IMMEDIATE ATTENTION

EBAM/10/6
Supplement 1

CONFIDENTIAL

June 29, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Submission to the Board of Governors of the Report of the Standing Joint Committee on the Remuneration of Executive Directors and their Alternates**

Attached for the **information** of Executive Directors is a copy of the Report to the Boards of Governors of the Bank and the Fund by the Joint Committee on the Remuneration of Executive Directors and their Alternates.

As directed, the Secretary dispatched the Report to the Board of Governors for a vote without meeting on the draft Resolution proposed therein; the text of the letter of transmittal dated June 28, 2010, is also attached. The period for receiving the votes of Governors will begin on Monday, June 28, 2010, and will end on Friday, July 30, 2010.

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

Att: (2)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND
WASHINGTON. D. C. 20431

CABLE ADDRESS
INTERFUND

June 28, 2010

Dear Governor:

Direct Remuneration of Executive Directors and their Alternates

The standing Joint Committee on the Remuneration of Executive Directors and their Alternates has adopted a Report and recommendations to be submitted to the Board of Governors. At the request of the Joint Committee, I am transmitting its Report and recommendations herewith. The Joint Committee has neither discussed with nor disclosed to Executive Directors its Report and recommendations prior to their transmittal to the Governors.

The Board of Governors has been requested to vote without meeting, pursuant to Section 13 of the By-Laws of the Fund, on **two draft Resolutions** attached to the Report:

(i) **Direct Remuneration of Executive Directors and Their Alternates** (Attachment I to the Report); and

(ii) **Changes in Retirement Benefits for Executive Directors and Their Alternates** (Attachment III to the Report).

To be valid, votes on the draft Resolutions must be cast by duly accredited Governors or Alternate Governors and must be received at the seat of the Fund on or after June 28, 2010, but not later than **6:00 p.m. Washington time on Friday, July 30, 2010.** Votes received after that date and time will not be counted.

The effective date of the Resolutions of the Board of Governors shall be July 30, 2010, the last day allowed for voting. All votes cast pursuant to this decision shall be held in the custody of the Secretary until counted, and all proceedings with respect thereto shall be confidential until the Executive Board determines the result of the vote.

It would be appreciated if you would vote on the draft Resolutions on behalf of the member that appointed you as Governor of the Fund. In casting your vote, you may wish to complete and return to us the enclosed ballot forms. We will, however, accept votes transmitted by facsimile or courier in any format, provided that: the communication clearly states whether the vote is in favor or against or abstains from the draft Resolutions; the name of the member country whose votes are being cast is clearly stated; and the communication is properly dated and signed by the duly accredited Governor or Alternate Governor of the Fund (or another government official duly authorized to send the communication on your behalf). Alternatively, you may wish to cast your vote via the secure online Board of Governors Extranet Voting System (BOGeVS).

Very truly yours,

Siddharth Tiwari

Siddharth Tiwari
Secretary

Enclosures

Report to the Boards of Governors of the IMF and the World Bank by the Joint Committee on the Remuneration of Executive Directors and their Alternates

June 19, 2010

I. INTRODUCTION

1. Pursuant to Section 14(e) of the By-Laws of the Fund and Section 13(e) of the By-Laws of the Bank, the undersigned were appointed to the 2010 Joint Committee on the Remuneration of Executive Directors and their Alternates (JCR).

2. The JCR met in Paris on June 19, 2010.

3. The JCR undertook a streamlined review of the remuneration and benefits of IMF and World Bank Executive Directors and Alternates, in line with the process started in 2000 to undertake a full-scale review every four years, with a streamlined review in the intervening years. The discussions focused on:

- Executive Directors' remuneration in light of recent salary developments in both institutions and experience with the methodology developed in the context of the full-scale 2008 review; and

- The extension to Fund Executive Directors and Alternates of recent changes to the Fund's Staff Retirement Plan. No other benefit changes were brought to the attention of the JCR for its consideration.

