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October 2016

## 2016 Annual Review of Salary and Benefits for International Staff, National Staff, and Administrative Staff

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Asian Development Bank



## ABBREVIATIONS

ADB	–	Asian Development Bank
ATF	–	advisory task force
ESP	–	early separation program
GMIP	–	Group Medical Insurance Plan
IFI	–	international financial institution
Lao PDR	–	Lao People's Democratic Republic
NSAS	–	national staff and administrative staff
ODSA	–	overseas duty station allowances
PNG	–	Papua New Guinea
PRC	–	People's Republic of China
SPA	–	salary progression adjustment
SPSO	–	Pacific Subregional Office
SRP	–	Staff Retirement Plan
SMI	–	supplemental merit increase
US	–	United States
WBG	–	World Bank Group
WPBF	–	work program and budget framework
WTW	–	Willis Towers Watson

## NOTE

In this report, "\$" refers to US dollars, unless otherwise stated.

## GLOSSARY

comparatio	–	The ratio of actual salaries (total payroll) to the salary range midpoints for the same number and mix of staff. A 100% comparatio indicates that pay is aligned with ADB's midpoints and thus with the chosen market references (75 <sup>th</sup> percentile).
dilution factor	–	Expresses the effect that leads to a lower comparatio at the end of the year than at the time of the review. This results from salary dilution due to changes in the staff mix (new hires, departures, promotions). Salary dilution within the year occurs because staff members who depart have generally a higher salary than new hires or promoted staff.
early separation program	–	The 2016 early separation program aims to support ADB's staffing optimization efforts by facilitating separation of staff with limited and diminishing contributions and/or lack of potential for career growth.

market positioning	– The positioning of an organization’s compensation policy within the market. ADB compensation policy is to pay at the 75 <sup>th</sup> percentile - or upper quartile- of the market comparators.
market reference point	– The market value in annual remuneration of the grade level that serves as the reference point for constructing the salary scale and for adjusting the salary scale and pay every year.
midpoint	– At ADB the midpoint of the salary scale for each grade level is aligned with the market reference point (75 <sup>th</sup> percentile of the market comparators).
average salary increase	– The recommended average percentage increase to be applied to staff pay at the time of the review (January 1).
pay-line	– The midpoints for consecutive grades plotted as a line that materialize ADB’s pay policy and that show pay progression by grade level.
total remuneration	– Salary, allowances and employer-provided benefit values.
overall increase in salary budget	– The projected growth in the amount of salaries and other salary-related personnel actions such as promotions and confirmations.
salary scale or range	– Each grade level has a salary scale or range, which is defined in terms of a minimum, a midpoint, and a maximum within which the salaries of staff at that grade level are administered. The minimum and maximum are equidistant to the midpoint.
salary structure	– The full set of salary scales or ranges expressing ADB’s compensation policy.
salary structure adjustment	– The average percentage increase needed to bring the salary structure in line with the market at each review.
wage bill or payroll	– The sum of actual staff salaries (or staff pay) paid over a defined period (usually a month or a year) for the total number of staff of a grade level, a category of employees (Administrative Staff, National Staff, International staff) or a whole office.

<b>Vice-President</b>	D. Stokes, Administration and Corporate Management
<b>Director General</b>	T. Oya, Budget, Personnel and Management Systems Department (BPMSD)
<b>Team leader</b>	E. Diez, Director, HR Policy and Program Division (BPPP)
<b>Team member</b>	D. Talim, Principal Compensation and Benefits Specialist, BPPP
<b>Peer reviewers</b>	M. Kubota, Advisor, BPMSD and Head, HR Information and Services Unit
	D. Mendis, Deputy Director General, BPMSD
	V. Tan, Director, Budget and Management Services Division (BPBM)
	K. Wangdi, Principal Budget and Management Services Specialist, BPBM

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## EXECUTIVE SUMMARY

The Asian Development Bank (ADB) conducted the 2016 annual review of salary and benefits for International Staff (IS) and National Staff and Administrative Staff (NSAS) in accordance with the rules for ADB's compensation system laid out in Administrative Order 3.01, which the Board of Directors approved in 2010 and 2015. This paper seeks the Board's approval for (i) the proposed 2017 salary structures and corresponding salary increases for staff on 1 January 2017, and (ii) a strengthened approach to the salary review methodology for field offices.

The 2016 salary review coincides with the launch of ADB's Work Program and Budget Framework (WPBF) for 2017–2019, the largest work program in ADB's history, which aims to increase ADB's assistance to its developing member countries by 23%. Scaling up ADB's operations will require more staff with the right skills in operational areas as well as the optimization of existing staffing. The salary proposals outlined in this paper are designed to maintain the value of the compensation and benefits package needed to support ADB's development objectives.

### A. Overview of the 2016 Compensation Review Methodology

1. ADB's pay policy is to align annually the salary structures midpoints to reflect the market 75<sup>th</sup> percentile -or upper quartile- and to align through average salary increases staff salaries with the market. The pay policy was reaffirmed by the Board following the 2010, 2011 and 2015 comprehensive reviews of salary and benefits.

2. **Salary structure.** The market movement determines the adjustment to the salary structure. The salary structure adjustment is the percentage increase needed to align the salary structure midpoints with the market 75<sup>th</sup> percentile after analyzing the market movement. The salary structure adjustments define the budgetary requirements.

3. **Average salary increase and comparatio.** Applying the salary structure adjustment to actual staff salaries does not result in aligning staff salaries with the market. To determine the average salary increase needed to achieve this alignment, actual pay of ADB staff is compared with the midpoints of the salary structure for the same number and mix of staff. This mechanism of comparing ADB staff pay with the updated midpoints of the salary structure is the comparatio. This is an indicator of the competitiveness of ADB's salaries to the market. A comparatio of 100 equates a full alignment to the market's 75<sup>th</sup> percentile.

4. The comparatio is an indicator that evolves constantly during the year and over the years due to changes in the number and composition of staff. These changes generate salary dilution. Salary dilution has the effect of reducing the comparatio during the year and occurs because staff members who leave the organization usually have higher salaries at each grade than the newly promoted staff or new hires who replace them. Salary dilution also results from growth in number of staff positions. In order to maintain the comparatio at a certain level, it is necessary to provide an additional merit increase to the salary structure adjustment using the expected savings generated by the salary dilution. The salary structure adjustment plus the additional merit increase equals the average salary increase mentioned in paras. 1 and 3.

5. Historically, ADB staff salaries have been short of achieving a 100% comparatio. This led the Board of Directors to approve in 2010 a target to achieve full alignment of pay with the market by 2015. While the comparatio has been gradually raised, this target has not been met,

and pay has remained below the market as a consequence of providing salary increases that did not fully offset the impact of salary dilution.

6. In order to have a competitive compensation offering, it is critical to maintain the goal of a full alignment of pay with the market. However, with the uncertain impact on salary dilution of the new hires generated by the early separation program (ESP) and to support the scaling-up for 2017, it is more appropriate to maintain the current positioning of pay versus the market for 2017. With the proposed average salary increases, the position of staff pay in 2017 will remain aligned with the current comparatio level (expected comparatio is 93.8% for international staff, 94.3% for NSAS at HQ and 94.8% on average for NSAS in FOs in 31 December 2017). See footnotes on table 3, 7 and A5.1.

## **B. 2016 Salary Structure Adjustment Methodology**

7. **For international staff**, the methodology continues to refer to the World Bank Group (WBG) salary structure midpoints as a proxy for the market references. The WBG salary structure midpoints provide a valid proxy for the 75<sup>th</sup> percentile, as it is based on a well-established and robust approach to measuring the international market. It uses a market composition with a representation of 2/3 private sector and 1/3 public sector. This representation allows ADB to remain an active player in the labor markets from which ADB is recruiting. Currently more than 70% of ADB's recruits come either from the private sector or other International Financial Institutions (IFIs). The WBG midpoints have been raised by 2.5% and are considered representative of the movement of international salaries.

8. **For NSAS at headquarters**, a survey was conducted in September 2016 of the same group of 15 comparators used for the comprehensive review of 2015. These comparators represent public and private companies operating in the Philippines. Based on the survey results, an average adjustment of the salary structure of 5.6% in peso would align ADB's salary structure for NSAS at headquarters with the market's 75<sup>th</sup> percentile.

9. **For NSAS in field offices**, as per Board approved methodology, ADB's salary structure midpoints are adjusted by reflecting the increase of the WBG salary structure midpoints in each of the duty station locations, except for Japan, which is based on an independent survey conducted by Willis Towers Watson (WTW). The proposed adjustments to the salary structures for the field offices result in US dollars equivalent terms to an average adjustment of 7.4%.

## **C. 2016 Average Salary Increase Proposals**

10. The average salaries increases are comprised of the salary structure adjustment plus an additional merit increase to support salary progression within the range to reward staff for proficiency and performance.

11. Based on the results of the 2016 compensation review, ADB Management proposes for Board consideration the following:

- (i) For international staff, provide a 2.5% adjustment to the salary structure and an average salary increase of 4.8% for 2017. This increase is the sum of the 2.5% adjustment to the salary scale and an additional merit increase component of 2.3%. The total budget impact of the international staff salary increase for 2017 is 2.5% (Table 9).
- (ii) For NSAS at headquarters, provide a 5.6% adjustment to the salary structure and an average salary increase of 7.4% in peso for 2017. This increase is the



sum of the 5.6% adjustment to the salary structure and an additional merit increase component of 1.8%. The total budget impact of the salary increase of NSAS at headquarters for 2017 is 5.6% (Table 9).

- (iii) For NSAS in the 30 field offices, provide a 7.4% adjustment to the salary structure and an average salary increase of 8.8% in United States dollar terms. This increase is the sum of the 7.4 % adjustment to the salary structure and an additional merit increase component of 1.4%. The total budget impact of salary increases of NSAS in field offices for 2017 is 7.4% (Table 9).
- (iv) To more clearly ascertain the market movement for the annual review in field offices, strengthen the methodology to include additional data sources to complement the WBG salary structure midpoints for determining the market reference points (75<sup>th</sup> percentile).

12. If approved by Board of Directors the proposed salary structures would become effective on 1 January 2017 for all staff categories.

### **C. Budget Impact**

13. The salary structure adjustments of 2.5% for international staff, 5.6% for NSAS at HQ and 7.4% on average for NSAS in field offices define the budgetary requirements. The salary dilution observed throughout the year helps finance the average salary increases without any budgetary impact.

14. The overall increase in the salary budget is the projected growth in the amount of salaries and other salary-related personnel actions to be paid in 2017 over the corresponding figures in 2016. The overall increase in the salary budget for 2017 is estimated at \$6.9million. This includes \$4.2 million for international staff, \$1.2 million for NSAS at headquarters, and \$1.5 million for NSAS in field offices. The \$6.9 million salary increase represents 1.1% of the estimated proposed 2017 budget.



## I. INTRODUCTION

1. This paper presents to the Asian Development Bank (ADB) Board of Directors the results of the 2016 annual review of compensation and benefits for international staff, national staff and administrative staff (NSAS) at headquarters and in the 30 field offices. It consolidates recommendations from the 2016 review and seeks Board approval of the proposed 2017 salary structures and the corresponding average salary increases for all staff categories.

2. A compensation system governed by well accepted policies and formulas, which is regularly updated to reflect best market practices, is essential for achieving operational goals and creating and maintaining staff members' trust and commitment. For staff, compensation is the most tangible reward for proficiency and performance. ADB's compensation policy, as outlined in Administrative Order 3.01, is market-driven. Salary determinants are based on market data and accepted relativities with the market. The 2016 annual compensation and benefits review is an important step in assessing the sustainability and cost-efficiency of ADB's compensation and benefits policies, as well as their effectiveness in supporting talent acquisition, staff development and retention. ADB's key principles of staff compensation are summarized in Appendix 1.

3. In 2015 ADB concluded a comprehensive review of its compensation and benefits policies, centered on the following considerations:

- (i) to provide compensation and benefits that are generally comparable to other International Financial Institutions (IFIs);
- (ii) to ensure that ADB is competitive enough to remain a premier employer, that can attract skilled staff from all over the world<sup>1</sup>;
- (iii) to enhance staff mobility to resident missions
- (iv) to reward key skills and talent;
- (v) to demonstrate accountability and transparency to all stakeholders, consistent with ADB's mission to eradicate poverty;
- (vi) to provide greater equity across former staff, active staff and new hires, as well as between different personal circumstances of individual staff members;
- (vii) to take into account total remuneration upon appointment, and staff expectations;
- (viii) to support the sustainability of ADB's Staff Retirement Plans, which will benefit current and future pensioners, under the current global and economic circumstances that poses risks of potential financial shocks and low investment returns; and
- (ix) to provide transitional measures in the implementation of reforms to cushion the impact on current staff.

4. These considerations remain relevant for the 2016 annual review, particularly as ADB prepares to deliver on its commitment to scale up its operations by at least 50% by 2020 in response to the large financing the region needs to achieve the Sustainable Development Goals. ADB's Work Program and Budget Framework (WPBF) 2017-2019 aims to increase assistance to developing member countries by 23% from \$47.5 billion for 2014-2016 to \$58.6 billion for 2017-2019. The scaled up assistance will be paired with a net staff increase of 200 over 2017,

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<sup>1</sup> Grounded in the mandate set out in the Agreement Establishing the Asian Development Bank, (the Charter) Section 6 of Article 34 states:

"In appointing the officers and staff, the President shall, subject to the paramount importance of securing the highest standards of efficiency and technical competence, pay due regard to the recruitment of personnel on as wide a regional geographical basis as possible."

2018 and 2019<sup>2</sup>. At the same time, ADB seeks to use its resources more effectively to support poverty reduction and climate change mitigation efforts by improving project designs, enhancing project readiness and implementation, accelerating disbursements, and increasing responsiveness. While continuing to support high-priority infrastructure development, ADB will pay more attention to maintenance cost and sustainability, as well as the effective integration of cleaner and more advanced technologies. ADB also aims to strengthen its credentials as a knowledge institution, and deepen its private sector work, including public–private partnerships<sup>3</sup>. Further ADB will more effectively combine advanced knowledge and ideas with finance.

