



## **OIML Pension System, Assets and liabilities**

### **1 PENSION SYSTEM**

The OIML Convention says, in its Article XXXI:

*In the event of the dissolution of the Organization, the assets shall be distributed between all the Member States proportionally to the total of their previous dues subject to any agreement which may be made between those Member States which shall have paid their dues up to the date of dissolution and to the rights contracted or acquired by personnel in active service or retired.*

This means that there are rights acquired by personnel, in active service or retired, with regard to the OIML Pension System. These rights have to be evaluated and recorded in the liabilities of the Organization.

The former accountancy scheme had defined a Pension Fund, endowed by staff contributions and by OIML contributions from the OIML budget, and from which pensions were paid. The rules for the endowment of this Pension System and the rights acquired by personnel were defined in the Staff Regulations (Document B 7), Annex 3. This annex was not modified when the Staff regulations were revised.

The endowment defined in items RD 4 and RD 5 of this Annex only allows the Retirement Fund to be balanced in the medium term in case enough staff members have enrolled in this System. When adopting the 2001-2004 budget, the Conference had to vote an exceptional additional endowment of the Pension Fund in order to balance it. This exceptional endowment has not been necessary in the 2005-2008 budget for balancing the Pension Fund during this financial period.

However the provisions of Annex 3 of the Staff Regulations do not provide an estimation of the overall rights acquired and an endowment of the Pension Fund able to reflect the evolutions of these rights.

The rights acquired by the personnel have been evaluated at the end of 2004 by an actuary, so that they can be recorded correctly in the new accountancy. The report received from this consultant is available in French (an English version would have been costly and has not been asked for). The main elements from this report are the following.

#### **1.1 Data for the evaluation**

- inflation rate estimated by the expert: 2.5 %
- staff turnover: none
- average age of retirement: 63.6 years
- actualization rate: 4 % (see 1.2, 3rd hyphen)
- life expectancy: as set out in table TV 88-90 used by insurance companies
- present situation: the pension system applies to 3 active staff members, 3 retired staff members and the widow of one retired staff member.

## 1.2 General principles of the evaluation

- Retired staff members receive a pension evaluated as a proportion of their final salary, converted to a point on the current BIML salary scales. This pension is therefore indexed linked with the French inflation rate. After the death of a retired staff member, his widow receives half the pension.
- The sum of the pensions to be paid during the expected lifetime of pensioned persons is a right acquired by them.
- These pensions are evaluated using an actualization rate "a", which means that a sum of x Euros due in n years time is evaluated today as a debt of 
$$\frac{x}{(1+a)^n}$$
- The rights of active staff members increase yearly due to two factors: the duration of their position in the BIML and their progression on the salary scale.

## 1.3 General conclusion of the report, consequences and further studies

The rights acquired as of 31 December 2004 are evaluated at 1 298 400 €

According to the International Accountancy Standard IAS 19, this must be recorded in the OIML Pension Fund (liabilities) as of 01 January 2005. Reevaluating this liability will be done by reducing the Reserve Fund (residual value which would be due to Member States in the event of the dissolution of the Organization).

The Pension Fund must be reevaluated yearly according to procedures laid down in the consultant's report. This reevaluation will be balanced by two sources:

- staff contributions to the Pension Fund, as laid down in the Staff Regulations;
- endowment of the Pension Fund by the OIML for the complement, which is a charge to be calculated on the basis of the Pension Fund reevaluation procedure, and not on the basis of the Staff Regulations.

The annual endowment of the OIML Pension Fund, in the former system, was about 55 k€ Applying the International Accountancy Standards and the report of the actuary, the endowment of the Pension Fund should be about 150 k€ in 2005 and in the following years. This, together with other elements, will lead to the implementation of the budget voted by the 12<sup>th</sup> Conference to be reviewed, in order to keep it balanced.

As requested by the 12<sup>th</sup> Conference, the BIML will continue to study the necessary revision of this OIML Pension Fund. A number of issues will be addressed and will be reported on first to the CIML Presidential Council, then to the CIML at the next meetings, for example:

- Will it be necessary to set up a dedicated asset to guarantee the debt recorded in such a Pension Fund?
- Which amendments should be brought to Annex 3 of the Staff Regulations, concerning the parameters of the Pension system (e.g. age of retirement, staff contribution, level of pensions, conditions for paying surviving spouse's pension, etc.)?
- How to take account of the rights already acquired when revising the Pension System?
- Should some or all of these revised rules apply only to staff members enrolling in the Pension System after this revision?

