LAPSE OF TIME

EBAP/20/42

May 21, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Comprehensive Compensation and Benefits Review—Elaboration on Transition Measures and Further Policy Simplification**

Board Action:	Executive Directors' **consideration** on a lapse of time basis
Deadline to Request a Board Meeting, after which Proposed Decision Deemed Approved:	**Friday, May 29, 2020** **12:00 (noon)**
Proposed Decision:	Page 13
Questions:	Mr. York, HRD (ext. 36895) Ms. Nowell-Smarr, HRD (ext. 36717)

INTERNATIONAL MONETARY FUND

May 21, 2020

COMPREHENSIVE COMPENSATION AND BENEFITS REVIEW—ELABORATION ON TRANSITION MEASURES AND FURTHER POLICY SIMPLIFICATION

EXECUTIVE SUMMARY

This paper elaborates and refines some of the proposals adopted in the Executive Board's December 2019 decision on the Comprehensive Compensation and Benefits Review (CCBR) and presents a proposal to streamline the rules for the Spouse and Child Allowance (SCA). For the Board's approval, these refinements are recommended to: (i) facilitate administration under the HR IT transformation (1HR); (ii) phase-out prior policies as efficiently as possible, including under the difficult conditions created by the COVID-19 pandemic; and (iii) support further policy simplification and financial controls. In addition, for the Executive Board's information, Annex I contains implementation and transition measures for policy changes approved in December for staff and contractual employees.

It is estimated that the proposed changes would be cost-neutral since some proposals are expected to result in savings that would offset any new costs (Annex II). It should be noted, however, that the proposed measures for phasing out Home Leave could impact the timing of the expected costs associated with transitioning to the new policy. While the overall costs for the remaining Home Leave entitlements would not change, some costs from the payment of final entitlements could be realized sooner, resulting in lower costs towards the end of the transition period. The financial impact of these proposed transition measures would be closely monitored and reported in the annual budget outturn paper to keep Executive Directors apprised of expected year-end costs. Some additional savings would be expected from upcoming adjustments to the overseas allowance package (which will be communicated for the Board's information at a later stage).

Specifically, it is proposed to: (i) replace the full certification process for remaining Home Leave entitlements with attestation; (ii) replace the separate Education Allowance ceiling for room and board expenses with the existing ceiling for subsistence (i.e., no longer apply a different ceiling based on different criteria); (iii) base all relocation allowances on travel between headquarters and the home country capital city; (iv) align the early repatriation benefit with the shipping policy; and (v) streamline the eligibility requirements under the SCA by eliminating distinctions of biological children and

stepchildren, between children ages 19 and 24, and the child's earned income vis-à-vis the parent's financial support, and applying the same spouse income deduction for Fund-Fund couples as applies to other couples.

For clarity and the Board's approval, it is also proposed to administer the benefit payments for the Expatriate and Childcare Allowances in the biweekly payroll. In the CCBR Revised Proposed Decision paper (EBAP/19/104, Sup. 1, Cor. 1, 12/20/19), it was envisaged that such payments would be made annually in lump sum amounts. Instead of an upfront payment following the effective date of the new policies, eligible staff and contractual employees, as applicable, will receive the allowances in the biweekly payroll, calculated based on annualized amounts. After further consideration, administration of the payments in this manner supports simplification, establishes better financial controls, and reduces the need for retroactive adjustments, which are administratively complex. In addition, reimbursement of the Education Allowance will remain at 75 percent, up to the applicable ceiling which will include $1,000 to account for tutoring costs, as envisaged earlier. The Revised Proposed Decision paper implied that the provision to limit reimbursement to 75 percent had been eliminated.

For the Board's information, the timeframes for use of the parental leave benefit and implementation of a Short-Term Disability (STD) program have been adjusted. Regarding parental leave, since staff (including Fund-Fund couples) and eligible contractual employees will be eligible for 100 workdays of paid leave, the timeframe for use of the leave will be increased from six months to nine months. To implement the STD program for long-term contractual employees, more time is needed to contract with a vendor and meet the Fund's information security requirements. In addition, a delayed implementation will facilitate integration of the program with the new Human Capital Management (HCM) platform. These and other implementation measures are discussed in Annex I.