5. Good human resources management is at the heart of effective institutions. Without continual efforts to upgrade staff skills, widen experience and perspectives, and maintain high levels of staff motivation and engagement, ADB cannot deliver quality operations and knowledge services to client countries. With the increased need for new talent and retention of high performing staff, ADB's approach to compensation must continue to focus on providing a good remuneration package that is sufficiently competitive to attract and retain the best talent, consistent with ADB's mission and in line with international trends.

6. The salary proposals outlined in this paper are therefore designed to maintain the value of the compensation and benefits package needed to support ADB's development objectives in the region as outlined in paras. 4 and 5, while remaining prudent in the utilization of ADB's fund and commensurate with ADB's mission of poverty reduction.

## **II. PROPOSED SALARY STRUCTURE ADJUSTMENT AND AVERAGE SALARY INCREASES FOR 2017**

### **A. Compensation Policy and Salary Administration**

7. The 2016 annual review of compensation is focused on assessing and ensuring the competitiveness of ADB's compensation. ADB's pay policy is to align the salary structure each year with the market's 75<sup>th</sup> percentile (or upper quartile). The pay policy also calls for aligning salaries with the market, a principle the Board reaffirmed following the 2010, 2011 and 2015 comprehensive reviews of compensation and benefits<sup>4</sup>. The salary structure is therefore adjusted based on the movement of the comparator market at the 75<sup>th</sup> percentile. The average salary increase is determined by achieving a targeted level of alignment (comparatio recovery)<sup>5</sup> with the adjusted pay-line.

8. The average salary increase and an assumed distribution of performance ratings determine the salary increase matrix for each staff category in each location. The salary increase given to an individual staff member is based only on the performance rating and delivered as a percentage of the midpoint of the respective grade level rather than a percentage of the individual's pay. An individual staff member does not receive an automatic increase equal to the salary structure adjustment or a minimum cost-of-living increase. A staff member rated

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<sup>2</sup> Source: work program and budget framework 2017-2019

<sup>3</sup> Closing address by ADB President Takehiko Nakao at the 49th Annual Meeting of the Board of Governors, Frankfurt, Germany, May 2016.

<sup>4</sup> ADB, 2013 Salary Administration, *Administrative Order* AO 3.01 Manila: Salaries are maintained at levels competitive with those prevailing in comparator organizations. The current Board approved policy is outlined in Appendix 1.

<sup>5</sup> Comparatio recovery is defined by the percentage increase necessary to reach a defined comparatio target. For example a 5 % increase is necessary to achieve a 97 target comparatio when the current comparatio is 92.

unsatisfactory receives no salary increase, and her/his individual salary can be lower than the minimum salary for her/his grade level.

## **B. Average Salary Increase Determination**

9. The average salary increase proposals are determined by achieving a desired level of alignment with ADB's adjusted pay-line. This exercise is completed through comparing the projected payroll as of 31 December for a category of staff (international staff, national staff or administrative staff), or for an entire field office, with the weighted average of the midpoints of the updated scale as of the following 1 January for the same number and mix of staff. This results in a comparatio that expresses the relative positioning of actual salaries versus ADB's pay policy (or pay-line) and consequently versus the market 75<sup>th</sup> percentile.

10. The comparatio can be: (i) equal to 100, meaning that salaries are aligned with the midpoints; (ii) below 100, meaning that an increase is necessary to align salaries with the midpoints; or (iii) above 100, meaning that salaries are already exceeding the midpoints. For example, a comparatio of 94 means that staff's actual salaries are 6% below the midpoints and therefore below the market 75<sup>th</sup> percentile.

## **C. Compensation Review Results for International Staff**

### **1. Proposed Salary Structure Adjustment for 2017**

11. **Market movement.** As per Administrative Order 3.01, ADB's compensation system is market-driven and ADB reviews the salary structure annually in relation to the relevant employment market. From its inception, ADB has compared its salaries for international staff with those of other IFIs. The World Bank Group (WBG) is the principal comparator organization for international staff salaries. The average increase of the WBG's midpoints as approved by the WBG Board of Directors in July 2016 was 2.5%. Consequently ADB recommends raising the salary structure midpoints by 2.5% for each grade level effective 1 January 2017.

12. **Competitiveness, attractiveness and recruitment markets.** ADB's pay-line is positioned at the 75<sup>th</sup> percentile of the world's international market. As confirmed by ADB's comprehensive compensation reviews of 2010 and 2015, the WBG salary structure midpoints provide a valid proxy for this positioning, as it is based on a well-established and robust approach to measuring the international market every 3 years. The WBG uses a market composition with a representation of 2/3 private sector and 1/3 public sector. Appendix 2 provides an overview of the WBG methodology<sup>6</sup>.

13. ADB's pay policy and pay-line positioning at the 75<sup>th</sup> percentile is essential to provide for the following:

- (i) ADB's business is growing and expanding in areas such as private sector development, health and education, climate change mitigation and adaptation, infrastructure, railways and urban transport and high-end technical assistance. This will require new specialized skill sets, international experience and proficiency that are in great demand in the markets and sectors where ADB

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<sup>6</sup> In 2016, the WBG did not conduct a comprehensive review of the market because the last comprehensive review was completed in 2015. According to the WBG methodology, the next 3-year cycle review is not due until 2018. In the intervening years, the WBG salary structures are updated according to projected salary increase data provided by the WBG market data sources (Appendix 2).

competes for talent. ADB plans to recruit 80 new positions, 40 international staff, 30 national staff, and, 10 administrative staff<sup>7</sup> in 2017; an additional 120 new staff will be recruited during 2018-19. Hence ADB needs to compete with an appropriate value proposition.

- (ii) With the globalization of the world economy, recruiting internationally has become a common practice among many organizations including some small companies in niche markets or with fast growing innovative products. The competition for high caliber and experienced professionals is fierce in markets where ADB sources talent (e.g. consulting firms, banks, financial institutions, international corporations, academia and non-government organizations).
- (iii) To remain an active player in the labor markets where ADB is recruiting, and taking into account that more than 70% of ADB's recruits come from the private sector or other IFIs<sup>8</sup>, ADB's compensation and benefits value proposition must match those of the competition and reflect upper quartile market practices.
- (iv) While one of the main incentives to work for ADB is its mission of poverty reduction, maintaining a competitive compensation package is an important factor to continue attracting mid-career professionals and retaining the highest performing and most committed staff.
- (v) ADB needs to offer an internationally competitive package to account for the loss of dual career opportunities. Manila may not open up many opportunities for spouses or partners to pursue or develop a career. An increasingly large number of potential hires, both in the young professional and mid-career staff group have spouses or partners with their own career development objectives. Although the rejection rate of final offers at ADB is relatively low, two of the most frequent reasons for rejection in 2012-2016, were personal or family reasons including spouse employment (on average 47.9%) and job-related concerns (on average 29.2%)<sup>9</sup>.

14. **Salary structure adjustment and proposed salary structure for 2017.** Table 1 shows the impact of a 2.5 % salary structure adjustment for all grades:

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<sup>7</sup> Source: work program and budget framework 2017-2019

<sup>8</sup> Table A7.3 provides details on the 5 year trend of sources for appointed staff.

<sup>9</sup> Appendix 7, paragraph 1, section (ii).

**Table 1: Proposed Salary Structure Adjustment for International Staff, 2017**

<b>ADB Level</b>	<b>Confirmed Staff (No.)</b>	<b>2016 Midpoint<sup>a</sup> (\$)</b>	<b>2017 Midpoint<sup>a</sup> (\$)</b>	<b>Midpoint Movement (%)</b>
IS1	10	86,900	89,100	2.5
IS2	20	100,900	103,400	2.5
IS3	60	114,800	117,700	2.5
IS4	222	134,600	138,000	2.5
IS5	264	154,300	158,200	2.5
IS6	231	182,500	187,100	2.5
IS7	97	210,700	216,000	2.5
IS8	49	245,600	251,700	2.5
IS9	28	280,400	287,400	2.5
IS10	16	301,400	309,000	2.5
IS1–IS6	807	151,857	155,690	2.5
IS7–IS10	190	237,610	243,561	2.5
All Levels	997	168,199	172,436	2.5

ADB = Asian Development Bank, IS = international staff,

<sup>a</sup> ADB levels IS1 and IS3 are anchored at 99% of the World Bank grades GE and GF, respectively. ADB levels IS5, IS7, and IS9 are anchored at 100% of the World Bank grades GG, GH, and GI, respectively. The midpoint for ADB level IS10 is positioned at the midpoint of World Bank level GI plus 7.5%.

Source: Asian Development Bank.

15. Table 2 shows ADB's proposed salary structure for 2017 as a result of a 2.5% adjustment, and with the salary range spread introduced in January 2016<sup>10</sup>.

**Table 2: Proposed Salary Structure for International Staff Effective 1 January 2017**

<b>ADB Level</b>	<b>2017 Minimum (\$)</b>	<b>2017 Midpoint (\$)</b>	<b>2017 Maximum (\$)</b>	<b>Range Spread (%)</b>
IS1	81,000	89,100	97,200	20
IS2	89,900	103,400	116,900	30
IS3	100,200	117,700	135,300	35
IS4	117,400	138,000	158,500	35
IS5	131,800	158,200	184,500	40
IS6	155,900	187,100	218,300	40
IS7	180,000	216,000	252,000	40
IS8	209,800	251,700	293,700	40
IS9	239,500	287,400	335,300	40
IS10	257,500	309,000	360,500	40

ADB = Asian Development Bank, IS = international staff.

Source: Asian Development Bank.

## **2. Proposed Average Salary Increase**

16. **Dilution factor in 2017 and beyond.** Salary dilution within the year occurs because staff members who leave the organization usually have higher salaries at each grade than the newly promoted staff or new hires who replace them. Salary dilution also results from growth in the number of staff positions.

17. The dilution factor for 2016 which does not take into account the impact of the ESP will reach 2.1%. The projected dilution factor for 2017 is estimated to be 2.3% and is expected to

<sup>10</sup> In the 2015 review the widths of the range spread for IS9 and IS10 were increased to 40% and are now aligned with the spread of grades IS5 to IS8 to reflect market practice.

rise compared with the dilution factors recorded for 2014-2016, which ranged from 1.9% to 2.1%. This is a consequence of the vacancies that will be generated by the ESP and those linked to growth in the work program. The impact of recruiting a large number of new staff is likely to further increase the salary dilution in the coming years. The impact is difficult to evaluate, but from experience, new entrants are likely to be offered salaries below or equal to the midpoint of their salary range, to provide space for salary progression within the range and to account for future performance. It is therefore unlikely that these additional hires could improve the comparatio in 2017 and in the longer term.

18. **Comparatio recovery<sup>11</sup> and targets.** Planning for competitive positioning of salaries is important to preserve ADB's ability to attract new staff as well as to motivate and retain existing committed staff of the caliber required to conduct its operations and to meet clients' needs. According to ADB's compensation policy, it is desirable that pay reaches full parity with the market. Maintaining the policy objective of full parity with the market (100 comparatio) over the next 3 to 5 years is crucial. Strengthening ADB's staffing and filling vacancies generated by the ESP may increase the salary dilution substantially in 2017. However since the magnitude is uncertain, it may not be appropriate to raise the comparatio at this point in time. Once the impact of new recruitment is better understood in 2017, the trajectory towards reaching full parity with the market can be more easily ascertained.

19. Appendix 3 (Table A3.1) shows that some progression of the comparatio for international staff was achieved from 2010 to 2016. A progression of about half a point was made per year, from 90.2% at the end of 2010 to 94.0% at the end of 2016. In the 2010 comprehensive review, the Board approved a full comparatio target recovery of 100% by 2015 for international staff. In the 2015 comprehensive review, the Board also approved a target comparatio recovery of 94.9% for 2016. These targets have not been reached because annual increases did not fully account for the impact of annual salary dilution. This is particularly evident for 2016 since the actual dilution factor of 2.1% is higher than the 1.3% estimate provided in the 2015 compensation review paper. Although this dilution provides for short term budget savings, continual uncompensated salary dilution results in an erosion of the competitiveness of ADB's salaries in the market.

20. **Proposed average salary increase.** For 2017, the salary structure adjustment is 2.5% and the dilution factor is estimated at 2.3%. To maintain the position of actual salaries versus the market for international staff (currently at a 94.0% comparatio)<sup>12</sup> and to support the attraction, retention and performance objectives outlined in paras. 4, 5 and 13, ADB proposes to set the average salary increase at 4.8% for 2017. This proposed increase will raise the comparatio to 96.1% after individual salary increases are granted on 1 January 2017. However the expected salary dilution of 2.3% is expected to lower the comparatio to 93.8% at the end of 2017. The budget impact of the proposed increase is 2.5% (Table 9).

21. **Rationale for the proposed average salary increase.** Table 3 shows the proposed average salary increase for 2017 and estimated comparatio. The proposed average salary increase for international staff of 4.8% is considered reasonable to account for the following:

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<sup>11</sup> Comparatio recovery is defined by the percentage increase necessary to reach a defined comparatio target. For example a 5 % increase is necessary to achieve a 97 target comparatio when the current comparatio is 92.

<sup>12</sup> The comparatio will drop as soon as the salary structure is adjusted upwards. The proposed salary structure adjustment of 2.5 % for 2017 brings the comparatio down from 94% to 91.7%.



- (i) providing a higher salary structure adjustment to reflect that salaries are growing faster in international markets: 2.5% for 2016, compared with 2.4% 2015, and 1.9% and 2% in 2013 and 2014 respectively;
- (ii) recognizing a higher dilution factor of 2.3% resulting from ADB's growth which will necessitate hiring additional staff and changing the staff skills mix to support this growth;
- (iii) supporting staff's commitment to ADB, rewarding the best performers and offering staff incentives to continue to perform to the highest of their abilities; and
- (iv) realizing the objective of aligning pay with the market over the next 3 to 5 years.

