HIGH COUNCIL DECISION N. 7/2021

of 23 June 2021

laying down the rules for the management of the EUI Pension Reserve Fund and for the establishment of a Supervisory Board of the Pension Reserve Fund

THE HIGH COUNCIL

Having regard to the Convention setting up the European University Institute (hereinafter referred to as the "EUI" or "the Institute"), and in particular Article 6(5)(a) thereof,

Whereas,

(1) the rules regarding the management of the EUI Pension Reserve Fund have been laid down by High Council decision No 9/98 of 10 December 1998 and subsequently amended on several occasions by High Council decision No 1/06 of 8 June 2006 and High Council decision No 6/2013 of 6 December 2013,

(2) it deems appropriate to further amend the above-mentioned rules to implement the proposal of the EUI High Council Financial Working Group unanimously supported by the Budget Committee in its April 2021 meeting and concerning the composition and tasks of the Supervisory Board of the Pension Reserve Fund,

therefore, for the sake of legal certainty, it is considered appropriate to establish a consolidated text of the above-mentioned rules, which also introduces such new amendments,

HAS DECIDED AS FOLLOWS:

Article 1

A Supervisory Board of the Pension Reserve Fund (hereinafter referred to as the "Supervisory Board") shall be established to perform the tasks laid down in the Financial Rules and namely to assess the implementation of investment policy and check it in the light of the directives in force.

Article 2

The Supervisory Board shall be composed of:

a) One senior expert in the field appointed by the High Council that will act as Chairman,
b) One representative of each one of the contracting states of the EUI Troika,
c) One former external auditor (or international expert in the field), appointed by the High Council,
d) One EUI active staff representative, appointed by the EUI Staff Committee,
e) One EUI retired staff representative, appointed by the EUI Union,

f) Two representatives of the EUI management, appointed by the President, with voice but no vote.

The mandate of the two members appointed by the High Council, under letters a) and c) of paragraph 1 of this Article, shall last 4 years and shall be renewable.

The EUI Chief Accountant shall be in charge of the Supervisory Board Secretariat.

Article 3

The Supervisory Board shall meet at least once a year; it shall report to the Budget Committee and to the High Council on the management of the fund and deliver an opinion on any other relevant question.

Any refunds of expenses (travel, daily allowances) incurred by the members of the Supervisory Board shall be charged to the Pension Reserve Fund.

Meetings of the Supervisory Board shall be chaired by the most senior competent member appointed by the High Council.

At the request of the Supervisory Board, the external manager shall take part in the meetings of the Supervisory Board, notably to assess past investment strategies and to debate the future investment policy.

If a financial advisor expert in financial markets is selected by the Supervisory Board through a procurement procedure, at the request of the Supervisory Board she/he may take part in the meetings.

Article 4

The Supervisory Board shall decide on the implementing rules for its functioning and on its rules of procedure (voting system, etc.).

The Supervisory Board shall present an annual update to the Budget Committee and the High Council on the evolution of the parameters governing the long-term financial stability of the Pension Scheme.

The Supervisory Board may decide to accept the proposal(s) of the financial advisor expert to invest in alternative funds in the respect of investment guidelines established by the High Council.

Article 5

The investment guidelines are set out in the Annex, which is an integral part of this decision.

Article 6

This decision shall enter into force on the date of its adoption.

It replaces High Council decision No 9/98 of 10 December 1998 and its subsequent amendments adopted by High Council decision No 1/06 of 8 June 2006 and High Council decision No 6/2013 of 6 December 2013.

Done in Florence, 23 June 2021

For the High Council

The President

(original signed)

Tanya SAMMUT-BONNICI

GUIDELINES
for the management of the
European University Institute's pension reserve fund

1. EXTERNAL MANAGERS OF THE PENSION RESERVE FUND

1.1. The High Council shall decide to appoint one or more external managers of the fund, with the required special qualifications and knowledge after consulting its financial advisor. External managers may be a bank, insurance company or other specialist firm.