Approved By
Kalpana Kochhar

Prepared by a team led by Robert York, including Giovanna Berry, Andrew Carrillo, Thomas Lee, Breda Robertson, Kris Savani, Marcela Silsbee, Robin Nowell-Smarr, and Juan Sobalvarro, in consultation with the Finance and Legal Departments, and the Office of Budget and Planning.

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INTRODUCTION

1. **During the Executive Board discussion in December 2019, Directors stressed the importance of ensuring that the Fund's compensation and benefits remain competitive and modern, and continue to help attract, motivate, and retain a high-caliber, diverse staff to serve the members in a rapidly changing world.** To fulfill the Fund's mandate and meet the needs of the member countries, it will be important to monitor the impact of the new compensation system and benefit program changes on the Fund's competitiveness. To assess how the revised compensation system is working, in three years, at the start of the next compensation cycle (2023), there will be a technical review of the system, together with the annual review of recruitment and retention experience. This will be followed in 2026 by a detailed assessment of how the system is operating. To facilitate the changes approved by the Executive Board in December and further simplify benefits administration, this paper proposes some refinements to the decision,[1] including a recommendation to streamline the Spouse and Child Allowance (SCA) eligibility requirements, as well as administration of some other benefits. These additional measures will also serve to: (i) support the development and implementation of the new Human Capital Management (HCM) platform; (ii) phase-out prior policies as efficiently as possible, including under the difficult conditions created by the COVID-19 pandemic; and (iii) support further policy simplification and financial controls to mitigate risks. *Moreover, with some offsetting of front-end costs for some of the proposed changes, these measures are expected to be cost-neutral.*

2. **For Directors' information, Annex I describes implementation measures that are underway for the proposals adopted in the Executive Board's December 2019 decision.** Specifically, Annex I elaborates the timeframe for use of parental leave and transition measures for the following: administration of the Expatriate Allowance and Education Allowance (EDA); elimination of spouse points and certain salary advances; coordination of benefits with the World Bank Group; and eligibility for expatriate benefits due to Green Card (i.e., U.S. permanent resident) conversions. The Annex also explains the revised effective date for the Short-Term Disability program.

3. **The remainder of the paper sets forth additional policy change proposals to further facilitate administrative streamlining and transition to the new HCM platform.** These proposed changes include a mechanism to facilitate the Home Leave transition; administration of payments for the Expatriate Allowance and the Childcare Allowance; a simplification of the EDA ceilings; a realignment of the appointment and separation benefits; and streamlining of the Spouse and Child Allowance eligibility requirements.

[1] See *Comprehensive Compensation and Benefits Review—Revised Proposed Decision (EBAP/19/104, Sup. 1, Cor. 1, 12/20/19).*

ADDITIONAL STREAMLINING PROPOSALS

4. As implementation details have been defined, additional opportunities to streamline components of existing policies were identified. These refinements seek to mitigate upfront costs, enhance financial controls by the introduction of real-time adjustments through payroll administration of allowances, and facilitate transition to the new HCM platform under the 1HR IT initiative by eliminating unnecessary complexity.

A. Home Leave Transition

5. An important modification to the Board decision is proposed to support the transition arrangement for Home Leave, together with the rationale for the change. Specifically, the following paragraphs:

- Propose to eliminate the travel and certification requirements under the current Home Leave policy, and

- Clarify how the elimination of certification will support greater efficiency, tighter financial controls, and accelerate transition to the new HCM platform and the Expatriate Allowance.[2]

6. It is proposed to administer payment of Home Leave entitlements remaining under the current policy to eligible staff[3] without requiring travel and certification, effective August 1, 2020. The current Home Leave policy permits staff up to 48 months from the benefit entitlement date to certify their travel. It is proposed that, with respect to all such remaining entitlements under the current policy, staff would not be required to travel and certify use of the prior entitlement before applying for the next one.[4] In lieu of certification, at the time of application, the staff member would be required to attest that she/he will use the benefit payment for its intended purpose.

7. This policy simplification would accelerate the transition of current staff to the Expatriate Allowance in a timely and efficient manner, while maintaining consistency with the Board's objective of moving toward a flexible allowance. *This simplification would result in human and financial resource savings. Importantly, it would: (i) avoid the necessity to maintain the current heavy administration over an extended period as the Home Leave Allowance winds down; (ii) reduce the potential backlog of Home Leave entitlements that would delay the transition of current staff to the Expatriate Allowance; and (iii) facilitate the transition of the policy changes to the new*

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[2] Since the new policy no longer has its purpose linked to travel to the home country, rather, it is intended to remediate the cost of expatriation and provide flexibility in how a staff member maintains personal and cultural ties to the home country, the new allowance will be called the Expatriate Allowance.