**Table 3: Average Salary Increase and Estimated Comparatio for International Staff**

ADB Levels	Confirmed Staff (No.)	Structure Adjustment (%)	Dilution Factor (%)	Proposed Average Salary Increase (%)	Estimated Comparatio before Average Salary Increase (%)	Estimated Comparatio after Average Salary Increase (%)
All Levels	997	2.5	2.3	4.8	91.7	96.1 <sup>a</sup>

IS = international staff.

<sup>a</sup> The comparatio will drop to 93.8% in 2017 because of the dilution factor of 2.3%.

Source: Asian Development Bank.

22. Table 4 shows the structure adjustment, the average salary increase, the inflation rate in the Philippines, the exchange rates of the United States dollar versus the Philippine peso, and the percentage of pay spent in Manila by international staff from 2013 to 2017. In spite of a slight depreciation of the peso since 2013, international staff spending in the country has remained stable, which indicates that international staff salary increases have remained commensurate with the cost of living in Manila.

**Table 4: Average Annual Salary Increase for International Staff, 2013–2017**

Year	Structure Adjustment (%)	Average Salary Increase (%)	Philippines Inflation Rate <sup>a, b</sup> (%)	31 December Exchange Rate of Philippine Peso to the US Dollar (₱)	Amount Spent in Manila as % of Pay <sup>c</sup> (%)
2013	1.9	3.2	2.9	44.38	60.3
2014	2.0	3.1	4.2	44.73	59.8
2015	2.3	4.0	1.4	46.94	58.2
2016	2.4	4.7	2.0	46.00 <sup>d</sup>	59.2
2017	2.5	4.8	3.4		

<sup>a</sup> Data from the International Monetary Fund's World Economic Outlook Database, April 2016.

<sup>b</sup> Inflation is not a determinant of ADB salaries. ADB's salaries are market-based according to the Board-approved methodology. The inflation rate is only mentioned as a reference for reader's convenience.

<sup>c</sup> Based on an average salary of \$150,000.

<sup>d</sup> Based on the 2016 midyear budget assumption.

Source: Asian Development Bank.

## **D. Compensation Review Results for National Staff and Administrative Staff at Headquarters**

### **1. Proposed Salary Structure Adjustment**

23. The salary structure for NSAS at headquarters is adjusted annually based on movements in the local comparator labor market. According to the current methodology<sup>13</sup>, the salary structure adjustment for NSAS at headquarters for 2017 is derived from the survey of 15 local comparators in Manila completed in September 2016. The consulting firm Willis Towers Watson (WTW) conducted a salary survey of the same group of comparators used in the 2015 comprehensive review to ensure consistency of results between years of comprehensive reviews. The 15 comparators, a sample of public and private companies operating in the Philippines are listed in Appendix 4. The sample includes 60% large organizations (more than 2,000 staff), 35% medium-sized organizations (500 to 2,000 staff) and 5% small organizations (less than 500 staff).

24. The salary survey reflects an active labor market in 2016 with organizations providing large salary increases between January and April for all categories of staff, including executives. The categories of staff used for the review and represented in ADB are: senior professionals who received a 6.7% increase on average; professional and supervisory staff who received 7.1%; and administrative and technical support staff who received 6.2%.

25. Increases of that magnitude are to be expected considering the 6% growth in the Philippines economy<sup>14</sup>. Worldwide, large salary increases are common in high growth emerging economies even when inflation is well controlled, as is the case of the Philippines. All reports show a year - on - year inflation rate of less than 2% as of August 2016. In 2016, ADB's salary structure was adjusted by 4% on average while the average salary increase was 7%.

26. ADB's comparators are expecting development and operational profits to remain strong in 2017 and salary increases for 2017 are projected to be even higher, ranging from 6.5% for administrative and technical support staff to 7.6% for professional and supervisory staff. The average projected increase for all categories in 2017 is 6.9%. At the 75<sup>th</sup> percentile of the market, projected increases are even more generous with an average of 7.6%.

27. ADB's policy is to reflect the observed market movement in the salary structure every year and align midpoints with the market upper quartile. Based on the survey results and a thorough analysis of the market data provided by WTW, an adjustment of the salary structure of 5.6% on average would align ADB's salary structure for NSAS at headquarters with the market's 75<sup>th</sup> percentile. This proposed adjustment is also necessary to maintain the competitiveness of ADB's compensation policy for NSAS at a time when new recruits and new skills sets are necessary to support the WPBF 2017-2019.

28. Table 5 shows the 2017 recommended NSAS salary structure adjustment for each grade level.

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<sup>13</sup> Customized salary surveys are conducted biennially under the compensation system for headquarters NSAS. In the intervening year, a quick salary survey of the estimated salary increase that will be provided by comparators is used to adjust the salary structure.

<sup>14</sup> International Monetary Fund, World Economic Outlook Database, April 2016.

**Table 5: Proposed Salary Structure Adjustment for National Staff and Administrative Staff at Headquarters, 2017**

<b>ADB Level</b>	<b>Confirmed Staff (No.)</b>	<b>2016 Midpoint (₱)</b>	<b>2017 Midpoint (₱)</b>	<b>Midpoint Movement (%)</b>
<b>Administrative Staff</b>				
AS1		517,100	545,300	5.5
AS2		580,800	612,500	5.5
AS3	8	703,400	741,800	5.5
AS4	190	834,000	879,500	5.5
AS5	278	1,047,000	1,104,200	5.5
AS6	234	1,320,700	1,388,100	5.1
AS7	187	1,579,400	1,659,900	5.1
<b>National Staff</b>				
NS1	134	1,765,600	1,869,100	5.9
NS2	141	1,951,700	2,066,100	5.9
NS3	128	2,362,100	2,500,500	5.9
NS4	49	2,895,900	3,065,600	5.9
NS5	14	3,585,700	3,795,800	5.9
NS6	1	4,442,100	4,702,400	5.9
All AS	897	1,181,209	1,243,282	5.3
All NS	467	2,164,175	2,291,010	5.9
All	1,364	1,517,753	1,601,998	5.6

ADB = Asian Development Bank, AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

29. Table 6 shows the 2017 recommended NSAS salary structure with the same salary range spread that has been used since 2013. The salary structure for NSAS in the Philippines continues to reflect gross salaries.

**Table 6: Proposed Salary Structure for National Staff and Administrative Staff at Headquarters Effective 1 January 2017**

<b>ADB Level</b>	<b>2017 Minimum (₱)</b>	<b>2017 Midpoint (₱)</b>	<b>2017 Maximum (₱)</b>	<b>Range Spread (%)</b>
<b>Administrative Staff</b>				
AS1	419,500	545,300	671,200	60
AS2	471,200	612,500	753,900	60
AS3	559,800	741,800	923,700	65
AS4	663,800	879,500	1,095,300	65
AS5	817,900	1,104,200	1,390,400	70
AS6	1,028,200	1,388,100	1,747,900	70
AS7	1,207,200	1,659,900	2,112,600	75
<b>National Staff</b>				
NS1	1,359,300	1,869,100	2,378,800	75
NS2	1,502,600	2,066,100	2,629,600	75
NS3	1,786,100	2,500,500	3,215,000	80
NS4	2,189,700	3,065,600	3,941,500	80
NS5	2,711,300	3,795,800	4,880,300	80
NS6	3,358,900	4,702,400	6,046,000	80

ADB = Asian Development Bank, AS = administrative staff, NS = national staff.

Note: Salary structure reflects gross salaries. Source: Asian Development Bank.

## 2. Proposed Average Salary Increase

30. The rationale for maintaining a competitive compensation and benefits package for international staff is also valid for NSAS at headquarters. Locally recruited staff will participate in the growth of ADB's operations. The labor market in the Philippines remains competitive, as reported in the survey. Organizations in Manila are eager to retain their staff and consequently raise their salaries at a pace commensurate with the country's economic development. Therefore ADB should continue to align salaries with the market. At a minimum, the average salary increase should combine the proposed salary structure adjustment of 5.6% with an additional merit increase to allow for salary progression within the grade range and reward strong performance.

31. In the 2015 comprehensive compensation review paper, the comparatio target was set at 97% for NSAS at headquarters. This target was not met, and the comparatio at the end of 2016 will drop to 94.8%. This is a result of a much higher -than- expected dilution factor of 2.2%.

32. Considering the potential impact of vacancies generated by the ESP and salaries of new entrants, the projected dilution factor for 2017 is expected to equal the 2.2% dilution factor for 2016. The proposed average salary increase of 7.4% is the sum of the salary structure adjustment of 5.6% and an additional merit increase of 1.8% to achieve a target comparatio of 96.5%, which still allows for rewarding staff with superior or exceptional performance. Therefore, ADB proposes to set the Average Salary Increase at 7.4% for 2017.

33. Table 7 shows the salary structure adjustment, the proposed average salary increase, and the resulting comparatio before and after the salary increase.

**Table 7: Average Salary Increase and Estimated Comparatio for National Staff and Administrative Staff at Headquarters, 2017**

<b>ADB Levels</b>	<b>Confirmed Staff (No.)</b>	<b>Salary Structure Adjustment<sup>a</sup> (%)</b>	<b>Dilution Factor (%)</b>	<b>Proposed Average Salary Increase<sup>a</sup> (%)</b>	<b>Estimated Comparatio before Average Salary Increase (%)</b>	<b>Estimated Comparatio after Average Salary Increase (%)</b>
All Levels	1,364	5.6	2.2	7.4	90.3	96.5 <sup>b</sup>

ADB = Asian Development Bank.

<sup>a</sup> In Philippine peso.

<sup>b</sup> The comparatio will drop to 94.3 % in 2017 due to the dilution factor of 2.2%.

Source: Asian Development Bank.

34. Table 8 shows the salary structure adjustment, average salary increase and inflation rate at headquarters from 2013 to 2017.

**Table 8: Average Salary Increase for National Staff and Administrative Staff at Headquarters, 2013–2017**

Year	Structure Adjustment <sup>a</sup> (%)	Average Salary Increase (%)	Philippines Inflation Rate <sup>b, c</sup> (%)
2013	2.9	5.0	2.9
2014	4.0	7.6	4.2
2015	4.5	7.6	1.4
2016	4.0	7.0	2.0
2017	5.6	7.4	3.4

<sup>a</sup> in Philippine peso.

<sup>b</sup> Data from the International Monetary Fund's World Economic Outlook, April 2016.

<sup>c</sup> Inflation is not a determinant of ADB salaries. ADB's salaries are market-based according to the Board-approved methodology. The inflation rate is only mentioned as a reference for reader's convenience.

Source: Asian Development Bank.

## **E. Compensation Review Results for National Staff and Administrative Staff at Field Offices**

### **1. Proposed Salary Structure Adjustment**

35. The salary structure adjustments for field offices have been derived according to the Board-approved methodology from the WBG salary structure midpoints. ADB's salary structure midpoints are adjusted by reflecting the increase of the WBG salary structure in each of the duty station locations except for Japan, which is based on an independent survey conducted by WTW.

36. The WBG salary structures are effective on 1 July of the calendar year, whereas ADB's salary structures are effective the following 1 January. To recognize the 6 month lag between effective dates, an aging factor is applied to the WBG salary structure midpoints so that the market references for updating the ADB's salary structures are aligned with ADB's review date. The proposed salary structure adjustments for the field offices result in an average structure adjustment of 7.4% for 2017 in US dollar equivalent terms (Appendix 5, Table A5.1); the various currencies are converted to US dollars based on the 31 August 2016 exchange rates. The resulting salary structures effective 1 January 2017 for field offices are shown in Appendix 6. The salary structures for NSAS in all field locations are based on net salaries (net of income tax) except for Japan and the US where the salary structure are expressed in gross salaries, similar to the Philippines.

### **2. Proposed Average Salary Increase**

37. For all field offices combined, the proposed average salary increase is 8.8% considering a projected dilution factor of 2.1% on average. The proposed average salary increase of 8.8% is the sum of the salary structure adjustment of 7.4% and an additional merit increase of 1.4% to achieve a target comparatio of 96.9% on average, with the following observations:

- (i) Full alignment of salaries with the updated pay-line will be attained for 11 offices.
- (ii) The largest offices tend to have the lowest comparatio. Because growth in staffing numbers increases the dilution factor, the impact of the salary increases is reduced (the actual dilution factor in these offices ranges from 3.4% to 4.9%). In these offices a comparatio target of 95.0% has been retained for 2017.
- (iii) Four Offices (Frankfurt, Myanmar, Tokyo and Turkmenistan) and the extended mission office in Samoa have a comparatio that reaches or exceeds 100, which

does not trigger any average salary increase since salaries are already on average at, or above market. These offices have very few staff, which causes the high comparatio. However, since high performing staff should not be penalized as a result of these circumstances, ADB proposes to grant a 2% merit salary increase envelope in each of these five offices.

38. Appendix 5 shows: (i) the proposed average salary increase, the salary structure adjustment component for each field office and the comparatio targets; (ii) the average annual salary structure adjustment, average annual salary increase and inflation rate for each field office from 2013 to 2017; and (iii) the annual salary structure adjustment and average annual salary increases for 2015 to 2017.

#### **F. Performance-Based Average Salary Increase Distribution**

39. Salary increase matrixes will be developed for each staff category and location, linked to staff performance ratings under the 2016 performance review. There are four ratings: *exceptional*, *satisfactory with special recommendation*, *satisfactory*, or *unsatisfactory*. Staff rated *exceptional* or *satisfactory with special recommendation* will receive increases above the average salary increase. Staff members who are rated *unsatisfactory* will receive no salary increase. The allocation of the salary increase budget using the salary increase matrix will ensure that adequate funding is available to maintain a performance rating distribution of up to 10% of staff rated *exceptional* and up to 25% of staff rated *satisfactory with special recommendation*, with the remaining 65% for staff rated *satisfactory*<sup>15</sup>.

40. ADB plans to strengthen performance management in 2017 including conducting a review of the performance management framework.

### **III. RECRUITMENT AND RETENTION**

41. Recruitment and Retention of qualified staff could present a challenge, particularly as ADB scales up assistance under the WPBF2017-2019.