II. REMUNERATION

4. The JCR noted the following developments relating to remuneration:

- The consumer price index (CPI) for the Washington Metropolitan area has risen by 1.9 percent (May 2009 to May 2010). The remuneration of the Managing Director of the Fund and the President of the Bank are linked to the May-to-May change in the Washington Metropolitan area CPI in years between structural reviews (normally carried out at the start of the appointment term) and will therefore be increased by 1.9 percent with effect from July 1, 2010.

- The salary structure for the Fund's staff has been increased uniformly by 2.6 percent with effect from May 1, 2010. The salaries of the Fund's Deputy Managing Directors, which are indexed on the same basis as the remuneration of the Managing Director, will be increased by 1.9 percent on July 1, 2010.

- The proposed increase in the salary structure for the World Bank's staff, which is currently pending with the Executive Board and is to be effective from July 1, 2010, averages 2.4 percent.[1]

5. The Committee noted the conclusion of the 2008 Committee that the primary internal reference for the remuneration of Fund and Bank Executive Directors should be the maintenance of a reasonable relationship to the salaries of the Heads of the two institutions. This relationship had been broadly stable over the past twenty years, and the 2008 Committee had considered the present ratio of 52.2 percent of the base salary of the Heads to be broadly appropriate. Consistent with the process for adjusting the remuneration of the Managing Director of the Fund and the President of the Bank, and barring exceptional or unexpected developments, the 2008 Committee had recommended that the 2009–2011 JCRs should propose a salary increase for Executive Directors equal to the year's (May-to-May) percentage increase in the Consumer Price Index for the Washington-Baltimore Metropolitan (CPI). In line with these recommendations, the salaries of Executive Directors were increased by 5 percent in 2008, and no change was recommended in 2009 given that the May 2008-to-May 2009 CPI percentage increase was negative 0.2 percent.

6. The Committee is of the view that **setting the salaries of Executive Directors as a proportion of the salaries of the Heads of the institutions remains a sound approach, given that it is consistent with the provisions of the By-Laws of the Fund and the Bank and the respective roles of the Executive Directors and the Heads of the two institutions as Chairmen of their Boards.** This approach should also help ensure that the salaries of Executive Directors are appropriately positioned within the institutions' overall salary hierarchies over time. It follows that **the outcome of the periodic structural reviews of the remuneration of the Heads of the institutions should be carefully evaluated with respect to any warranted corrections in the salaries of Executive Directors.** The periodic full-scale reviews of the salaries of Executive Directors would continue to provide an opportunity to assess whether their salaries are broadly consistent with the salaries of comparator positions in national public sectors.

7. The Committee considered **how best to ensure that the 2008 methodology is consistently implemented going forward.** On balance, the Committee feels that the best approach would be to ensure that the outcomes of the periodic structural reviews of the remuneration of the Heads of the institutions (normally at the start of the appointment term) are immediately and appropriately taken into account in recommended salary increases for Executive Directors even if this would imply that the Governors could be periodically asked to approve step adjustments in the salaries of Executive Directors. As recommended by the 2008 Committee, and barring exceptional circumstances, in interim years (2009 – 2011) JCRs would propose a salary increase for Executive Directors equal to the year's CPI increase, consistent with the process for adjusting the remuneration of the Heads of the institutions.

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[1] This does not include the staff salary ranges at Grades J and K. The market reference points of salaries of Grades J and K will be raised by 1.9 percent, reflecting the May 2009 to May 2010 Washington-Baltimore CPI percentage change.

8. Taking all the above considerations into account, the 2010 JCR recommends that the ratio of the remuneration of Executive Directors to the base salary of the Heads of the two institutions be maintained at 52.2 percent, consistent with the methodology adopted by the JCR in 2008, and followed in 2009. Accordingly, **the Committee recommends an increase in the salary of Executive Directors equal to the May 2009 to May 2010 CPI increase for the Washington-Baltimore metropolitan area.** This 1.9 percent increase would raise the salary of Executive Directors from **$230,790 to $235,180** effective on July 1, 2010.

9. The JCR notes the conclusion of the 2008 full-scale review that, at 86.5 percent, the ratio between the salary of Alternate Executive Directors and Executive Directors continues to be appropriate. Accordingly, the JCR recommends the same 1.9 percent increase in the salary of Alternate Executive Directors from **$199,650 to $203,440** effective on July 1, 2010.

