

**LAPSE OF
TIME**

EB/CAM/20/11

October 28, 2020

To: Members of the Committee on Executive Board Administrative Matters

From: Gilles Bauche, Committee Secretary

Subject: **Revisions to Home Leave Benefits and Administrative Changes to Retirement Benefits of Executive Directors to Align with CCBR**

Committee Action:	Committee Members' consideration on a lapse of time basis
Deadline to Request a Committee Meeting, after which Proposed Recommendation Deemed Approved:	Friday, October 30, 2020 5:30 p.m.
Proposed Recommendation:	Page 5
Questions:	Ms. Michaels, SEC (ext. 35451) Mr. Plith, LEG (ext. 30562)
Additional Distribution:	Members of the Executive Board



October 28, 2020

REVISIONS TO HOME LEAVE BENEFITS AND ADMINISTRATIVE CHANGES TO RETIREMENT BENEFITS OF EXECUTIVE DIRECTORS TO ALIGN WITH CCBR

Prepared by SEC and LEG, in consultation with HRD Staff

1. **On December 17, 2019, the Executive Board concluded the Comprehensive Compensation and Benefits Review (CCBR), approving a package of changes to benefits policies applicable to Fund staff and a phased timeline for implementing these changes between May 2020 and May 2021¹.** In April 2020, the CAM agreed that in line with past practice, the Board of Governors' Joint Committee on the Remuneration of Executive Directors and their Alternates (the "JCR") should be asked to consider the application of the CCBR changes to Executive Directors and Alternate Executive Directors^{2,3}.
2. **Under the Fund's By-Laws, the Board of Governors' approval is required for the application of new benefits, and/or significant changes in existing benefits, for Executive Directors and their Alternates⁴.** The 2020 JCR subsequently recommended that the Board of Governors adopt new resolutions to align the benefits of Executive Directors with those of Fund staff with regard to Appointment Grant, Resettlement Allowance, Childcare Allowance, Education Allowance, Parental Leave, and

¹ *Comprehensive Compensation and Benefits Review—Revised Proposed Decision*, EBAP/19/104, Supplement 1 (12/16/2019) and Correction 1 (12/20/19).

² *Proposed Application of CCBR Policy Changes to Personnel Employed in Offices of Executive Directors*, EB/CAM/20/5 (04/05/20).

³ The Executive Board has previously adopted decisions that align the employment benefits of Senior Advisors to Executive Director with those of Executive Directors and Alternate Executive Directors (see *Additional Assistance for Executive Directors*, EBAP/71/139, Supplement 2, Revision 1 (9/7/71)). The Executive Board has also agreed that Advisors to Executive Directors and Assistants to Executive Directors shall receive employment benefits on the same basis as Fund staff (see *Assistants to Executive Directors – Request for Staff Benefits*, EBAM/98/164 (9/28/98).

⁴ Board of Governors' Resolution 34-7 (adopted July 20, 1979) provides that "Changes in the level of benefits to reflect actual costs, or other minor modifications to existing benefits that do not alter the basic nature of such benefits, may be extended to Executive Directors and their Alternates by the Executive Directors of the Fund, provided that significant changes in existing benefits as well as new benefits be considered by the Joint Committee on Remuneration of Executive Directors pursuant to section 14(e) (ii) of the By-Laws of the Fund and not be made available to Executive Directors until approved by the Board of Governors".

the Retirement Benefits Defined Contribution Plan. In Resolution 75-5, the Board of Governors has approved all of these changes.

3. In its report to the Board of Governors, the 2020 JCR also noted that the CCBR encompassed technical and administrative changes to home leave benefits (expatriate allowances) and retirement benefits under the Staff Retirement Plan. These changes do not significantly alter the nature or value of these benefits. The JCR has referred these matters back to the Fund's Executive Board for formal approval to apply these changes to the benefits of Executive Directors and Alternate Executive Directors.