42. ADB's success in attracting talent and experts from a wide range of global sources and in retaining existing high-caliber staff is fundamental to meeting the WPBF 2017-2019 commitments. This calls for hiring experts with cutting-edge knowledge and/or in specialized fields, for active career development and talent management to facilitate more strategic and mobile staffing in line with ADB's business needs, and for promoting greater diversity and inclusion, especially to increase the representation of international staff women in ADB's workforce.

43. The tables in Appendix 7 show the levels of retention and job offer rejection for all categories of staff. The main reasons applicants reject offers are linked to salary, benefits and job-related concerns, whereas the major cause for voluntary resignation are personal and family reasons and career and salary reasons. Maintaining an attractive compensation and benefits package is important for ADB, particularly when the institution aims to recruit staff with new expertise.

44. Recruitment and retention of qualified international staff women present an additional challenge at ADB. Despite building a more diverse and gender-inclusive workplace environment

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<sup>15</sup> ADB's performance management policy is described in AO 2.03; the salary increase matrix is described in AO 3.01.

by adopting a diversity and inclusion framework and action plan in 2013, representation of women still falls short of the current target of 37% by the end of 2016. Women account for 34.0% of international staff, and 24.5% of senior staff (levels IS7-IS10). ADB is strengthening institutional gender equality by adopting and implementing a series of recommendations based on an internal review of ADB's diversity and inclusion action plan, findings from the 2015 staff engagement survey, and recommendations from EDGE<sup>16</sup>. These measures include concrete steps to increase attractiveness of ADB for women employees as well as to support the retention of women.

45. For NSAS at headquarters, ADB remains an attractive employer in Manila. However, recruitment and retention of suitably qualified and experienced NSAS continues to present a challenge in some field office locations. In some countries with well-developed employment markets, ADB tends to employ highly experienced candidates who could be used more proficiently if they could be deployed more flexibly in the region. This may become possible after completion of the review Overseas Duty Station Allowances (ODSA) in 2017.

46. With the flexibility offered by the salary range widths and the grading structure, ADB's compensation policy and revised pay-line should effectively support the recruitment of 200 new staff by 2019.

#### IV. PROPOSED CHANGES IN COMPENSATION AND BENEFITS METHODOLOGY

47. To be agile in the management of benefits and to respond to suggestions and comments made by the Board during discussion of the 2015 comprehensive review of salary and benefits to develop a more autonomous approach in ADB's compensation and benefits methodology, two changes to Board approved methodologies from 2011 and 2015 are proposed:

- (i) **Education assistance benefits - school country limits.** In 2015, the Board endorsed changes to education assistance that included utilization of WBG country ceilings tables to determine ADB's school country limits. In 2017 and future years, WBG tables will no longer be available since they are derived from proprietary data that prevents communication to another user. As a result, ADB proposes to initiate an in-house process to determine school country limits. ADB proposes to purchase schooling costs data necessary to inform the calculation and to use an in-house methodology similar to the WBG, to index ADB's education assistance school country limits annually.
- (ii) **Compensation reviews for field offices.** The 2015 discussion of the Compensation Review paper confirmed the current approach of using WBG resident missions' salary structure midpoints as a market proxy for the 75th percentile for all field offices.<sup>17</sup> However, the Board and Management suggested strengthening the market data analysis. ADB recommends combining remuneration data and surveys purchased from the Birches Group and other reputable data sources, when available, with the WBG salary scale midpoints in order to improve market analysis for the field offices annual compensation reviews. Data from the various sources will be appropriately and carefully weighted. ADB recommends launching this process, initially for a selected group of field offices in 2017, and progressively extending it to the full set of field offices

<sup>16</sup> A global certification foundation specialized in workplace gender equality.

<sup>17</sup> Except for the Japan Representative Office; Market data for this office is based on the Willis Towers Watson market compensation data for Tokyo, which is designed to be locally competitive in accordance with ADB's compensation policy.

annually. This new approach also reflects a change in the WBG's methodology, made in June 2015, to enhance accuracy in measuring volatile local labor markets by changing the schedule of market measurements from every 2 years to every year. The revised methodology is in Appendix 8.

## **V. 2015 COMPENSATION REVIEW RECOMMENDATIONS AND PROPOSALS**

48. As a result of the 2015 comprehensive review of compensation and benefits, Management recommended that two advisory task forces conduct a further review of the Staff Retirement Plan (SRP) and the Group Insurance Medical Plan (GMIP). Both ATFs provided recommendations for Management's consideration in June 2016. On 30 September 2016, Management recommended general implementation of SRP reform recommendations proposed by the ATF, with additional details and modifications. The Pension Committee approved the recommended changes to the discretionary benefit scheme on 19 October 2016; the target rollout date of changes for future discretionary benefits contracts is scheduled for 1 January 2017. Overall SRP reform is planned for implementation on 1 October 2017; subject to Board of Director's approval (Management's response to SRP ATF recommendations is in Appendix 9).

49. Management also endorsed the recommendations in the final report of the GMIP ATF, dated 30 June 2016. The goal of the GMIP ATF is to strengthen ADB's GMIP so that it provides quality medical insurance that is efficient, effective, financially sustainable and affordable for ADB staff, retirees, and their dependents, and that is as fair as possible and reflects international best practice. The final report of the GMIP ATF included 37 recommendations in six areas; (i) vendor issues; (ii) cost-sharing; (iii) coverage; (iv) changes for GMIP usage in the U.S.; (v) managing claims costs outside of the U.S. and (vi) governance and stakeholder engagement. (Management's response to the GMIP ATF recommendations is in Appendix 10.)

## **VI. ADDITIONAL REVIEW AND STUDY FOR 2017**

50. **Overseas duty station allowances.** For 2017, ADB has initiated a study of ODSAs as a follow-up to recommendations and actions proposed in the 2015 comprehensive review by WTW.

51. In consideration of the new mobility framework that calls for strategic deployment of staff between headquarters and resident missions, the review of ODSAs aims to address the following concerns:

- (i) International staff mobility is of strategic importance to ADB's operations. With field office operations expected to expand further, more mobility from international staff to resident missions will be needed. Moving to the field is also necessary for staff to gain full international exposure. This builds the right level of technical expertise needed by clients while offering staff a valuable professional development opportunity;
- (ii) The current ODSA package no longer fully responds to ADB's business needs. For example, the current package is not suited to support the deployment of locally recruited national staff to neighboring country duty stations from their home base, or to compensate national staff who may be working regularly across a few countries and thus potentially playing a regional role;
- (iii) International staff members have also expressed concerns about the current set of benefits which are viewed as unnecessarily complicated. Administration of benefits changes is not regarded as fully transparent. The predictability of their income during the 3 years of a field assignment is affected and the 6 months



reviews of the cost of living adjustment index and housing ceilings are not well received;

- (iv) The administrative burden and costs of maintaining the current system are high.

52. In this context, the main purpose of the ODSA review is to revisit the current benefits package in order to facilitate mobility and smooth deployment of international staff and national staff to wherever their skills are most needed. Other objectives are to: (i) reallocate funds within the existing budget envelope to encourage mobility; (ii) make ODSA administration simpler and more transparent to communicate with staff more effectively; and (iii) provide staff with more predictability in their income levels over the length of an assignment. The review will be finalized and staff will be consulted on the outcomes in 2017.

## **VII. RECOMMENDATIONS**

53. The President recommends that the Board approve the following effective 1 January 2017:

- (i) The salary structure for international (Table 2); an average salary increase of 4.8%, which includes a salary structure adjustment component of 2.5% and an additional merit increase of 2.3% to allow salary progression within the range and reward high performers. This results in an overall budget impact of 2.5%;
- (ii) The salary structure for NSAS at headquarters (Table 6); an average salary increase of 7.4% in peso, which includes a salary structure adjustment component of 5.6% and an additional merit increase 1.8% to allow salary progression within the range and reward high performers. This results in an overall budget impact of 5.6%;
- (iii) The salary structures for NSAS in field offices (Appendix 6); an average salary increase of 8.8%, which includes a structure adjustment component of 7.4% and an additional merit increase component of 1.4% to allow salary progression within the range and reward high performers. This results in an overall budget impact of 7.4%. The corresponding figures for each field office are in Appendix 5 (Table A5.1).
- (iv) The change in the compensation review methodology for NSAS in field offices by introducing additional remuneration data procured from reputable sources to complement the WBG salary structure midpoints to determine the market reference points for the salary structure adjustments;

54. The President also recommends that the Board endorse the change of methodology to independently set the education assistance school country limits.

55. Upon approval of the recommendations in para. 53 the costs will be reflected in the 2017 budget proposal to be discussed and considered by the Board in December 2016.

## **VIII. BUDGET EFFECT**

56. The overall increase in the salary budget is the projected growth in the amount of salaries and other salary-related personnel actions to be paid in 2017 over the corresponding figures in 2016. The overall increase in the salary budget will be used to fund increases in

salaries and other salary-related personnel actions, such as confirmations and promotions. The amount being requested in 2017 to fund the overall increase in salary is \$6.9 million.<sup>18</sup>

57. The overall increase in the salary budget for 2017 of \$6.9 million includes \$4.2 million for international staff, \$1.2 million for NSAS at headquarters, and \$1.5 million for NSAS in field offices. Table 9 shows the total estimated cost of the 2016 and 2017 overall increase in salary budget by staff category.

**Table 9: Cost of Overall Increase in Salary Budget**

Item	2017				2016			
	IS	HQ NSAS	FO NSAS	Total	IS	HQ NSAS	FO NSAS	Total
Salary Increases (\$ million) <sup>a</sup>	4.2	1.2	1.5	6.9	3.9	0.10	0.7	4.70
Salary-Related Benefits (\$ million) <sup>b</sup>	1.0	0.3	0.4	1.7	0.9	0.02	0.2	1.12

FO = field office, HQ = headquarters, IS = international staff, NSAS = national staff and administrative staff.

<sup>a</sup> Includes promotion and confirmation increases as well as other salary-related personnel actions.

<sup>b</sup> Calculated as 23.43% of salary increase (23% for the Staff Retirement Plan and the balance of 0.43% for insurance benefits).

Source: Asian Development Bank.

58. The \$6.9 million salary increase represents 1.1% of the estimated proposed 2017 budget and the \$1.7 million for salary-related benefit costs represents 0.3% of the 2017 budget. Appendix 11 shows the 10-year history (2007–2016) of the ratio of staff salaries and benefits to internal administrative budget expenses. Salaries and benefits are expected to represent about 62.2% of the proposed 2017 internal administrative expenses before the ESP; this percentage is below 62.4% of the 2016 internal administrative expenses in the midyear budget estimate.

<sup>18</sup> This includes salary increase provision of \$0.04 million for Office of the Compliance Review Panel, Office of the Special Project Facilitator and Board Staff Services and \$0.14 million for Independent Evaluation.

## ADB'S COMPENSATION SYSTEM

1. The Asian Development Bank (ADB) follows the same market-driven compensation system for all staff. Salaries are positioned at the upper quartile (75<sup>th</sup> percentile) of the defined relevant market for each category of staff. The difference for international staff and national and administrative staff lies in the market reference used for salary comparisons. The World Bank Group<sup>1</sup> (WBG) salary structures serve as the proxy for the global market for international staff and for local markets for field office NSAS; for headquarters NSAS, salaries are compared with those offered by 15 companies and international organizations in Manila.<sup>2</sup> Appendix 2 provides an overview of the WBG's market-based compensation methodology. Under the market-driven compensation system, salary adjustments from 1 year to the next are not directly linked to the cost-of-living or consumer price index movements. These indexes may be reflected in the market movement of salaries in the global or local market settings, which are primarily influenced by labor market conditions (e.g., supply versus demand for specific skills, economic growth and other global economic factors, and domestic fiscal conditions).

2. The key principles of ADB's compensation system outlined in Administrative Order 3.01 (*Salary Administration*) are as follows:

- (i) Salaries are designed to attract and retain highly qualified and competent staff members and to motivate them to achieve the highest standards of performance.
- (ii) Salaries are maintained at levels competitive with those prevailing in comparator organizations and with due regard to the duty station concerned.
- (iii) ADB systematically evaluates the relative weight of each position in the salary structure, determines the equitable remuneration for similar responsibilities internally and externally, and rewards staff members according to performance, salary relativity and other relevant factors.
- (iv) Salaries are administered in a manner that is both equitable and transparent to all staff.

3. In addition ADB's compensation policy is designed to:

- (i) remain market competitive by reflecting labor market changes to attract and retain top talent;
- (ii) maintain a rules-based compensation system whereby salary increases are determined through a transparent formula-driven methodology;
- (iii) remain fiscally prudent in recognition of budgetary requirements and in response to external market economic conditions; and
- (iv) award differentiated salary increases according to performance.

### A. International Staff

4. Based on the results of the 2010 international staff comprehensive review, the Board approved the current compensation system in 2010 and reaffirmed it in 2015 to guide the

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<sup>1</sup> The World Bank Group includes the International Bank for Reconstruction and Development, the International Finance Corporation, and many other organizations.

<sup>2</sup> Except for the Japan Representative Office, market data for this office is based on the Willis Towers Watson market compensation data for Tokyo, which is designed to be locally competitive in accordance with ADB's compensation policy. The WBG's salary structure for Japan is intended to be globally competitive since the WBG considers its Tokyo office as a satellite office of its headquarters.

formulation of the salary structure adjustments and salary increase proposals until the next comprehensive review in 2020.

5. The main features of the current compensation system as reflected in Administrative Order 3.01 are as follows:

- (i) The salary structure, comprising of an appropriate number of salary ranges, embodies the correspondence between the hierarchy of relative job values and the progression of salary rates in the different salary levels;
- (ii) The compensation system is market driven and ADB reviews the salary structure annually in relation to the relevant employment market. Where the review supports a revision of the salary structure, appropriate recommendations are made for approval of changes in the salary structure;
- (iii) A major review of ADB's compensation methodology is scheduled every 5 years. In the years between broad-based market studies, the World Bank Group (WBG) will be the principal comparator and its Washington, DC headquarters professional staff salary survey will serve as a proxy for salary movements in the market.<sup>3</sup> The WBG's salary structure midpoints will be the basis for setting ADB's job level midpoints;
- (iv) Based on job equivalency, midpoints of ADB international staff levels IS1, IS3, IS5, IS7, and IS9 are anchored to the midpoints of World Bank levels E, F, G, H, and I, respectively. Midpoints for the intervening ADB levels IS2, IS4, IS6, and IS8 are interpolated to establish the new pay-line. The midpoint for ADB international staff level IS10 is positioned about midway between levels I and J of the World Bank;
- (v) Full parity with the market (i.e., a 100% comparatio) was targeted for international staff levels by 2015 but has not been achieved (at the end of 2016 the comparatio will be 94%);
- (vi) The average salary increase rate will be set at a level higher than the average structure adjustment to enable salaries of staff to progress within the range;
- (vii) Salary increases will be applied to the range midpoint, as they have been since 2009.