[3] In this paper, staff refers to employees on either a term or open-ended staff appointment.

[4] The elimination of the certficiation requirement would apply to entitlements not yet disbursed, as well as those that are currently pending certification, and in those cases an attestation that the benefit was used for its intended purpose would be required.

HCM platform (and avoid maintenance of redundant systems). In addition, by implementing simplified administrative measures now, the Fund will avoid the complexity that would otherwise be created by the temporary exceptions to the Home Leave policy that were put in place due to the COVID-19 pandemic (which has an uncertain end). These temporary measures, which include an extension of the 48-month travel period by at least six months would further delay and complicate the Home Leave transition period, if current policies are maintained. Indeed, these extensions could invariably lead to multiple backlogged Home Leave applications, thus altering the timing of estimated costs/savings (*EBAP/19/88, Sup. 2,* 11/27/19).

Since the Home Leave policy has a near 100 percent certification rate, this proposed transition measure is cost-neutral over time. However, due to the potential change in utilization patterns of eligible staff (i.e., some staff may be motivated to apply for Home Leave entitlements in a more timely manner than indicated by past trends), some of the costs may be advanced to FY2021 and FY2022, with lower costs in the final transition years. While the overall cost would be unchanged, advancing the costs of the transition period would also advance the timing of realized savings resulting from the transition to the Expatriate Allowance.

B. Expatriate Allowance

8. Upon further assessment and consultation since the December 2019 decision, a change in administration of the Expatriate Allowance, which impacts the value of the benefit under some circumstances, is warranted.[5] Specifically, the following is proposed:

- To administer payment of the allowance in the biweekly payroll; and
- Adjust for changes in dependent status in real-time, through the requirement to notify HRD of these changes within 31 days of a life event or change in status.

9. It is proposed to administer the Expatriate Allowance in the biweekly payroll. The Revised Proposed Decision paper stated: "eligible staff will receive annually a lump sum cash allowance equivalent to one-half of the benefit applicable to a 24-month eligibility period." The allowance will be adjusted annually for inflation based on U.S. CPI. Administering the allowance in the biweekly payroll will result in substantial efficiency gains, including the ability to transact real-time adjustments for changes in dependent status (which could either increase the value of the benefit if adding a new dependent, or decrease the value if removing an ineligible dependent, and

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[5] As provided in *Comprehensive Compensation and Benefits Review—Revised Proposed Decision* (EBAP/19/104, Sup. 1, Cor. 1, 12/20/19), "the allowance will cover: (i) the cost of unrestricted economy airfare for travel to and from the capital city of the staff member's home country; and (ii) an incidental expense allowance of $2,000 for a staff member plus $1,000 for each eligible dependent, per 24-month period." This remains the basis of the benefit calculation, allowing the payment amount to take account of home country and family composition. When setting the airfare component of the allowance for October 2020, due regard will be paid to avoiding any COVID-19-related price distortions. The level of the Expatriate Allowance will be reviewed at the time of each comprehensive review of benefits to ensure that it continues to be adequate to meet the objective of the policy.

which would also remove the need to request repayment of amounts overpaid under certain circumstances), and reduced financial risks through heightened control. Moreover, the process would be readily controlled and managed in the new HCM platform with greatly reduced administrative intervention from staff than required under the current Home Leave policy.[6] The allowance will be adjusted for new dependents registered within 31 days of a life event (marriage, birth or physical custody of adopted child), retroactive to the event date. Notification of status changes more than 31 days after the event will result in payment adjustments effective in the pay period following receipt of notification.

10. As proposed, staff would receive half of the benefit by the end of the first year. Although some staff might be concerned about having sufficient liquidity to undertake travel before the second year, the current Home Leave benefit is also paid in arrears. Many current staff will continue to accrue the Home Leave benefit even after October 1, 2020 and will begin receiving the Expatriate Allowance immediately following receipt of the final Home Leave entitlement. Staff will have adequate time and resources to make the transition and plan for use of the allowance in the future (Box 1). Moreover, Home Leave utilization data for the past decade or so show that staff, on average, tend to travel up to a year after receiving their entitlement. Based on this trend, staff would not be severely impacted by biweekly payroll administration of the allowance.