4. The CAM's approval is now sought to recommend these changes for formal adoption by the Executive Board.

Staff Retirement Plan Lump Sum Withdrawal Benefits

5. The optional lump sum benefits will be expanded. The Staff Retirement Plan will be amended effective May 1, 2021 to provide the option of the lump sum withdrawal benefit to all participants (regardless of age and service). In addition, a participant who is eligible to retire with a pension may elect to take a lump sum commutation payment up to 100 percent of the value of the pension.

Staff Retirement Plan Survivor Benefits

6. The Staff Retirement Plan will be amended effective May 1, 2021 to ensure that the calculation of the surviving spouse's/domestic partner's/designated beneficiary's benefit upon the death of the retired participant will take into account any commutation payment made to the retired participant. These benefits will be amended to account for—in all instances—any pension reduction resulting from a commutation payment taken by the retired participant⁵. For surviving spouses and domestic partners, the monthly pension benefit will be 50 percent of the retired participant's pension benefit after reduction for any commutation payment made upon retirement. For designated beneficiaries of single retired participants, the one-time lump sum death benefit will also be based on the reduced pension.

Home Leave Benefits for Executive Directors and Alternate Executive Directors

7. Under section 14(f) of the By-Laws, eligibility for home leave benefits is restricted to the dependent family members of Executive Directors and Alternate Executive Directors, in the Executive Director's third year of continuous full-time service in either capacity. Home leave benefits for the family members of Executive Directors were last adjusted in 2007, to come into closer (but not full) alignment with the home leave benefits of Fund staff approved in the 2006

⁵ Under the current plan, the surviving spouse/domestic partner benefit is calculated as if no commutation payment has been made. Likewise, designated beneficiaries of unmarried/single participants are currently eligible for a onetime lump sum death benefit based on an unreduced pension (before optional elections like commutation). In addition, all participants may choose to reduce their pension to provide a monthly benefit to a designated survivor, and this benefit already takes into account the commutation payment made to the pensioner.

Employment Compensation and Benefits Review. At that time, following consultation with the JCR, the Executive Board approved revising the value of home leave benefits for family members of Executive Directors and Alternate Executive Directors to full-fare economy class, payable as a cash lump sum, plus the home country expense allowances per traveler payable to Fund staff under the 24-month home leave option⁶.

8. The 2019 CCBR exercise has further adjusted home leave benefits for Fund staff.

Effective October 1, 2020, home leave benefits will be replaced by an expatriate cash allowance equivalent, over a 24-month period, to the cost of an unrestricted round-trip economy class airfare to the capital city of a staff members' home country, for each eligible dependent, plus an incidental travel allowance of \$2,000 for the staff member and \$1,000 for each eligible dependent. Under transitional arrangements, before moving to the new expatriate allowance, staff members will be permitted to take accrued home leave entitlements under the existing policy (i.e. partial accrual of eligibility under the existing policies will continue to allow one final home leave travel to be taken under those rules; after that travel is completed staff will transition to the new policy). Administration of these benefits will be simplified by removing the current requirement that staff members certify travel taken under home leave; in addition the value of the cash allowance will be established at the time the new policies come into effect (for existing staff) or at the time of hire (for new staff) and thereafter indexed annually for inflation (US CPI) rather than calculated individually for each staff member for each home leave.

9. The JCR has agreed that home leave benefits for the family members of Executive Directors and Alternate Executive Directors should be amended to reflect the new staff benefits to the fullest extent possible without changing the criteria for eligibility for these benefits established in section 14 (f) of the Fund's By-Laws. Accordingly, effective October 1, 2020, the value and administration of these benefits shall be amended as follows:

- (i) In the third year of consecutive service, and every two years thereafter, Executive Directors and Alternate Executive Directors shall be eligible to receive expatriate allowances for their eligible family members (spouse or registered domestic partner, and dependent children under 24 years of age)⁷.
- (ii) The value of expatriate allowances for the eligible family members of Executive Directors and Alternate Executive Directors shall be calculated as set out below:

Over a 24-month period, the value of an unrestricted economy-class airfare between Washington DC and the capital city of the employee's home country, plus an incidental travel expense allowance of \$1,000 per traveler.