## **B. National Staff and Administrative Staff**

6. Based on the results of the 2011 NSAS comprehensive review, the Board approved in 2011 and reaffirmed in 2015 the following main features of the NSAS compensation system until the next major review in 2020:

- (i) The market-based approach is retained;
- (ii) At headquarters, ADB will develop its salary structure based on a customized salary survey of comparators in Manila; for field offices, ADB will continue to base its salary structure on the salary structure of the World Bank, which conducts custom surveys annually in all of ADB field office locations;
- (iii) The market positioning for NSAS in headquarters and in field offices will be anchored at the 75<sup>th</sup> percentile of total cash (including base pay, incentive pay, and allowances plus the value of in-kind benefits not provided by ADB) in each of its duty station locations;<sup>4</sup>

<sup>3</sup> Broad-based market studies will be conducted every 4–5 years; the next one will be in 2020.

<sup>4</sup> Some examples of in-kind benefits are uniforms, memberships in fitness centers, transportation allowance, mobile allowance, subsidized company products, rice, meals, beverages, and a car program.

- (iv) Where applicable, ADB will separate the salary increase pool for NSAS to better align to their respective salary midpoints and to remain competitive in the market;
- (v) The average salary increase proposal will continue to be determined based on achieving a desired level of parity with the market pay-line (the target comparison assigned depending on circumstances that may be peculiar to headquarters or a particular field office, such as high turnover, or new office);
- (vi) Salary increases will be applied to the range midpoint, as they have been since 2009.

## OVERVIEW OF THE WORLD BANK GROUP'S COMPENSATION METHODOLOGY

1. The compensation methodology for international staff approved by the Asian Development Bank (ADB) Board of Directors in 2015 reaffirmed the appropriateness of continuing to reference the World Bank Group (WBG) as its principal comparator for international staff. Therefore, ADB adjusts its salary structure by the same salary structure movement as the WBG. This appendix provides an overview of the policies and procedures used under the WBG rules-based compensation system to measure the United States (US) comparator market.<sup>1</sup>

2. **Step 1: Surveying the market and selecting comparator organizations.** The World Bank Group's salary structure for international staff appointed in Washington, DC is referenced primarily to the US market. The compensation system uses salary data from three labor market sectors in setting the salary structure: the public sector, the private general industrial sector, and the private finance sector. For the public sector, market data is gathered from the US civil service, federal agencies, and the Federal Reserve System. Multiple high-quality data sources are used to ensure adequate coverage for World Bank jobs. Data from the Hay Group are used for the industrial sector, and data from McLagan Partners and Willis Towers Watson are used for the finance sector.<sup>2</sup>

3. **Step 2: Job matching and collecting total cash compensation data.** Job matching reviews are conducted to reflect changes in WBG jobs relative to jobs in comparator organizations. This process contributes to a better understanding of the counterpart jobs in the market. Total cash compensation, which includes base salary and annual variable pay, is used to build the salary structures. Long-term incentives that are based on multiyear results, such as stock options or performance-based incentives are excluded.

### Aggregating the Data

World Bank Grades	ADB Levels	Data Source Weighting
GE to GH	IS1 to IS8	33% for the US public sector (US civil service 60%, Federal Reserve 40%) and 67% for the private sector (50% industrial sector, 50% finance sector)
World Bank grade GI	IS9 and IS10	50% public sector and 50% private sector

ADB = Asian Development Bank, IS = international staff, US = United States.

Source: Asian Development Bank.

4. **Step 3: Market positioning, setting the pay-line and designing the structure.** Once the market salary levels have been weighted and aggregated for each WBG grade<sup>3</sup>, the existing salary structure is adjusted effective July 1 to align the midpoints with the market levels. The competitive positioning of the WBG pay policy (materialized by the salary structure midpoints) is

<sup>1</sup> Historical analyses have shown that the US market has been consistently competitive internationally. Every 3 years, the US salary scale is compared against the market pay-lines in France and Germany to assess its international competitiveness.

<sup>2</sup> The Hay Group, McLagan Partners, and Willis Towers Watson are compensation survey consulting firms.

<sup>3</sup> The job mix at each grade level will account for the relative weighting of the data sources. Data from the US Federal Reserve or from investment banks and/or private financial institutions will only be considered for WBG jobs matched to similar positions in these organizations.

set at the 75<sup>th</sup> percentile of the market data. The Midpoints determine the salary pay-line. To complete the structure, minimum and maximum salaries are developed from the midpoints using range spreads, which vary by grade level.

5. **Step 4: Calculating the structure adjustment and average salary increase.** The structure adjustment is the increase of the new midpoints when compared with the previous year's midpoints (weighted by the number of staff). For the WBG's fiscal year 2017 (1 July 2016–30 June 2017), the structure adjustment is 2.5%. The average salary increase consists of the budgeted structure adjustment plus an additional salary increase component. The additional salary increase component has two elements: (i) the supplemental merit increase (SMI), which is provided to differentiate rewards for high performers and/or to address competitiveness issues for grades with average salaries significantly below the midpoints; and (ii) the salary progression adjustment (SPA), which provides for progression within salary ranges that are performance based. The SMI and SPA are calculated using the following methods:

- (i) The SMI is determined by the salary gap<sup>4</sup> of staff with performance ratings of 4 or 5 relative to their midpoints in the previous year (the WBG ratings of 4 or 5 are similar to the ADB performance ratings of *satisfactory with special recommendation* and *exceptional*). The SMI is distributed to high-performing staff across all grades.
- (ii) The SPA is determined by the 5-year average of the salary gap of confirmed staff (staff with more than 1 year in the same grade) relative to the midpoints over the same period.

6. **Step 5: Converting gross market values to net values.** While labor market compensation data are collected and provided in gross terms, the resulting gross market values per grade are then netted down based on current tax tables provided by PricewaterhouseCoopers to restate them in terms comparable to the net-of-tax salaries of WBG staff.

7. **Step 6. Developing a salary increase matrix.** Based on the average salary increase and the distribution of performance ratings, the salary increase matrix is developed. The weighted average of the midpoint of the salary increase ranges for each performance rating weighted by the expected percentage of staff assigned for each rating is matched closely with the average salary increase percentage.

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<sup>4</sup> Salary gap is similar to comparatio, equates the difference between actual staff pay and the weighted midpoints for the number and mix of staff.

**HISTORICAL COMPARATIO INFORMATION FOR INTERNATIONAL STAFF, 2010–2017**

1. This appendix presents historical comparatio information as well as the salary structure adjustment, average salary increase, and number of confirmed staff. It also shows the actual average salary, weighted midpoint of the salary structure and comparatio at the beginning and end of each year.

**Table A3.1: Historical Comparatio Information for All International Staff, 2010–2017**

Year	Structure Adjustment (%)	Average Salary Increase (%)	Confirmed Staff (No.)	as of 1 January			as of 31 December		
				Average Salary (\$)	Weighted Midpoints of Salary Structure (\$)	Overall Actual/Target Comparatio (%)	Average Salary (\$)	Weighted Midpoints of Salary Structure (\$)	Overall Actual Comparatio (%)
2010							135,535	150,252	90.2
2011	1.7	3.3	858	139,949	152,807	91.6	139,241	152,180	91.5
2012	2.0	2.9	915	143,252	155,231	92.3	143,216	155,605	92.0
2013	1.9	3.2	943	147,897	158,603	93.2	145,984	158,094	92.3
2014	2.0	3.1	959	150,478	161,201	93.3	149,645	162,084	92.3
2015	2.3	4.0	963	155,716	165,856	93.9	154,186	166,198	92.8
2016	2.4	4.7	979	161,451	170,128	94.9	158,108	168,199	94.0
2017 <sup>a</sup>	2.5	4.8	997	165,711	172,436	96.1			

<sup>a</sup> 31 December 2016 figures are projections.

Source: Asian Development Bank.

2. The average salary is the ratio of the total payroll (or wage bill) over the number of confirmed staff at the beginning and end of each year. Similarly, the weighted midpoint of the salary structure is calculated by averaging the grade midpoints according to the number of confirmed staff at each level.

3. The average salary at the end of each year plus the average salary increase for the following year results in the average salary for the beginning of the following year.

4. The weighted midpoint of the salary structure at the end of each year plus the salary structure adjustment for the following year results in the weighted midpoint for the beginning of the following year.

5. The weighted midpoint of the salary structure at the end of the year can increase or decrease compared with the weighted midpoint of the salary structure at the beginning of the year following changes in the composition of the staff mix that affect the average salary.

6. The proposed average salary increase of 4.8% is the percentage increase of (i) the target comparatio of 96.1% multiplied by (ii) the weighted midpoint of the salary structure of 1 January 2017 of \$ 172,436 divided by (iii) the average salary of confirmed staff on 31 December 2016 of \$158,108.



**LIST OF COMPARATOR COMPANIES AND ORGANIZATIONS FOR SALARY REVIEW OF  
HEADQUARTERS NATIONAL STAFF AND ADMINISTRATIVE STAFF**

<b>No.</b>	<b>Company Name</b>	<b>Category</b>	<b>Line of Business</b>	<b>Headquarters</b>	<b>Total Number of Staff</b>
1	Accenture, Inc.	Private	Services	United States	>1,000
2	Citibank, N.A.	Private	Finance	United States	>1,000
3	Development Bank of the Philippines	Public	Finance	Philippines	>1,000
4	Globe Telecoms	Private	Service/Utilities	Philippines	>1,000
5	HSBC Group	Private	Finance	United Kingdom	>500
6	International Rice Research Institute	Public	Supranational	Philippines	>1,000
7	Nestle Philippines, Inc.	Private	Consumer	Switzerland	>1,000
8	Petron Corporation	Private	Oil	Philippines	>1,000
9	Procter & Gamble, Philippines	Private	Consumer	United States	>1,000
10	San Miguel Corporation	Private	Consumer	Philippines	>1,000
11	Sun Life Assurance Company of Canada	Private	Finance	Canada	>500
12	United Laboratories, Inc.	Private	Pharmaceutical	Philippines	>1,000
13	United States Embassy	Public	Embassy	United States	>1,000
14	World Bank, Manila Office	Public	Supranational	International	<500
15	World Health Organization	Public	Supranational	International	<500

> = greater than, < = less than.

Source: Towers Watson's Salary Survey Report.

**PROPOSED FIELD OFFICE STRUCTURE ADJUSTMENT, AVERAGE SALARY INCREASE, AND  
COMPARATIO FOR 2017(TABLE A5.1);  
SUMMARY OF FIELD OFFICE AVERAGE ANNUAL SALARY INCREASE AND CONSUMER PRICE  
INDEX, 2013–2017 (TABLE A5.2);  
SUMMARY OF FIELD OFFICE STRUCTURE ADJUSTMENT AND AVERAGE SALARY INCREASE,  
2015–2017 (TABLE A5.3)**

**Table A5.1: Proposed Field Office Structure Adjustment, Average Salary Increase, and  
Comparatio**

<b>Regional Department/ Field Office Location</b>	<b>Confirmed Staff (No.)</b>	<b>Structure Adjustment Component (%)</b>	<b>Proposed Average Salary Increase (%)</b>	<b>Estimated Comparatio before Salary Increase (%)</b>	<b>Estimated Comparatio after Salary Increase (%)</b>	<b>Salary Currency</b>	<b>Exchange Rate<sup>a</sup></b>
<b>Central West Asia</b>							
Afghanistan	19	6.3	8.1	89.7	97.0	\$	1.00
Armenia	6	4.2	5.3	95.0	100.0	AMD	474.40
Azerbaijan	6	8.8	9.4	89.1	97.5	AZN	1.69
Georgia	6	5.4	6.7	93.7	100.0	GEL	2.31
Kazakhstan	9	0.0	4.2	92.0	95.9	\$	1.00
Kyrgyz	11	6.8	6.8	91.6	98.1	\$	1.00
Pakistan	32	17.6	17.6	80.8	96.2	PRs	104.79
Tajikistan	14	4.3	5.3	92.3	97.2	\$	1.00
Turkmenistan	4	2.7	2.0	99.6	101.6	\$	1.00
Uzbekistan	15	9.6	8.1	90.7	98.0	\$	1.00
<b>East Asia</b>							
PRC	51	8.2	10.9	84.3	94.0	CNY	6.68
Mongolia	18	6.8	6.8	92.6	98.9	\$	1.00
<b>Pacific</b>							
Australia	10	6.9	5.6	93.7	99.0	A\$	1.33
Fiji	17	8.1	6.7	93.8	100.1	F\$	2.06
PNG	10	9.1	9.6	90.3	99.0	K	3.17
Timor-Leste	5	4.8	4.8	95.7	100.2	\$	1.00
<b>Extended Missions<sup>b</sup></b>							
Samoa	1	1.5	2.0			ST	2.56
Solomon Islands <sup>c</sup>		8.2	13.2			SI\$	7.79
Tonga <sup>c</sup>		7.8	2.0			PT	2.17
Vanuatu <sup>c</sup>		9.8	2.0			Vt	108.37
<b>South Asia</b>							
Bangladesh	46	5.8	9.4	85.9	94.6	Tk	78.38
Bhutan	2	19.3	6.0	95.1	100.8	Nu	67.14
India	60	7.2	10.0	86.0	95.0	Rs	67.14
Nepal	41	10.6	12.7	83.9	95.0	NRs	107.29
Sri Lanka	28	6.8	8.9	88.1	96.0	SLRs	145.70
<b>Southeast Asia</b>							
Cambodia	25	8.9	7.8	92.7	100.0	\$	1.00
Indonesia	35	7.3	8.4	89.9	97.5	Rp	13,299.00
Lao PDR	19	7.0	7.8	92.7	100.0	\$	1.00
Myanmar	4	7.8	2.0	100.9	103.0	\$	1.00
Thailand	11	4.8	5.4	93.0	98.0	B	34.60
Viet Nam	40	4.4	6.2	91.3	97.0	\$	1.00

Regional Department/ Field Office Location	Confirmed Staff (No.)	Structure Adjustment Component (%)	Proposed Average Salary Increase (%)	Estimated Comparatio before Salary Increase (%)	Estimated Comparatio after Salary Increase (%)	Salary Currency	Exchange Rate <sup>a</sup>
<b>Representative Offices</b>							
Germany	2	2.9	2.0	111.3	113.6	€	0.90
Japan	3	3.4	2.0	118.2	120.5	¥	102.96
United States	3	2.8	3.8	93.4	97.0	\$	1.00
<b>Total/Average<sup>d</sup></b>	<b>553</b>	<b>7.4</b>	<b>8.8</b>	<b>88.8</b>	<b>96.9<sup>e</sup></b>		

Lao PDR = Lao People's Democratic Republic, PNG = Papua New Guinea, PRC = People's Republic of China,.