Box 1. Home Leave Transition and Administration of the Expatriate Allowance

This box elaborates on the proposed Home Leave transition measures, administration of the Expatriate Allowance, and the implications for administration as a lump sum amount versus a biweekly payroll payment.

The administration of the Expatriate Allowance in the biweekly payroll does not disadvantage staff and instead offers advantages for both current and new staff, as well as to the institution as elaborated below (Box Table 1):

- **Current staff would receive the final Home Leave entitlement under the existing rules and would then transition to the Expatriate Allowance.** Scenario A in Table 1 shows that a staff member from York, U.K. with three dependents would receive about $30,776 as her/his final Home Leave allowance. The new Expatriate Allowance would total $23,228 for the same staff member. Of this amount, about $11,614 (or 50 percent of the total entitlement) would be paid during the first year, as approved in the December decision. If the Expatriate Allowance was paid as a lump sum, it would be paid to the staff member only one year after the staff member's entry on duty, compared with immediate, "earn-as you-go" biweekly installments through payroll.
- **Scenario B shows that a new staff member with the same profile as Scenario A would receive the same Expatriate Allowance, provided she/he continues to be employed the entire year.**

[6] The primary benefit associated with biweekly payroll administration is in the efficiency gains from leveraging the new HCM platform to simplify delivery of the benefit. With a lump sum cash allowance, there would be much more manual intervention with associated staff costs, as well as increased risk for errors.

Box 1. Home Leave Transition and Administration of the Expatriate Allowance (concluded)

- **In comparison, in Scenario C, a new staff member with the same profile as Scenario A but who separates before the end of her/his first year of service would face a much different situation.** In the event of a lump sum payment, the staff member would not receive any allowance as she/he would not have completed the period of eligibility (as is currently the policy under the Home Leave Allowance); in comparison, she/he could receive about $8,710 through the "earn-as-you-go" process of payment through biweekly payroll for the period that she/he is employed.

Table 1. Home Leave Transition to Expatriate Allowance, Illustrative Scenarios (for eligible staff)

	Allowance Calculation			Expatriate Allowance	
	Incidental Allowance[1]	Airfare Allowance[2]	Total	Lump Sum[3]	Biweekly Payroll
Scenario A: Current staff member (three dependents)					
Home Leave, final entitlement, January 1, 2021					
York, U.K. (city of origin; $4,944 airfare)	$11,000.00	$19,776.00	$30,776.00		
Expatriate Allowance					
London, U.K. (capital city; $4,557 airfare)	$5,000.00	$18,228.00	$23,228.00	$11,614.00	
Biweekly allowance, starting as early as the first pay period in January			$483.92		$11,614.00
Scenario B: New staff member (three dependents); entry on duty October 1, 2020					
Expatriate Allowance					
York, U.K. ($4,557 capital city airfare)	$5,000.00	$18,228.00	$23,228.00	$11,614.00	
Biweekly allowance, available during the first pay period in October			$483.92		$11,614.00
Scenario C: New staff member (three dependents); entry on duty October 1, 2020 and separates September 1, 2021					
Expatriate Allowance					
York, U.K. ($4,557 capital city airfare)	$5,000.00	$18,228.00	$23,228.00	$0.00	
Biweekly allowance, available during the first pay period in October			$483.92		$8,710.50

[1]The incidental allowance has been reduced under the CCBR to $2000 from $5000 for the staff member and from $2000 to $1000 for each dependent.
[2]The airfare component under the CCBR has been changed from city of origin to capital city of the staff member's home country.
[3]The lump sum payment would accrue annually and be paid one year after the staff member's entry on duty date.

C. Childcare Allowance

11. With the implementation of the Childcare Allowance, there is an opportunity to apply strong financial controls and monitoring through the new HCM, while also maintaining equitable provisions among eligible staff. The following paragraphs describe:

- The proposal to administer the Childcare Allowance as a biweekly payroll payment; and
- The recommendation to prohibit the overlap of Childcare Allowance payments with EDA payments.

