slightly lower than 100 on May 1, 2007 due to erosion of the comparatio from March 15 to April 30, 2007.[14] This indicates a decline in the comparatio of 1.3 percentage points, calling for a comparatio adjustment of 1.5 percent to restore the comparatio to 100. Over the past 15 years, the comparatio adjustment has averaged 1.8 percent a year.

[13] Given the importance of career development opportunities for the staff who remain in the Fund, a promotion exercise will be undertaken with promotion effective from May 2008, however, the normal May promotion exercise cannot be undertaken during the downsizing, and a delay until the end of the mandatory separation period would cause the process to overlap with the November 2008 promotion cycle. Therefore, there will only be one promotion round in 2008, in November. The promotions of staff who would otherwise have been promoted on May 1, 2008 will be retroactive to that date.

[14] The comparatio adjustment for FY08 was based on March 15, 2007 data with preliminary May 1, 2007 promotions.

Table 5. Preliminary Projected Decline in the Comparatio During FY 2008
(in percent)

	Comparatio 5/1/2007	Contributing Factors 1/ Appointment	Separation	Promotion 2/	Comparatio 4/30/2008
A1–A8	100.4	-0.3	0.1	-0.6	99.4
A9–B5	99.7	-0.2	-0.1	-0.9	98.4
A1–B5	99.8	-0.2	-0.1	-0.9	98.5

1/ The sum of the contributing factors does not add up to the difference between the 5/1/2007 and 4/30/2008 comparatio due to rounding and because the impact of Career Opportunities promotions are not included in the "Promotion" column.

2/The comparatio includes estimated impact of May 1, 2008 promotions equal to 0.4 percent for Grades A9–B5 and Grades A1–B5 and 0.3 percent for Grades A1–A8, based on May 1, 2007 promotion experience.

24. **Normal staff turnover contributes modestly to the decline in the comparatio**. Appointments of new staff and separations of existing staff tend to lower the comparatio, because new staff normally have salaries below the salary range midpoints, while staff separating are more likely to have salaries closer to, or above, the midpoints.

25. **Promotions had a larger impact on the comparatio**. This mainly reflects the fact that promotion increases awarded at the Fund are modest, generally in the range of 2–5 percent. These modest promotion increases affect the comparatio by lowering average salaries in the grades into which staff enter and exit. The "savings" from promotion increases throughout the year are translated into a larger comparatio adjustment at the end of the year, which is distributed to all staff through performance-based merit increases.[15]

26. **The comparatio figures do not include the staff currently on SBF and do not reflect the impact that the restructuring will have on the level of the comparatio.** The impact of restructuring on the comparatio will be clearly analyzed and presented in the FY2009 compensation paper.

27. **Changes in average salary have been monitored closely**. Staffing developments during 2008, as illustrated in Table 6, shows a slight decrease in the grade and salary average, factors that confirm a decline in the comparatio.

[15] The balance between merit and promotion increases varies across organizations. Promotion increases in the Fund are smaller than typically provided in the U.S. private sector. If the Fund were to move toward larger promotion increases, the amount available for merit would be similarly reduced within an unchanged budget.

Table 6. Grade and Salary Development

	May 1, 2007		February 11, 2008	
Grade	**# Staff**	**Average Salary**	**# Staff**	**Average Salary**
A03	1	N.A.	1	N.A.
A04	24	41,703	18	41,778
A05	102	48,479	100	48,058
A06	188	56,150	182	55,768
A07	221	65,544	199	65,301
A08	138	74,086	140	73,340
A1–A8 (weighted avg.)	**674**	**61,206**	**640**	**60,956**
A09	70	76,319	72	75,534
A10	94	85,014	93	84,530
A11	189	97,631	185	96,308
A12	224	106,479	221	105,248
A13	329	120,216	316	118,805
A14	520	143,314	514	142,156
A15	211	165,347	214	163,735
A9–A15 (weighted avg.)	**1,637**	**124,985**	**1,615**	**123,855**
B01	48	170,713	55	170,079
B02	143	191,546	140	190,290
B03	83	216,810	74	215,406
B04	72	245,975	64	244,014
B05	21	290,290	22	288,065
B1–B5 (weighted avg.)	**367**	**210,863**	**355**	**208,139**
A1–B5 (weighted avg.)	**2,678**	**120,702**	**2,610**	**119,896**
Grade Average A1–B5	**12.85**		**12.56**	

28. **The comparatio adjustment for FY2008 will therefore be set at 1.5 percent for all grades**.[16] An adjustment of this amount will ensure that, on average, actual staff salaries

[16] The application of a separate comparatio by grade group (i.e. 1.6 percent for Grades A9–B5 and 0.6 percent for Grades A1–A8) would yeld only marginal savings of approximately US $80,000.

remain broadly in line with the proposed increase in the salary structure. Together with the proposed 4.2 percent increase in the salary structure arising from application of the indexation formula, this would set the Fundwide merit allocation at 5.7 percent. The proposed comparatio adjustment includes a small allocation (0.1 percent) related to adjustments to the merit increases resulting from promotions that will become retroactively effective May 1, 2008.[17]

29. The necessary budgetary appropriation is included in the proposed decision on the administrative budget, which is scheduled for discussion by the Executive Board on April 7, 2008. It is proposed, therefore, that the decision on the 2008 Review of Staff Compensation become effective upon the adoption of the administrative budget for FY2009.

[17] With the May 1, 2008 promotions being delayed until November, and retroactive to May 1, 2008, merit increases will initially be applied to lower pre-promotion salaries. The allocation of 0.1 percent will be used to adjust the merit increases for those staff receiving retroactive promotions.

V. DRAFT DECISION

It is recommended that the Executive Board approve the following draft decision:

a. With respect to the 2008 compensation exercise, the salary structure for Grades A1–A8 shall be adjusted on the same basis as the salary structure for Grades A9–B5.

b. The salary structure for Grades A1–B5 shall be increased by 4.2 percent with effect from May 1, 2008, as indicated in the salary ranges provided in the Attachment.

c. The Executive Board approves the proposals regarding the determination of the merit pay allocation for Grades A1–B5 set out in paragraphs 21 and 22 of EBAP/08/18.

Attachment: Proposed Salary Structure May 1, 2008
(In US Dollars)

Grade	Minimum	Midpoint	Maximum
A1	27,030	33,790	40,550
A2	30,260	37,820	45,380
A3	33,880	42,350	50,820
A4	37,950	47,440	56,930
A5	42,540	53,180	63,820
A6	47,580	59,480	71,380
A7	53,340	66,670	80,000
A8	59,750	74,690	89,630
A9	60,790	75,990	91,190
A10	69,740	87,180	104,620
A11	79,590	99,490	119,390
A12	91,360	114,200	137,040
A13	104,110	130,140	156,170
A14	121,070	151,340	181,610
A15/B1	137,860	172,330	206,800
B2	161,060	197,300	233,540
B3	191,350	220,050	248,750
B4	220,350	250,870	281,390
B5	256,360	288,920	321,480