<sup>a</sup> Data as of 31 August 2016.

<sup>b</sup> Comparatio values for staff in the extended missions are not shown for purposes of confidentiality.

<sup>c</sup> Current staff in the these extended missions were appointed in 2016 and will therefore not be entitled to the 2017 salary increase. Figures shown only reflect indicative values for the confirmation increase.

<sup>d</sup> in United States dollars.

<sup>e</sup> The comparatio will drop to 94.8 % in 2017 because of the dilution factor of 2.1%.

Source: Asian Development Bank.

**Table A5.2: Summary of Field Office Average Annual Average Salary Increase and Consumer Price Index<sup>a</sup> in Local Currency, 2013–2017**

<b>Regional Department/ Field Office Location<sup>a</sup></b>	<b>Average Annual Structure Adjustment (%)</b>	<b>Average Annual Salary Increase (%)</b>	<b>Average Annual CPI<sup>b,c</sup> (%)</b>
<b>Central West Asia</b>			
Afghanistan <sup>d</sup>	6.8	7.3	3.6
Armenia	4.6	6.7	3.8
Azerbaijan	7.5	8.1	5.9
Georgia	4.2	6.1	3.1
Kazakhstan <sup>d</sup>	3.7	6.9	8.2
Kyrgyz <sup>d</sup>	3.9	6.0	6.6
Pakistan	8.2	9.1	5.7
Tajikistan <sup>d</sup>	7.9	10.0	6.9
Turkmenistan <sup>d</sup>	3.3	6.4	5.6
Uzbekistan <sup>d</sup>	5.2	6.7	9.4
<b>East Asia</b>			
PRC	7.3	8.6	2.0
Mongolia	8.9	9.7	6.7
<b>Pacific</b>			
Australia	2.7	3.1	2.2
Fiji	2.8	3.9	2.5
PNG	5.8	6.9	5.4
Timor-Leste <sup>d</sup>	4.8	4.7	3.2
<b>South Asia</b>			
Bangladesh	8.8	12.6	6.9
India	5.4	9.0	6.2
Nepal	7.5	9.9	9.5
Sri Lanka	7.0	9.6	3.8
<b>Southeast Asia</b>			
Cambodia <sup>d</sup>	4.9	5.8	2.6
Indonesia	2.7	4.3	5.6
Lao PDR <sup>d</sup>	5.7	6.8	4.2
Thailand	1.7	3.7	1.1
Viet Nam <sup>d</sup>	6.5	7.8	3.0
<b>Representative Offices</b>			
Germany	1.2	2.1	0.9
Japan	(2.8)	2.0	1.0
United States	5.1	5.4	1.1

( ) = negative, ADB = Asian Development Bank, CPI = consumer price index, Lao PDR = Lao People's Democratic Republic, PRC = People's Republic of China, PNG = Papua New Guinea .

<sup>a</sup> Information for field office locations which were established after 2013 (Bhutan Resident Mission, Myanmar Resident Mission and extended missions in Samoa, Solomon Islands, Tonga and Vanuatu) have not been included.

<sup>b</sup> Data from the International Monetary Fund's World Economic Outlook, April 2016.

<sup>c</sup> Inflation is not a determinant of ADB salaries. ADB's salaries are market-based according to the Board-approved methodology. The inflation rate is only mentioned as a reference for reader's convenience.

<sup>d</sup> Salary currency in United States dollars.

Source: Asian Development Bank.

**Table A5.3: Summary of Field Office Structure Adjustment and Average Salary Increase, 2015-2017**

Regional Department/ Field Office Location	2015		2016		2017	
	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)
<b>Central West Asia</b>						
Afghanistan	10.7	10.8	5.2	6.0	6.3	8.1
Armenia	7.2	8.2	0.0	2.1	4.2	5.3
Azerbaijan	6.4	6.5	10.0	11.4	8.8	9.4
Georgia	0.1	3.5	6.6	6.7	5.4	6.7
Kazakhstan	12.1	13.7	0.0	6.1	0.0	4.2
Kyrgyz	2.8	5.2	6.5	6.6	6.8	6.8
Pakistan	16.8	16.9	0.0	2.1	17.6	17.6
Tajikistan	19.5	21.9	2.2	2.3	4.3	5.3
Turkmenistan	1.3	5.4	5.4	5.5	2.7	2.0
Uzbekistan	0.0	3.0	1.9	2.0	9.6	8.1
<b>East Asia</b>						
PRC	6.3	7.8	7.8	8.0	8.2	10.9
Mongolia	0.0	3.2	9.5	9.6	6.8	6.8
<b>Pacific</b>						
Australia	0.3	2.2	2.6	2.7	6.9	5.6
Fiji	0.7	2.5	0.6	2.0	8.1	6.7
PNG	0.2	2.3	5.0	5.1	9.1	9.6
Timor-Leste	2.3	2.8	0.0	2.0	4.8	4.8
<b>Extended Missions</b>						
Samoa					1.5	2.0
Solomon Islands <sup>b</sup>					8.2	13.2
Tonga <sup>b</sup>					7.8	2.0
Vanuatu <sup>b</sup>					9.8	2.0
<b>South Asia</b>						
Bangladesh	0.9	9.4	15.1	17.6	5.8	9.4
Bhutan	0.4	2.0	13.6	13.7	19.3	6.0
India	2.8	7.6	3.3	4.9	7.2	10.0
Nepal	12.0	13.8	7.8	10.0	10.6	12.7
Sri Lanka	7.9	10.4	9.7	12.6	6.8	8.9
<b>Southeast Asia</b>						
Cambodia	1.3	3.0	7.5	7.6	8.9	7.8
Indonesia	0.0	2.1	3.7	4.5	7.3	8.4
Lao PDR	0.0	2.4	8.8	8.9	7.0	7.8
Myanmar <sup>a</sup>	0.3	2.0	10.1	10.2	7.8	2.0
Thailand	0.0	2.6	2.5	2.6	4.8	5.4
Viet Nam	2.9	5.8	8.1	8.2	4.4	6.2

Regional Department/ Field Office Location	2015		2016		2017	
	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)	Average Annual Structure Adjustment (%)	Average Annual Salary Increase (%)
<b>Representative Offices</b>						
Germany	2.2	2.3	0.0	2.0	2.9	2.0
Japan	0.9	2.0	0.0	2.0	3.4	2.0
United States	2.3	6.0	3.1	7.6	2.8	3.8
<b>Total/Average<sup>c</sup></b>	<b>4.4</b>	<b>7.0</b>	<b>6.0</b>	<b>7.0</b>	<b>7.4</b>	<b>8.8</b>

, Lao PDR = Lao People's Democratic Republic, PNG = Papua New Guinea PRC = People's Republic of China.

<sup>a</sup> Staff in the Myanmar Resident Missions were only appointed in 2014. 2015 figures shown reflect indicative values for the confirmation increase.

<sup>b</sup> Current staff in the these extended missions were appointed in 2016 and will therefore not be entitled to the 2017 salary increase. Figures shown only reflect indicative values for the confirmation increase.

<sup>c</sup> in United States dollars.

Source: Asian Development Bank.

# PROPOSED FIELD OFFICE SALARY STRUCTURES EFFECTIVE 1 JANUARY 2017

## CENTRAL WEST ASIA

**Table A6.1: Afghanistan Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	12,800	16,700	20,500	60
AS2	14,700	19,100	23,500	60
AS3	16,400	21,700	27,100	65
AS4	18,300	24,200	30,200	65
AS5	21,000	28,400	35,700	70
AS6	23,300	31,400	39,600	70
AS7	27,800	38,200	48,700	75
National Staff				
NS1	32,200	44,300	56,400	75
NS2	36,700	50,400	64,200	75
NS3	42,600	59,700	76,700	80
NS4	50,400	70,500	90,700	80
NS5	58,600	82,100	105,500	80
NS6	64,600	90,500	116,300	80
NS7	71,100	99,600	128,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.2: Armenia Resident Mission**  
(AMD per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	4,452,000	5,787,000	7,123,000	60
AS2	5,045,000	6,558,000	8,072,000	60
AS3	5,394,000	7,147,000	8,900,000	65
AS4	5,944,000	7,876,000	9,808,000	65
AS5	7,033,000	9,494,000	11,956,000	70
AS6	7,789,000	10,515,000	13,241,000	70
AS7	9,068,000	12,468,000	15,869,000	75
National Staff				
NS1	10,539,000	14,491,000	18,443,000	75
NS2	12,011,000	16,515,000	21,019,000	75
NS3	14,809,000	20,733,000	26,656,000	80
NS4	17,265,000	24,171,000	31,077,000	80
NS5	21,189,000	29,665,000	38,140,000	80
NS6	23,719,000	33,206,000	42,694,000	80
NS7	26,090,000	36,526,000	46,962,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.3: Azerbaijan Resident Mission**  
(AZN per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	16,400	21,300	26,200	60
AS2	17,500	22,800	28,000	60
AS3	19,200	25,400	31,700	65
AS4	21,200	28,100	35,000	65
AS5	23,300	31,500	39,600	70
AS6	25,800	34,800	43,900	70
AS7	30,500	41,900	53,400	75
National Staff				
NS1	36,400	50,000	63,700	75
NS2	42,200	58,000	73,900	75
NS3	46,900	65,700	84,400	80
NS4	54,800	76,700	98,600	80
NS5	66,400	92,900	119,500	80
NS6	73,900	103,400	133,000	80
NS7	81,200	113,700	146,200	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.4: Georgia Resident Mission**  
(GEL per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	25,300	32,900	40,500	60
AS2	29,800	38,700	47,700	60
AS3	32,500	43,000	53,600	65
AS4	34,900	46,200	57,600	65
AS5	38,400	51,800	65,300	70
AS6	44,200	59,700	75,100	70
AS7	48,700	66,900	85,200	75
National Staff				
NS1	55,400	76,200	97,000	75
NS2	62,100	85,400	108,700	75
NS3	77,400	108,400	139,300	80
NS4	89,500	125,300	161,100	80
NS5	120,500	168,700	216,900	80
NS6	128,300	179,600	230,900	80
NS7	141,100	197,600	254,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.



**Table A6.5: Kazakhstan Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	11,400	14,800	18,300	60
AS2	12,800	16,700	20,500	60
AS3	14,100	18,700	23,300	65
AS4	15,500	20,500	25,600	65
AS5	16,600	22,400	28,200	70
AS6	19,600	26,500	33,300	70
AS7	22,900	31,500	40,100	75
National Staff				
NS1	27,400	37,600	47,900	75
NS2	31,800	43,700	55,700	75
NS3	42,800	59,900	77,000	80
NS4	51,800	72,600	93,300	80
NS5	64,600	90,400	116,300	80
NS6	77,100	108,000	138,800	80
NS7	84,800	118,800	152,700	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.6: Kyrgyz Republic Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	10,000	13,000	16,000	60
AS2	10,400	13,500	16,600	60
AS3	11,000	14,600	18,200	65
AS4	12,100	16,000	20,000	65
AS5	12,300	16,600	20,900	70
AS6	13,900	18,800	23,600	70
AS7	16,000	22,000	28,000	75
National Staff				
NS1	18,200	25,000	31,900	75
NS2	20,400	28,000	35,700	75
NS3	24,200	33,900	43,600	80
NS4	28,300	39,600	50,900	80
NS5	31,000	43,400	55,800	80
NS6	34,400	48,100	61,900	80
NS7	37,800	52,900	68,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.7: Pakistan Resident Mission**  
(PRs per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	662,000	861,000	1,059,000	60
AS2	835,000	1,085,000	1,336,000	60
AS3	839,000	1,112,000	1,384,000	65
AS4	1,060,000	1,405,000	1,749,000	65
AS5	1,398,000	1,887,000	2,377,000	70
AS6	1,648,000	2,225,000	2,802,000	70
AS7	2,168,000	2,981,000	3,794,000	75
National Staff				
NS1	2,978,000	4,095,000	5,212,000	75
NS2	3,788,000	5,209,000	6,629,000	75
NS3	4,556,000	6,378,000	8,201,000	80
NS4	6,084,000	8,518,000	10,951,000	80
NS5	7,174,000	10,044,000	12,913,000	80
NS6	9,056,000	12,678,000	16,301,000	80
NS7	9,961,000	13,946,000	17,930,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.8: Tajikistan Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	8,800	11,400	14,100	60
AS2	9,800	12,700	15,700	60
AS3	10,700	14,200	17,700	65
AS4	12,400	16,400	20,500	65
AS5	13,500	18,200	23,000	70
AS6	14,700	19,900	25,000	70
AS7	17,500	24,000	30,600	75
National Staff				
NS1	20,100	27,600	35,200	75
NS2	22,800	31,300	39,900	75
NS3	26,600	37,300	47,900	80
NS4	30,300	42,400	54,500	80
NS5	35,200	49,300	63,400	80
NS6	38,600	54,000	69,500	80
NS7	42,400	59,400	76,300	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.9: Turkmenistan Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	8,800	11,400	14,100	60
AS2	11,100	14,400	17,800	60
AS3	12,800	17,000	21,100	65
AS4	14,100	18,700	23,300	65
AS5	15,300	20,700	26,000	70
AS6	16,400	22,200	27,900	70
AS7	18,500	25,500	32,400	75
National Staff				
NS1	21,700	29,800	38,000	75
NS2	24,700	34,000	43,200	75
NS3	31,400	43,900	56,500	80
NS4	36,700	51,400	66,100	80
NS5	45,100	63,200	81,200	80
NS6	48,900	68,500	88,000	80
NS7	53,800	75,300	96,800	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.10: Uzbekistan Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	8,600	11,200	13,800	60
AS2	9,400	12,200	15,000	60
AS3	10,700	14,200	17,700	65
AS4	11,800	15,600	19,500	65
AS5	12,900	17,400	21,900	70
AS6	15,000	20,200	25,500	70
AS7	17,100	23,500	29,900	75
National Staff				
NS1	20,400	28,000	35,700	75
NS2	23,600	32,400	41,300	75
NS3	27,400	38,300	49,300	80
NS4	31,900	44,600	57,400	80
NS5	40,600	56,800	73,100	80
NS6	46,100	64,600	83,000	80
NS7	50,700	71,000	91,300	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**EAST ASIA****Table A6.11: People's Republic of China Resident Mission**  
(CNY per year)