12. It is proposed to also administer the Childcare Allowance in the biweekly payroll. For eligible staff, payment of the allowance will commence in the biweekly payroll beginning in the first paycheck after the effective date. *As with the Expatriate Allowance, distributing the allowance in this manner (as opposed to an upfront annual payment of $12,000) will facilitate administration of the benefit, including the ability to transact real-time adjustments for changes in staff and dependent* *status, removing the need to request repayment of amounts overpaid to the staff member resulting from changes in eligibility (including separation early in the financial year), and reduced financial risks through payroll controls.*

13. It is proposed that the Childcare Allowance will end either in the pay period at the end of the month of the child's fifth birthday, or sooner if the child enrolls in school and begins receiving the EDA. In this instance, the Childcare Allowance will cease in the pay period prior to enrollment in school. Given the similarity in the purpose of these two benefits (for children at this age), it is important to coordinate payments to avoid any overlap of the two benefits. Importantly, allowing these two benefits to be administered in parallel has the potential to create inequities among staff resulting from the timing of birthdates of different children vis-à-vis the start of the academic year. This type of inequity, in the context of eligibility of children at ages four and five for the EDA, was the subject of an Administrative Tribunal challenge and led to revision of those policies.

Implementation of the coordination of the Childcare Allowance vis-à-vis the primary EDA will have the effect of slightly reducing the estimated cost of the new benefit by about $300,000–$400,000 per year over the course of the careers of grandfathered staff who choose the Childcare Allowance instead of the tertiary EDA.

D. Education Allowance Ceilings

14. The Revised Proposed Decision paper indicated further work to be done with regard to the EDA ceilings. The following paragraphs discuss:

- The proposed consolidation of the tuition and tutoring ceilings, and
- The proposed replacement of the room and board ceiling with a subsistence ceiling alone.

15. It is proposed to add $1,000 to the tuition ceiling to account for tutoring expenses under the EDA. The Executive Board's December decision included approval of a tuition ceiling set at a higher level than the current ceiling to account for non-tuition expenses such as tutoring, in an effort to simplify administration. With management's next adjustment of the U.S. Education Allowance ceilings in May, it is proposed to add $1,000, the amount of the current ceiling for tutoring under the EDA policy. Each year thereafter, the consolidated ceiling will continue to be adjusted by the U.S. CPI and the UN Post Adjustment index, in accordance with current policy. The amount allowed for tutoring expenses will be limited to $1,000 (consistent with current policy) within the overall tuition ceiling. *EDA expenses will continue to be paid at 75 percent, as under current policy, up to the relevant ceiling.* This is a correction to the Revised Proposed Decision paper, which stated that eligible staff would be reimbursed for "actual expenses or the ceiling amount, whichever is lower." In the CCBR Steering Committee deliberations, there had been no intention to eliminate the 75 percent reimbursement level for EDA expenses.

16. To further simplify administration of the EDA, it is proposed to eliminate the previous room and board ceiling in favor of the existing subsistence ceiling. Currently, most staff members qualify for the subsistence allowance (about 80 percent) since many schools do not provide a full meal plan. The sum of tuition plus the lump sum subsistence will be capped using the current formula for the cap on the total EDA allowance. Therefore, this proposed change would eliminate the administrative burden associated with staff having to review individual application receipts to determine whether the cost includes room and full meal plan fees, while retaining the upward constraint on cost.

The increase in costs associated with the replacement of room and board with the subsistence allowance (about $325,000 per year) would be offset by the savings achieved against the Childcare Allowance (see above) and a permanent reduction in staff, equivalent to about ½–1 FTE.

E. Appointment and Separation Benefits

17. Following the December 2019 decision to base the appointment and separation benefits on the grade A12 midpoint, the basis of the benefits has been further defined. Specifically, the following paragraphs propose:

- The calculation of the Appointment Grant;
- Administration of the grant based on the arrival of dependents to the duty station;
- The elimination of an additional appointment payment for staff appointments that follow contractual appointments; and
- Payment of the resettlement benefit at one-half the rate of the Appointment Grant.

18. It is proposed to set the rate for the Appointment Grant for staff based on four weeks salary at the grade A12 midpoint for a single staff and eight weeks of the midpoint for families. This will take into account the composition of the family (i.e., single staff or staff with dependents) at the time of hire or appointment. Eligible staff on field assignments will receive an allowance based on five weeks of the grade A12 midpoint for individuals and nine weeks for those with dependents. The latter rates are slightly higher than the HQ-based rates to align the benefit calculation basis (i.e., the grade A12 midpoint) while minimizing the impact to existing benefits for field assignments.