⁶ See *Committee on Executive Board Administrative Matters—Home Leave Provisions for Families of Executive Directors and Alternate Executive Directors*, EBAM/07/124 (11/12/07).

⁷ The Executive Board has previously agreed that periods of service as Executive Director/Alternate Executive Designate or Executive Director/Alternate Executive Director Post-Designate, shall not count towards eligible service for the purposes of eligibility for home leave benefits. (see *Committee on Executive Board Administrative Matters – Report and Recommendations on Overlap Provisions Appointment and Removal Travel, and Education Allowance*, EBAM/07/43 (4/23/07)). No change is proposed to this earlier decision.

For eligible dependents of Executive Directors who enter Fund service on or after October 1, 2020, the value of these benefits shall be calculated in line with the home leave policies then in effect applicable to Fund staff.

Consistent with the eligibility criteria set forth in section 14(f) of the Fund's By-Laws, such expatriate allowances shall not be payable until the Executive Director or Alternate Executive Director has entered into a third consecutive year of service. On fulfilling the eligibility criteria, these benefits shall be paid to Executive Directors as a cash lump sum.

- (iii) Executive Directors and Alternate Executive Directors shall not be required to certify how these expatriate allowances are used.
- (iv) As a transitional measure, the family members of current Executive Directors and Alternate Executive Directors who have accrued partial eligibility towards home leave benefits under existing policies shall be allowed to continue to accrue such eligibility to permit one final home leave entitlement to be applied for under the existing policy, subject to the other eligibility criteria described above. After this final entitlement is applied for, the new expatriate allowance policies shall be applicable to all home leave trips taken subsequently.

10. The proposals above differ from the changes to staff benefits only with regard to the timing of the payment of the new expatriate allowances. As the By-Laws require entry into the third year of service in order for Executive Directors and Alternate Executive Directors to be eligible for home leave benefits, it is proposed that the first payment of expatriate allowances to Executive Directors and Alternate Executive Directors should not be made until entry into the third year of consecutive full-time service (i.e. on the first day after completion of two full years of service), and every two years thereafter, rather than annually⁸.

Ineligibility for Expatriate Benefits on Relinquishment of Green Card Status

11. The CCBR decisions also include discontinuation of the option for Fund staff to become eligible for expatriate allowances (home leave and education allowances) if they transfer from permanent resident (green card) status to G4 visa status, effective January 1, 2021. While there does not ever seem to have been a case of an Executive Director or Alternate Executive Director who has relinquished green card status to transfer to either G1 or G4 visa status in order to become eligible for expatriate benefits, for institutional alignment, it is proposed the same restrictions should apply to Fund Executive Directors and their Alternates. It is not anticipated that this change will have much, if any practical impact.

⁸ To illustrate, an Executive Director who assumes duties on November 1, 2020 would not be deemed to have entered a third consecutive year of service unless s/he is in active duty as Executive Director on November 1, 2022.

Proposed Recommendation

The CAM recommends the following decision for adoption by the Executive Board:

- (i) The changes to the Staff Retirement Plan, described in paragraphs 5 and 6 of EBAP/20/XX, shall be applicable to Executive Directors and Alternate Executive Directors on the same basis as staff, effective on May 1, 2021;
- (ii) The changes to the home leave/expatriate benefits described in paragraphs 9 and 10 of EBAP/20/XX shall be applicable to Executive Directors and Alternate Executive Directors, effective October 1, 2020.
- (iii) The changes to the eligibility for expatriate benefits on relinquishment of green card status described in paragraph 11 of EBAP/20/XX shall be applicable to Executive Directors and Alternate Executive Directors effective January 1, 2021.