<b>Level</b>	<b>Minimum</b>	<b>Midpoint</b>	<b>Maximum</b>	<b>Range Spread (%)</b>
<b>Administrative Staff</b>				
AS1	97,800	127,100	156,500	60
AS2	109,600	142,500	175,400	60
AS3	131,300	174,000	216,600	65
AS4	150,200	199,000	247,800	65
AS5	173,100	233,700	294,300	70
AS6	197,000	265,900	334,900	70
AS7	248,700	342,000	435,200	75
<b>National Staff</b>				
NS1	290,900	400,000	509,100	75
NS2	333,200	458,100	583,100	75
NS3	448,600	628,000	807,500	80
NS4	554,300	776,000	997,700	80
NS5	745,900	1,044,300	1,342,600	80
NS6	836,300	1,170,800	1,505,300	80
NS7	919,900	1,287,900	1,655,800	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.12: Mongolia Resident Mission**  
(\$ per year)

<b>Level</b>	<b>Minimum</b>	<b>Midpoint</b>	<b>Maximum</b>	<b>Range Spread (%)</b>
<b>Administrative Staff</b>				
AS1	9,200	11,900	14,700	60
AS2	10,200	13,300	16,300	60
AS3	11,800	15,600	19,500	65
AS4	13,000	17,200	21,500	65
AS5	15,300	20,600	26,000	70
AS6	16,400	22,100	27,900	70
AS7	19,600	26,900	34,300	75
<b>National Staff</b>				
NS1	22,900	31,500	40,100	75
NS2	26,300	36,100	46,000	75
NS3	32,400	45,300	58,300	80
NS4	36,500	51,100	65,700	80
NS5	49,400	69,100	88,900	80
NS6	54,600	76,400	98,300	80
NS7	60,000	84,000	108,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

## PACIFIC

**Table A6.13: Pacific Liaison and Coordination Office**  
(A\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	33,800	44,000	54,100	60
AS2	36,900	48,000	59,000	60
AS3	41,000	54,300	67,700	65
AS4	45,300	60,000	74,700	65
AS5	48,400	65,400	82,300	70
AS6	52,400	70,700	89,100	70
AS7	59,700	82,100	104,500	75
National Staff				
NS1	67,600	92,900	118,300	75
NS2	75,400	103,700	132,000	75
NS3	87,400	122,300	157,300	80
NS4	98,100	137,400	176,600	80
NS5	112,200	157,100	202,000	80
NS6	125,200	175,300	225,400	80
NS7	137,800	192,900	248,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.14: Pacific Subregional Office in Suva, Fiji**  
(F\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	17,200	22,300	27,500	60
AS2	18,800	24,500	30,100	60
AS3	20,500	27,200	33,800	65
AS4	22,900	30,400	37,800	65
AS5	26,300	35,500	44,700	70
AS6	30,400	41,100	51,700	70
AS7	36,000	49,500	63,000	75
National Staff				
NS1	38,300	52,700	67,000	75
NS2	49,100	67,500	85,900	75
NS3	66,300	92,800	119,300	80
NS4	76,000	106,400	136,800	80
NS5	91,300	127,800	164,300	80
NS6	95,700	134,000	172,300	80
NS7	126,700	177,400	228,100	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.15: Papua New Guinea Resident Mission**  
(K per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	23,600	30,700	37,800	60
AS2	27,500	35,700	44,000	60
AS3	30,000	39,800	49,500	65
AS4	33,500	44,400	55,300	65
AS5	38,400	51,800	65,300	70
AS6	44,700	60,400	76,000	70
AS7	54,500	75,000	95,400	75
National Staff				
NS1	65,700	90,400	115,000	75
NS2	76,900	105,700	134,600	75
NS3	95,500	133,700	171,900	80
NS4	118,700	166,200	213,700	80
NS5	149,400	209,100	268,900	80
NS6	157,000	219,800	282,600	80
NS7	172,700	241,800	310,900	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.16: Timor-Leste Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	5,500	7,100	8,800	60
AS2	6,700	8,700	10,700	60
AS3	7,100	9,400	11,700	65
AS4	8,200	10,900	13,500	65
AS5	8,800	11,900	15,000	70
AS6	10,100	13,600	17,200	70
AS7	13,500	18,500	23,600	75
National Staff				
NS1	15,600	21,500	27,300	75
NS2	17,900	24,600	31,300	75
NS3	21,900	30,700	39,400	80
NS4	27,300	38,200	49,100	80
NS5	36,500	51,100	65,700	80
NS6	40,900	57,300	73,600	80
NS7	45,000	63,000	81,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

## Extended Missions

**Table A6.17: Extended Mission in Samoa**  
(ST per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	14,800	19,300	23,700	60
AS2	17,100	22,200	27,400	60
AS3	18,700	24,800	30,900	65
AS4	21,700	28,700	35,800	65
AS5	24,000	32,400	40,800	70
AS6	28,500	38,500	48,500	70
AS7	35,500	48,800	62,100	75
National Staff				
NS1	42,100	57,900	73,700	75
NS2	48,800	67,100	85,400	75
NS3	59,900	83,800	107,800	80
NS4	72,500	101,500	130,500	80
NS5	85,100	119,200	153,200	80
NS6	103,200	144,500	185,800	80
NS7	113,600	159,000	204,500	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.18: Extended Mission in Solomon Islands**  
(SI\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	49,900	64,900	79,800	60
AS2	53,500	69,600	85,600	60
AS3	57,400	76,000	94,700	65
AS4	62,000	82,100	102,300	65
AS5	67,600	91,300	114,900	70
AS6	75,200	101,500	127,800	70
AS7	84,900	116,800	148,600	75
National Staff				
NS1	92,500	127,200	161,900	75
NS2	100,100	137,600	175,200	75
NS3	107,500	150,500	193,500	80
NS4	112,900	158,000	203,200	80
NS5	128,600	180,100	231,500	80
NS6	140,200	196,300	252,400	80
NS7	141,700	198,400	255,100	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.19: Extended Mission in Tonga**  
(PT per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	9,900	12,900	15,800	60
AS2	11,000	14,300	17,600	60
AS3	11,800	15,700	19,500	65
AS4	13,200	17,500	21,800	65
AS5	14,400	19,400	24,500	70
AS6	16,100	21,800	27,400	70
AS7	18,800	25,900	32,900	75
National Staff				
NS1	21,000	28,900	36,800	75
NS2	23,300	32,000	40,800	75
NS3	27,900	39,100	50,200	80
NS4	32,600	45,600	58,700	80
NS5	39,400	55,200	70,900	80
NS6	43,400	60,800	78,100	80
NS7	47,800	66,900	86,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.20: Extended Mission in Vanuatu**  
(Vt per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	1,102,000	1,432,000	1,763,000	60
AS2	1,378,000	1,791,000	2,205,000	60
AS3	1,687,000	2,235,000	2,784,000	65
AS4	1,965,000	2,604,000	3,242,000	65
AS5	2,201,000	2,971,000	3,742,000	70
AS6	2,565,000	3,463,000	4,361,000	70
AS7	3,113,000	4,281,000	5,448,000	75
National Staff				
NS1	3,755,000	5,163,000	6,571,000	75
NS2	4,397,000	6,046,000	7,695,000	75
NS3	5,006,000	7,009,000	9,011,000	80
NS4	5,517,000	7,724,000	9,931,000	80
NS5	6,120,000	8,568,000	11,016,000	80
NS6	6,744,000	9,442,000	12,139,000	80
NS7	7,419,000	10,386,000	13,354,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.



## SOUTH ASIA

**Table A6.21: Bangladesh Resident Mission**  
(Tk per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	565,000	734,000	904,000	60
AS2	660,000	858,000	1,056,000	60
AS3	762,000	1,010,000	1,257,000	65
AS4	878,000	1,163,000	1,449,000	65
AS5	1,101,000	1,486,000	1,872,000	70
AS6	1,201,000	1,621,000	2,042,000	70
AS7	1,647,000	2,265,000	2,882,000	75
National Staff				
NS1	2,137,000	2,938,000	3,740,000	75
NS2	2,627,000	3,612,000	4,597,000	75
NS3	2,831,000	3,964,000	5,096,000	80
NS4	4,284,000	5,998,000	7,711,000	80
NS5	4,660,000	6,524,000	8,388,000	80
NS6	5,865,000	8,211,000	10,557,000	80
NS7	6,451,000	9,032,000	11,612,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.22: Bhutan Resident Mission**  
(Nu per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	275,000	357,000	440,000	60
AS2	315,000	409,000	504,000	60
AS3	334,000	443,000	551,000	65
AS4	374,000	495,000	617,000	65
AS5	403,000	544,000	685,000	70
AS6	437,000	590,000	743,000	70
AS7	470,000	646,000	823,000	75
National Staff				
NS1	526,000	723,000	921,000	75
NS2	582,000	800,000	1,019,000	75
NS3	649,000	909,000	1,168,000	80
NS4	692,000	969,000	1,246,000	80
NS5	773,000	1,082,000	1,391,000	80
NS6	824,000	1,153,000	1,483,000	80
NS7	906,000	1,269,000	1,631,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.23: India Resident Mission**  
(Rs per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	403,000	524,000	645,000	60
AS2	473,000	615,000	757,000	60
AS3	528,000	699,000	871,000	65
AS4	627,000	831,000	1,035,000	65
AS5	713,000	962,000	1,212,000	70
AS6	867,000	1,171,000	1,474,000	70
AS7	1,105,000	1,519,000	1,934,000	75
National Staff				
NS1	1,356,000	1,865,000	2,373,000	75
NS2	1,608,000	2,211,000	2,814,000	75
NS3	1,998,000	2,797,000	3,596,000	80
NS4	3,056,000	4,278,000	5,501,000	80
NS5	4,226,000	5,917,000	7,607,000	80
NS6	5,220,000	7,308,000	9,396,000	80
NS7	5,742,000	8,039,000	10,336,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.24: Nepal Resident Mission**  
(NRs per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	701,000	911,000	1,122,000	60
AS2	835,000	1,085,000	1,336,000	60
AS3	854,000	1,132,000	1,409,000	65
AS4	1,022,000	1,354,000	1,686,000	65
AS5	1,104,000	1,490,000	1,877,000	70
AS6	1,224,000	1,653,000	2,081,000	70
AS7	1,469,000	2,020,000	2,571,000	75
National Staff				
NS1	1,732,000	2,382,000	3,031,000	75
NS2	1,995,000	2,743,000	3,491,000	75
NS3	2,424,000	3,393,000	4,363,000	80
NS4	2,911,000	4,075,000	5,240,000	80
NS5	3,530,000	4,942,000	6,354,000	80
NS6	4,115,000	5,761,000	7,407,000	80
NS7	4,526,000	6,337,000	8,147,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.25: Sri Lanka Resident Mission**  
(SLRs per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	1,032,000	1,341,000	1,651,000	60
AS2	1,120,000	1,456,000	1,792,000	60
AS3	1,360,000	1,802,000	2,244,000	65
AS4	1,523,000	2,018,000	2,513,000	65
AS5	1,617,000	2,183,000	2,749,000	70
AS6	2,040,000	2,754,000	3,468,000	70
AS7	2,575,000	3,540,000	4,506,000	75
National Staff				
NS1	3,098,000	4,260,000	5,422,000	75
NS2	3,621,000	4,979,000	6,337,000	75
NS3	4,631,000	6,483,000	8,336,000	80
NS4	5,927,000	8,298,000	10,669,000	80
NS5	7,991,000	11,188,000	14,384,000	80
NS6	10,249,000	14,348,000	18,448,000	80
NS7	11,274,000	15,783,000	20,293,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