19. It is proposed to distribute the Appointment Grant based on the arrival of eligible dependents to the duty station. For staff with dependents, the first four weeks of salary would be paid at the time of the staff member's arrival to the duty station. It is proposed that the remaining four weeks of salary would be disbursed at the time of arrival of at least one eligible family member, provided the arrival occurs within one year of the staff member's entry on duty. *Thus, there would be no need to make additional payments following the arrival of the first dependent.*

20. It is proposed that if a staff member received the Appointment Grant upon initial hire on a contractual appointment, there will be no additional benefit payment upon receiving a staff appointment. Current policy allows payment of appointment benefits to a staff member who previously had a contractual appointment (reduced by the amount paid at the start of the contract) provided the change from contractual to staff appointment occurs within two years. However, once an individual has relocated and received a benefit for this purpose, there is no reason to provide this benefit again due to a change in appointment type.

21. Based on the formula for calculating the Appointment Grant, it is proposed to administer the resettlement benefit at one-half the rate. This means that the resettlement allowance would be paid at the rate of two weeks of the grade A12 midpoint salary for single staff members and four weeks for staff members with dependents. If a dependent repatriates in advance of the staff member, 50 percent of the benefit would be paid at that time, with the remaining 50 percent paid when the staff member repatriates. This would align the resettlement allowance with the applicable policy for the shipping allowance. In addition, when a dependent repatriates before the staff member, it is proposed to give a lump sum payment in lieu of an airline ticket for travel (based on the home country capital city destination). However, the additional lump sum cash allowance would be discontinued.

It is expected that these proposed changes would have no impact on previously estimated cost savings. However, savings in FTEs would be achieved through the reduction in administrative complexity.

F. Spouse and Child Allowance

22. Several changes are proposed to streamline administration of the SCA. Specifically, effective October 1, 2020, it is proposed to:

- Eliminate the distinctions for children between ages 19 and 24, including characterization of child versus stepchild;
- Eliminate the child income ceiling; and
- Align the spouse income deduction for Fund-Fund couples with that of all other couples.

23. For purposes of administrative simplification, it is proposed to eliminate several of the requirements under the SCA which are no longer considered fit for purpose. Specifically, it is proposed to eliminate the distinctions for children between ages 19 and 24 and between child and stepchild. In addition, the requirement for staff to declare that they provide more than 50 percent of a child's financial support and calculation of an annual child income ceiling (which serves as the basis for determining the child's eligibility if the child is between ages 19 and 24) should be removed. Further, it is proposed to align the spouse income deduction for Fund-Fund couples with that of all other couples.[7] While these rules served a valid purpose at the time they were developed, they are no longer necessary based on the experience under the policy and now only serve to add to administrative complexity. The elimination of these requirements will also facilitate the implementation of the policy in the new HCM platform.

These proposals have little to no impact on cost since nearly all staff already certify that they provide more than 50 percent of the financial support of their eligible children over age 19 and there is currently no mechanism in place to verify if the child is the biological child or the child of the spouse (stepchild).

ADMINISTRATION OF OVERSEAS BENEFITS

24. As previously outlined to the Board (*cf*., the CCBR Overview paper), management also intends to implement reform measures for overseas benefits (i.e., those applying to Resident Representatives and other overseas posts). These measures are directed to simplify, consolidate, and ensure consistency with the changes approved under the CCBR. These measures—which are within management's remit and therefore do not require approval by the Board—would include: (i) the reduction in the number of overseas packages resulting from differences in staff treatment; (ii) consolidation of the many overseas benefits (e.g., consumable allowances, family allowances, etc.) into a single lump sum allowance; and (iii) simplification of the housing allowances. While the intention of these reforms is not cost-cutting, they are nevertheless expected to lead to savings, estimated at about $800,000–$900,000 per year (see Annex II). However, further work is needed to establish a more precise amount. The staff will provide further details on these measures in the period ahead.

[7] For the Board's information, staff will discontinue the monitoring of Fund-Bank couples, consistent with the new requirement approved in December 2019 for staff to attest to non-duplication of benefits.

Proposed Decision

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. With respect to the **phase-out of Home Leave**:

The Executive Board approves the proposals regarding the payment of final Home Leave entitlements as set out in paragraphs 5–7 of EBAP/20/42.