1.2. A contract laying down the rules and procedures governing the management of the part of the reserve fund allocated shall be agreed between the Institute and each external manager.

1.3. The designated external managers shall have the necessary freedom of action and may manage the portfolio at their discretion, taking account of the contractual investment guidelines, based on the investment guidelines adopted by the High Council.

1.4. The Institute shall carry out regular and detailed monitoring of the fund managers' activities. It shall regularly check that the High Council's guidelines are observed at the consolidated level of the management of the reserve fund's assets. The Institute may call upon an external specialist financial adviser to carry out this monitoring.

1.5. The external managers shall be accountable for any negligence or gross misconduct.

2. INVESTMENT GUIDELINES

2.1. The minimum management objective is to preserve the capital over a period of five years.

2.2. The management remits shall mainly be of the "total return" type, with a view to ensuring a maximum capacity to preserve the capital in the event of negative market conditions.

2.3. The funds invested and awaiting investment shall remain the property of the Institute at all times.

2.4. When assigning the assets in the portfolio, the managers shall take account of the Institute's tax privileges.

3. COMPOSITION OF INVESTMENTS

3.1. Preferred types of investment include fixed-interest securities and other debt securities issued by public or private institutions with a good credit rating.

Securities acquired from a single issuer should not, as a rule, exceed 5% of the assets of the fund, except for debt securities issued by European Union Member States and/or their institutions, where the limit is 20%.

The reserve fund may not hold more than 5% of its assets in debt securities which have no rating or where the rating would be below the minimum level of "investment grade".

3.2. In addition to specific securities, the reserve fund may invest in investment funds and unit trust companies and similar products regulated and approved by a financial authority of the EU or a Member State.

3.3. The reserve fund may invest up to 10% of its assets in hedge funds and in funds of hedge funds. However, it may not invest more than 0.50% of its assets in a single hedge fund.

3.4. Derivatives designed to cover risks on investment funds may be used. Derivative instruments must be contracted on liquid markets and with counterparties having a good credit rating.

3.5. Investments may be made in currencies other than those of the Member States of the Institute, but in this case the positions not covered against exchange risks may not exceed 25% of the amount invested in currency.

3.6. In no case may more than 30% of the assets in the reserve fund be invested in stocks and shares with a risk level similar to the stock markets. This ceiling shall be reduced by the amount of any investments in hedge funds (3.3).

3.7. The reserve fund may invest up to 20% of its assets in closed-end funds or vehicles with a long-term investment period, longer than 5 years but reasonably expected not above 10 years, on the advice of the fund's financial advisor. These funds or vehicles can be invested in real estate, private equity, corporate loans and other financial assets in a well-diversified portfolio. No unlisted direct investments will be allowed. Any closed-end investment vehicle must have its annual statements audited by a registered auditing company and have a governance which prevents/limits conflict of interests.

3.8. No investments may be made in works of art or non-financial assets.

3.9 Any other type of investment must be submitted to the High Council for approval.

4. REPORTING

4.1. The external managers shall provide the Institute with the following:

- a monthly valuation in euros of the portfolio of securities, based on the market price and the average official exchange rate of the last working day of the month in question, with a breakdown of the securities by category. Valuations must be submitted within three weeks of the end of the month to which they refer;
- a quarterly management report containing accurate information on the performance achieved and a comparison of this performance with the corresponding stock-market indices. Reports must be available within one month of the end of each quarter.

4.2. The managers shall give the Institute timely notice of any transaction liable to lead to a conflict between its own interests and those of the Institute (such as the purchase of securities to be invested by a financial institution associated with the manager).

4.3. The external managers shall immediately provide any information requested by the Institute. They shall also provide any information requested by the Institute's auditors.

4.4. In addition to an annual report audited by a registered auditing company, the external manager of a closed-end fund must provide at least half-year unaudited updates on the evolution of its underlying investments.

4.5. The currency used in the report shall be the euro.

4.6. These guidelines shall be regularly reviewed by the European University Institute and revised by the High Council where necessary.