III. BENEFITS

10. Within the framework of the applicable resolutions of the Board of Governors, the JCR considered the possible extension of the recent changes to the IMF Staff Retirement Plan (SRP) to Fund Executive Directors and Alternates, and whether the extension of these benefit changes would require the approval of the Board of Governors because the changes are deemed to be significant, or may be left to the Executive Board to decide because the changes reflect actual costs or are minor.[2]

11. The following amendments to the Fund's SRP would be applicable to active participants as of May 1, 2011 and thereafter: an adjustment to the grossing-up formulae used to determine pensionable gross remuneration; an update of the commutation factors used to determine lump sum pension payments to reflect the recently-published United Nations Mortality Tables; and an improvement of the withdrawal benefit formula by reaching 200 percent of the highest average gross remuneration after 10 years of service rather than the current 19-year period.[3]

12. **The Committee considers that there are compelling practical reasons for maintaining consistency of pension benefits between Executive Directors and staff as different provisions would add greatly to administrative complexity and costs.** The Committee also noted that earlier changes to staff retirement plans, most recently to the Fund's SRP in 2008, had consistently been made applicable to Executive Directors and Alternates. The Committee further noted that, as a whole, the reforms would be cost neutral.

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[2] IMF Board of Governors Resolutions No. 34-7, adopted on July 20, 1979 and No. 31-1, adopted on October 16, 1975.

[3] Additional changes aimed at modernizing the SRP and improving its attractiveness to mid-career hires, which will be implemented later, are the pursuit of new pension transfer agreements and the addition of a voluntary savings plan to expand benefits portability and facilitate mobility.

13. With regard to whether the extension of these benefit changes to Executive Directors would require the approval of the Board of Governors or may be left to the Fund's Executive Board, the Committee noted that both the changes to the SRP's grossing-up formulae and the increases to the SRP's commutation factors are technical changes. However, the improvement to the withdrawal benefit formula constitutes a significant change to existing benefits for eligible Executive Directors and their Alternates. For this reason, and given that the reforms have been presented as a package, the Committee concluded that the changes would require the approval of the Board of Governors pursuant to Board of Governors Resolution No. 34-7 (7/20/79).

IV. RECOMMENDATIONS REQUIRING A VOTE BY THE GOVERNORS

14. In light of the recommendations on remuneration of Fund and Bank Executive Directors and their Alternates (paragraphs 8 and 9 above), the Committee recommends that the draft resolutions for the Fund and the Bank, included in Attachments I and II, be adopted by the respective Boards of Governors of the Fund and the Bank.

15. In light of the recommendation on benefits of Fund Executive Directors and their Alternates (paragraph 13 above), the Committee recommends that the draft resolution for the Fund, included in Attachment III , be adopted by the Board of Governors of the Fund.

16. The Joint Committee directs the Secretary of the Fund and the Acting Vice President and Corporate Secretary of the Bank to transmit this report to the Boards of Governors of the Fund and the Bank, respectively, for a vote without meeting in accordance with Sections 13 and 14(e) of the By-Laws of the Fund and Sections 12 and 13(e) of the By-Laws of the Bank.

Olusegun O. Aganga, Chairman

Dr. Medhat A. Hassanein

Medhat Hassanein

Pedro Solbes

ATTACHMENT I

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Direct Remuneration of Executive Directors and their Alternates

RESOLVED:

THAT, effective July 1, 2010, the remuneration of the Executive Directors of the Fund and their Alternates pursuant to Section 14(e) of the By-Laws shall be paid in the form of salary without a separate supplemental allowance, and such salary shall be paid at the annual rate of $235,180 per year for Executive Directors and $203,440 per year for their Alternates.

ATTACHMENT III

INTERNATIONAL MONETARY FUND
DRAFT RESOLUTION

Changes in Retirement Benefits for Executive Directors and Their Alternates

RESOLVED:

THAT, effective May 1, 2011, the changes to the Staff Retirement Plan made applicable to the staff of the Fund as of that date, shall also apply to Executive Directors of the Fund and their Alternates on the same basis as of the staff.