2. With respect to the **Expatriate Allowance:**

The Executive Board approves the proposals regarding the payment of the Expatriate Allowance as set out in paragraphs 8–10 of EBAP/20/42.

3. With respect to the **Childcare Allowance:**

The Executive Board approves the proposals regarding the payment of the Child Care Allowance as set out in paragraphs 11–13 of EBAP/20/42.

4. With respect to the **Education Allowance:**

The Executive Board approves the proposals regarding the Education Allowance ceilings as set out in paragraphs 14–16 of EBAP/20/42.

5. With respect to **appointment and separation benefits:**

The Executive Board approves the proposals regarding the appointment and separation benefits as set out in paragraphs 17–21 of EBAP/20/42.

6. With respect to the **modernizing the Spouse and Child Allowance:**

The Executive Board approves the proposals regarding the Spouse and Child Allowance as set out in paragraphs 22–23 of EBAP/20/42.

Annex I. Implementation of the Executive Board's December 2019 Decision on the Comprehensive Compensation and Benefits Review

This Annex is only for information, as the measures outlined herein do not require approval by the Executive Board. The savings estimated in the Refined Proposed Decision paper remain mostly unchanged, except with respect to: (i) the cost associated with the elimination of the room and board allowance (in favor of the subsistence allowance); and (ii) reduction in the total cost for the new Childcare Allowance due to the proposal to coordinate that allowance with primary EDA. These proposed changes are expected to be cost-neutral and have no net impact on original savings estimates.

A. Implementation and Transition Arrangements

Expatriate Allowance

1. Eligibility for the Expatriate Allowance will be initially determined at entry on duty, based on the staff member's residency/visa status and dependent information. This information will also be required and updated when a staff member changes duty station to begin a new assignment (e.g., taking a Resident Representative post) and with changes in dependent eligibility. A staff member will be eligible to receive an Expatriate Allowance for all approved dependents (spouse/domestic partner, children) regardless of whether the dependent resides with the staff member at the duty station.

2. Each member of a Fund-Fund couple will receive her/his individual Expatriate Allowance based on the cost of airfare to the capital city of her/his home country. In this regard, each will receive the incidental allowance for staff. The couple's dependent children will be assigned to the staff member whose home country provides the higher benefit value. For Fund-Bank couples, once the final Home Leave entitlement is paid, the World Bank Group (WBG) spouse will be covered at the dependent rate for Expatriate Allowance payments.

Education Allowance

3. Current G-4 staff will be required to elect either the Childcare Allowance or support for tertiary education under the EDA, for existing eligible children, within 31 days of the policy effective date. This will facilitate the setup of appropriate controls in the HCM, since staff who are grandfathered under this provision for the rest of their Fund career,[1] including for future children, are required to make a one-time irrevocable election for their preferred option (for each child). For future children, this election must be made within 31 days of birth or, for adopted

[1] A Fund career is defined as a continuous staff appointment, with no break in service. Once there is a break in service, the staff is a new hire under a new appointment and career. Therefore, if a staff member is rehired following a break in service, she/he will be subject to the policy in place at that time.

children, within 31 days of gaining physical custody of the child.

4. At the end of the academic year, staff will be required to certify the approved education costs (inclusive of tutoring expenses, if applicable) and confirmation of the child's participation for the full year. Certification of the prior academic year is required before the staff member can receive the EDA for the next academic year. Failure to certify will result in the requirement to repay the allowance to the Fund.

Leave Program

5. The Executive Board's decision in December 2019 included an increase in parental leave from 60 workdays to 100 workdays. Since this leave may be used on an intermittent and/or part-time basis, the time to use the benefit has been extended from within six months to within nine months of the date of birth of the child, or in the case of adoption, from placement of the child in the staff member's physical custody.

6. The December decision approved the establishment of a Short-Term Disability (STD) program for contractual employees. The Revised Proposed Decision paper indicated that an STD program would be established for May 1, 2020; however, additional time is required to contract with a vendor and implement the new program. In addition, since this involves programming issues that fall under 1HR, the effective date of this new program has been pushed back to October 1, 2020. Eligibility for the new STD program will be determined by contract type. All headquarters-based long-term contractual employees and Long-Term Experts (LTXs) in the field will be covered. A separate plan is being devised for local employees in field offices.