- Should this Pension System cease to be proposed to new staff members and in this case which alternative system may/should be proposed?
- Should this Pension System be transferred to an external body and under which conditions?
- Others.

## **2 ASSETS AND LIABILITIES**

The assets and liabilities as of 1<sup>st</sup> January 2005 will differ from the assets and liabilities as of 31<sup>st</sup> December 2004, due to the change of accountancy rules. The main changes will be the following.

### **2.1 Pension Fund**

The Pension Fund will be reevaluated according to the explanations given above. Its value, 223.7k€ on 31<sup>st</sup> December 2004, will become 1 298.5k€ on 1<sup>st</sup> January 2005.

### **2.2 Reevaluation of non depreciated fixed assets**

In the former accountancy system, all assets were immediately fully depreciated, so the net value of assets on 31<sup>st</sup> December 2004 is null. In the new accountancy system, assets are depreciated over a given period:

- 50 years for buildings,
- 10 years for building fittings,
- 10 years for furniture,
- 5 years for vehicles,
- 5 years for office equipment,
- 3 years for computers and similar equipment,
- 2 years for software.

A number of such assets are not fully depreciated according to these criteria and will be reevaluated, taking into account the date and cost of their purchase.

The inventory of the BIML equipment has been completed, but the detailed related costs are not yet finalized. The final value will be established before the end of 2005. The net value of these assets as of 1<sup>st</sup> January 2005 may be provisionally estimated at 107.5k€

### **2.3 Member States debts**

Advance payments received for the Translation Center will be recorded in the Member States' accounts and will decrease its balance by 12 620 € on 1<sup>st</sup> January 2005. The asset "Member States debts" was 139.9k€ on 31<sup>st</sup> December 2004 and is 127.3k€ on 1<sup>st</sup> January 2005.

### **2.4 Corresponding Members debts**

These debts were not recorded as an asset. They will enter the assets accounts on 1<sup>st</sup> January 2005, for an amount of 19.1k€

## 2.5 Loans to personnel

In the former accountancy system, the loans granted to personnel were not recorded in the assets. In the new accountancy system, they will be recorded in the assets, and amount to 109.8k€ as of 1<sup>st</sup> January 2005.

## 2.6 Translation Center

The Bank account dedicated to the Translation Center was not in the assets and will now be part of the liquid assets. Its value at 1<sup>st</sup> January 2005 is 19.0k€

## 2.7 Other assets and liabilities

A number of other assets and liabilities are recorded in the new accountancy, corresponding to transition accounts: suppliers' invoices related to 2004 to be received in 2005, social security charges to be paid in 2005 and related to the 2004 financial year, similar accounts for pensions to pay, reimbursements of taxes expected from the French Government, advance payments made in 2004 and related to 2005 activities, etc.

These various items decrease the balance by -27.3k€

## 2.8 Working capital and Reserve Fund

The accounts on 31<sup>st</sup> December 2004 showed the Working Capital (by convention fixed at 55.3k€) and the Reserve Fund as the difference between these assets and liabilities. The Reserve Fund was therefore 1 290.1k€, and the sum of these two accounts was 1 345.4k€

On 1<sup>st</sup> January, due to the variations described above, the Reserve Fund decreased by 859.,3k€, and the sum of Working Capital Plus Reserve Fund amounts to 486.2k€

## 3 ASSETS AND LIABILITIES ACCOUNTS, TRANSITION FROM 2004 TO 2005

| <b>LIABILITIES</b>                         | <b>31/12/2004</b> | <b>01/01/2005</b> |
|--|-------------------|-------------------|
| Working Capital                            | 55.3k€            | 55.3k€            |
| Reserve                                    | 1 290.1k€         | 430.8k€           |
| Pension Fund                               | 223.7k€           | 1 298.5k€         |
| <b>Total liabilities</b>                   | <b>1 569.1k€</b>  | <b>1 784.6k€</b>  |
| <b>ASSETS</b>                              |                   |                   |
| Fixed assets                               |                   | 107.5k€           |
| Member States debts                        | 139.9k€           | 127.3k€           |
| Corresponding Members debts                |                   | 19.1k€            |
| Loans to personnel                         |                   | 109.8k€           |
| Liquid assets                              | 1 440.1k€         | 1 459.1k€         |
| Other misc. assets minus misc. liabilities | -10.9k€           | -38.2k€           |
| <b>Total assets</b>                        | <b>1 569.1k€</b>  | <b>1 784.6k€</b>  |