7. Contractual employees must meet a minimum period of illness (7 days) before the STD program is activated. In the event of an accident, the STD program will be immediately activated (i.e., with no minimum period of illness). Once the contractual employee has exhausted all sick and annual leave, she/he will become eligible for the STD benefit, which provides replacement of two-thirds of the weekly salary up to a maximum of $2,000 per week. STD coverage applies up to 90 days, at which time coverage under the Long-Term Disability (LTD) program would be activated.

Elimination of Spouse Points

8. Transition arrangements for elimination of the spouse points program account for final missions that start just before May 1, 2020. For ease of administration, the accumulation of points will be allowed up to the end of a mission if the mission begins before May 1, 2020 and continues past that date.

Elimination of Certain Categories of Salary Advance

9. With the elimination of most loans, only a salary advance for settling-in upon appointment and the urgent personal reasons salary advance will remain. Both of these advances will be interest-free. The terms of outstanding loans will remain in effect and will continue to be administered by the Fund. Eligibility to receive a salary advance for settling-in purposes will remain as indicated in the Staff Handbook, Chapter 6.04, and will expire six months after entry on duty. Eligibility for an advance for urgent personal reasons is being redefined to incorporate stronger controls and limitations.

10. The ceiling for indebtedness of both the settling-in and urgent personal reasons advances will be up to six months of net salary. Staff on open-ended appointments will be allowed to repay the loan over a period of six years. Consistent with current policy, staff on term appointments must repay the loan within the current term.

Elimination of the Coordination and Transfer of Benefits with the World Bank Group

11. Since pension transfer agreements (PTAs) will remain in effect, coordination of certain key benefits will continue. The Fund will continue to accept and record credit for participation in the medical and life insurance plans of organizations with PTAs, to apply towards eligibility for retiree coverage under the Fund's Medical Benefits Plan and Group Life Insurance plan.

Elimination of Eligibility for Expatriate Benefits due to Green Card Conversions

12. Elimination of eligibility for expatriate benefits due to conversion from Green Card holder to G-4 visa holder will be based on the date of the status change. The option to become eligible for expatriate benefits upon a change in visa status, from U.S. permanent resident (Green Card holder) to G-4 visa holder will be discontinued as of January 1, 2021. Staff with an effective date of change from Green Card holder to G-4 visa holder prior to January 1, 2021 will become eligible for expatriate benefits as of that date.

Annex II. Cost/Savings Analysis of the Comprehensive Compensation and Benefits Review Proposals

Estimated Financial Impact of Transition and Policy Simplification Proposals

Streamlining Proposal	Estimated Financial Impact
Home Leave transition: Require attestation in lieu of certification	No impact on steady-state savings ($4.4 million)[1]
Expatriate Allowance: administer allowance in the biweekly payroll, in lieu of an annual lump sum	No financial impact on the above.
Education Allowance: (i) Consolidate allowance ceiling for tuition and tutoring; and (ii) eliminate room and board ceiling in favor of existing subsistence ceiling for overseas studies	(i) No financial impact; however, policy simplification would lead to administrative savings equivalent to about ½-1 FTE. (ii) Estimated increase in EDA costs of about $325,000 per year (based on current utilization rates).
Childcare Allowance: Staff eligible to receive the Childcare Allowance or the Education Allowance (if attending a qualifying institution), but not both at the same time.	Eliminating the overlap with the Education Allowance could lower the Childcare Allowance by about $300,000–$400,000 per year compared with the estimate presented earlier, with no impact on EDA spending.[1]
Appointment and Separation Benefits: Consolidation of the Appointment Grant.	No impact on the steady state savings ($1.2 million).[1] Policy simplification would also lead to administrative savings equivalent to ½-1 FTE.
Spouse and Child Allowance: Simplify some eligibility requirements.	No financial impact; however, policy simplification would lead to administrative savings equivalent to about ½ FTE.
Memorandum item:	
Overseas Benefits: Simplify and consolidate.	Estimated annual savings of about $800,000–$900,000 per year;[2] policy simplification would lead to administrative savings equivalent to ½-1 FTEs.

[1] Annex III, Cost Savings Analysis of CCBR Proposals, *Comprehensive Compensation and Benefits Review—Refined Proposals, EBAP/19/88, Supplement 2.*

[2] These savings primarily reflect: (i) the alignment of overseas appointment of and resettlement allowances with those of staff recruited/separating from headquarters; (ii) elimination of the consumable allowance; and (iii) the consolidation of housing allowances into two packages.