## SOUTHEAST ASIA

**Table A6.26: Cambodia Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	7,800	10,200	12,500	60
AS2	9,200	11,900	14,700	60
AS3	9,900	13,100	16,300	65
AS4	11,400	15,100	18,800	65
AS5	11,900	16,000	20,200	70
AS6	13,900	18,800	23,600	70
AS7	18,000	24,800	31,500	75
National Staff				
NS1	21,500	29,600	37,600	75
NS2	25,000	34,400	43,800	75
NS3	32,600	45,700	58,700	80
NS4	38,400	53,800	69,100	80
NS5	50,100	70,100	90,200	80
NS6	57,300	80,200	103,100	80
NS7	63,000	88,200	113,400	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.27: Indonesia Resident Mission**  
(Rp per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
<b>Administrative Staff</b>				
AS1	100,466,000	130,606,000	160,746,000	60
AS2	122,580,000	159,354,000	196,128,000	60
AS3	133,452,000	176,824,000	220,196,000	65
AS4	162,487,000	215,295,000	268,104,000	65
AS5	184,214,000	248,689,000	313,164,000	70
AS6	229,345,000	309,616,000	389,887,000	70
AS7	279,246,000	383,963,000	488,681,000	75
<b>National Staff</b>				
NS1	336,081,000	462,111,000	588,142,000	75
NS2	392,916,000	540,260,000	687,603,000	75
NS3	570,354,000	798,495,000	1,026,637,000	80
NS4	710,201,000	994,282,000	1,278,362,000	80
NS5	1,048,227,000	1,467,518,000	1,886,809,000	80
NS6	1,194,637,000	1,672,492,000	2,150,347,000	80
NS7	1,314,101,000	1,839,741,000	2,365,382,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.28: Lao People's Democratic Republic Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
<b>Administrative Staff</b>				
AS1	6,700	8,600	10,700	60
AS2	7,400	9,600	11,800	60
AS3	8,200	10,900	13,500	65
AS4	9,100	12,000	15,000	65
AS5	9,800	13,200	16,700	70
AS6	10,700	14,400	18,200	70
AS7	12,500	17,200	21,900	75
<b>National Staff</b>				
NS1	14,700	20,200	25,700	75
NS2	16,800	23,100	29,400	75
NS3	23,400	32,700	42,100	80
NS4	29,800	41,700	53,600	80
NS5	42,600	59,700	76,700	80
NS6	51,900	72,700	93,400	80
NS7	57,100	80,000	102,800	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.29: Myanmar Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	7,700	10,000	12,300	60
AS2	8,800	11,400	14,100	60
AS3	9,700	12,900	16,000	65
AS4	10,800	14,300	17,800	65
AS5	12,400	16,800	21,100	70
AS6	13,800	18,600	23,500	70
AS7	15,900	21,800	27,800	75
National Staff				
NS1	17,900	24,600	31,300	75
NS2	19,900	27,400	34,800	75
NS3	24,400	34,200	43,900	80
NS4	26,900	37,600	48,400	80
NS5	32,300	45,200	58,100	80
NS6	35,500	49,700	63,900	80
NS7	39,100	54,700	70,400	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.30: Thailand Resident Mission**  
(B per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	324,000	421,000	518,000	60
AS2	405,000	526,000	648,000	60
AS3	460,000	609,000	759,000	65
AS4	577,000	764,000	952,000	65
AS5	672,000	907,000	1,142,000	70
AS6	842,000	1,137,000	1,431,000	70
AS7	929,000	1,277,000	1,626,000	75
National Staff				
NS1	1,159,000	1,593,000	2,028,000	75
NS2	1,388,000	1,909,000	2,429,000	75
NS3	2,005,000	2,807,000	3,609,000	80
NS4	3,001,000	4,201,000	5,402,000	80
NS5	3,415,000	4,781,000	6,147,000	80
NS6	3,972,000	5,561,000	7,150,000	80
NS7	4,369,000	6,117,000	7,864,000	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.31: Viet Nam Resident Mission**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS1	9,900	12,900	15,800	60
AS2	10,600	13,800	17,000	60
AS3	11,900	15,800	19,600	65
AS4	13,700	18,200	22,600	65
AS5	15,900	21,400	27,000	70
AS6	18,300	24,700	31,100	70
AS7	23,300	32,000	40,800	75
National Staff				
NS1	29,200	40,200	51,100	75
NS2	35,200	48,400	61,600	75
NS3	49,900	69,800	89,800	80
NS4	57,900	81,000	104,200	80
NS5	75,100	105,100	135,200	80
NS6	96,000	134,400	172,800	80
NS7	105,600	147,800	190,100	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

## REPRESENTATIVE OFFICES

**Table A6.32: European Representative Office**  
(€ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS4	31,000	41,100	51,200	65
AS5	33,300	44,900	56,600	70
AS6	38,400	51,900	65,300	70
AS7	42,000	57,800	73,500	75
National Staff				
NS1	47,700	65,600	83,500	75
NS2	53,500	73,500	93,600	75
NS3	68,400	95,700	123,100	80

AS = administrative staff, NS = national staff.

Source: Asian Development Bank.

**Table A6.33: Japan Representative Office<sup>a</sup>**  
(¥ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS4	4,165,000	5,676,000	6,872,000	65
AS5	4,226,000	5,705,000	7,184,000	70
AS6	4,475,000	6,041,000	7,608,000	70
AS7	5,661,000	7,784,000	9,907,000	75
National Staff				
NS1	6,415,000	8,820,000	11,226,000	75
NS2	7,168,000	9,856,000	12,544,000	75
NS3	9,554,000	13,375,000	17,197,000	80

AS = administrative staff, NS = national staff.

<sup>a</sup> Gross salary structure.

Source: Asian Development Bank.

**Table A6.34: North American Representative Office<sup>a</sup>**  
(\$ per year)

Level	Minimum	Midpoint	Maximum	Range Spread (%)
Administrative Staff				
AS4	41,200	54,600	68,000	65
AS5	46,700	63,100	79,400	70
AS6	52,400	70,700	89,100	70
AS7	57,800	79,500	101,200	75
National Staff				
NS1	68,600	94,300	120,100	75
NS2	79,300	109,100	138,800	75
NS3	104,100	145,800	187,400	80

AS = administrative staff, NS = national staff.

<sup>a</sup> Gross salary structure.

Source: Asian Development Bank.

## RECRUITMENT AND RETENTION EXPERIENCE

### A. International Staff

1. Tables A7.1–A7.8 present the recruitment and retention experience of the Asian Development Bank (ADB) for international staff. The main points are as follows:

- (i) **Recruitment rate.** For the 5-year period 2012–2016, the highest recruitment rate was 10.3% in 2015. The highest recruitment percentage (14.7%) of women was also recorded in 2012 (Table A7.1). The annualized recruitment rate for 2016 is 6.7% with majority of the new hires at IS3 level (31.3%) and IS4 level (29.2%). As in the 2012–2015 period, staff recruited in 2016 have primarily come from the private sector (37.0%), international organizations (23.9%) and other government agencies (21.7%), with the rest coming from within ADB (promotions from national staff positions), and academe (Table A7.3).
- (ii) **Rejection rate.** The annualized rejection rate of job offers for 2016 of 16.7% is higher than the average rejection rate from 2012 to 2015 of 11.3% (Table A7.4). The average rejection rate of women is higher than that of men for the period from January 2012 to August 2016. Table A7.5 shows the main reasons for the rejection of job offers were related to personal or family reasons including spouse employment (47.9%) and job-related concerns (29.2%). During the first 8 months of 2016, five candidates rejected ADB's job offer primarily because of salary, benefits and job-related concerns.
- (iii) **Termination rate.** The staff termination annualized rate of 7.4% for 2016 is higher than the average termination rate of 7.1% during 2012–2015 (Table A7.6). Terminations from January 2012 to August 2016 were mainly because of voluntary resignations, retirements, and the expiration of fixed-term appointment (Table A7.7).
- (iv) **Voluntary resignation rate.** The staff voluntary resignation annualized rate of 2.9% for 2016 is lower than the average termination rate of 3.3% for 2012–2015 (Table A7.8). During the first 8 months of 2016, 21 staff resigned voluntarily; of these, 10 cited personal or family reasons including spouse employment and children's education, and 11 cited other reasons (e.g., salary or career-related reasons, return to parent organization, department and/or division management, and job content). Three of the 6 women international staff who voluntarily resigned cited personal or family reasons and spouse employment. Renewed efforts are being made to ensure that women are provided opportunities to gain experience to increase their competitiveness for progression and that the promotion process ensures that women are fully considered.



**Table A7.1: Recruitment of International Staff**

Year	Staff as of 1 January		Number of Offers <sup>a</sup>		Number of Accepted Offers <sup>b</sup>		Acceptance Rate <sup>c</sup> (%)		Recruitment Rates <sup>d</sup> (%)	
	All	Women	All	Women	All	Women	All	Women	All	Women
2012	1,031	327	106	54	95	48	89.6	88.9	9.2	14.7
2013	1,053	361	85	31	74	24	87.1	77.4	7.0	6.6
2014	1,059	369	75	25	65	20	86.7	80.0	6.1	5.4
2015	1,050	365	118	40	108	38	91.5	95.0	10.3	10.4
2016 <sup>e</sup>	1,078	368	54	18	48	18	88.9	100.0	4.5	4.9

<sup>a</sup> Includes formal offers and informal offers (only where candidates declined).

<sup>b</sup> Number of staff recruited includes all candidates who accepted offers made during the year.

<sup>c</sup> Rate of recruited candidates over the number of offers.

<sup>d</sup> Rate of recruited candidates over the number of staff at the beginning of the year.

<sup>e</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.

**Table A7.2: Recruitment of International Staff by Level**

ADB Level		Number of Staff Recruited <sup>a</sup>				
		2012	2013	2014	2015	2016 <sup>b</sup>
IS1	All	1	7	4	10	8
	Women	0	4	2	7	4
IS2	All	9	3	4	8	1
	Women	9	0	1	2	0
IS3	All	18	19	12	19	15
	Women	12	8	6	6	9
IS4	All	41	28	26	47	14
	Women	18	10	8	18	2
IS5	All	14	7	7	12	6
	Women	5	0	2	1	1
IS6	All	4	4	4	1	2
	Women	1	2	0	1	1
IS7	All	1	3	5	6	0
	Women	1	0	1	1	0
IS8	All	0	0	0	1	0
	Women	0	0	0	0	0
IS9	All	4	2	0	3	1
	Women	2	0	0	2	1
IS10	All	3	1	3	1	1
	Women	0	0	0	0	0
<b>Total</b>	<b>All</b>	<b>95</b>	<b>74</b>	<b>65</b>	<b>108</b>	<b>48</b>
	<b>Women</b>	<b>48</b>	<b>24</b>	<b>20</b>	<b>38</b>	<b>18</b>

IS = international staff.

<sup>a</sup> Number of staff recruited includes all candidates who accepted offers made during the year.

<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.3: Sources of Appointed International Staff<sup>a</sup>**

Year		Private Sector	Government Agency	International Organization	Academe	From ADB's National Staff	Total
2012	All	50	17	18	2	9	96
	Regional	27	12	9	1	9	58
2013	All	42	13	18	3	8	84
	Regional	21	7	10	2	8	48
2014	All	33	15	11	3	2	64
	Regional	20	10	5	2	2	39
2015	All	42	13	35	5	4	99
	Regional	22	12	16	3	3	56
2016 <sup>b</sup>	All	17	10	11	5	3	46
	Regional	6	9	4	3	3	25

ADB = Asian Development Bank.

<sup>a</sup> Number of hires include all candidates who were appointed as staff during the year.<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.4: Rejection of International Staff Job Offers**

Year	Number of Offers <sup>a</sup>		Number of Rejections <sup>b</sup>		Rejection Rates (%)	
	All	Women	All	Women	All	Women
2012	106	54	11	6	10.4	11.1
2013	85	31	11	7	12.9	22.6
2014	75	25	10	5	13.3	20.0
2015	118	40	10	2	8.5	5.0
2016 <sup>c</sup>	54	18	6	0	11.1	0.0

<sup>a</sup> Includes formal offers and informal offers (only where the candidates declined).<sup>b</sup> Excludes candidates whose offers were withdrawn by the Asian Development Bank.<sup>c</sup> Data as of 31 December 2015.

Source: Asian Development Bank.

**Table A7.5: Reasons for Rejections of International Staff Job Offers**

Reasons		2012	2013	2014	2015	2016 <sup>a</sup>	Total
Salary and/or benefits <sup>b</sup>	All	3	2	1	2	3	11
	Women	1	0	0	1	0	2
Personal and/or family reasons and spouse employment	All	7	6	4	5	1	23
	Women	4	4	2	1	0	11
Security and living conditions in Manila	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
Job related <sup>c</sup>	All	1	3	5	3	2	14
	Women	1	3	3	0	0	7
Not provided	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
<b>Total</b>	<b>All</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>10</b>	<b>6</b>	<b>48</b>
	<b>Women</b>	<b>6</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>20</b>

<sup>a</sup> Data as of 31 August 2016.

<sup>b</sup> Includes low salary, receipt of better offer, and non-transferability of pension.

<sup>c</sup> Includes broader job requirement, job assignment preference, and higher entry-level position.

Source: Asian Development Bank.

**Table A7.6: Termination Rates for International Staff**

Year	Number of Staff as of 1 January		Voluntary Resignations				Other Terminations				Total Terminations			
	All	Women	Number of Staff		Rate (%)		Number of Staff		Rate (%)		Number of Staff		Rate (%)	
	All	Women	All	Women	All	Women	All	Women	All	Women	All	Women	All	Women
2012	1,031	327	37	9	3.6	2.8	37	8	3.6	2.4	74	17	7.2	5.2
2013	1,053	361	35	16	3.3	4.4	43	11	4.1	3.0	78	27	7.4	7.5
2014	1,059	369	32	9	3.0	2.4	41	14	3.9	3.8	73	23	6.9	6.2
2015	1,050	365	33	20	3.1	5.5	38	11	3.6	3.0	71	31	6.8	8.5
2016 <sup>a</sup>	1,078	368	21	6	1.9	1.6	32	13	3.0	3.5	53	19	4.9	5.2

<sup>a</sup> Data as of 31 August 2016; includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.

**Table A7.7a: Reasons for Terminations (All International Staff)**

Termination Reasons	2012	2013	2014	2015	2016 <sup>a</sup>
Voluntary resignation	37	35	32	33	21
Retirement	24	28	27	22	18
Normal	22	26	24	22	16
Early	1	2	2	0	1
Incapacity	1	0	1	0	1
Fixed-term expiration	6	5	4	7	4
Non-confirmation of appointment	1	0	0	0	1
Interest of good administration	2	1	0	0	0
Mutually agreed separation	3	8	8	5	8
Misconduct	0	0	0	1	0
Death	0	0	0	2	1
Ill health	0	0	0	0	0
Early separation program	0	0	0	0	0
Unsatisfactory service	1	0	1	1	0
Abandonment of office	0	0	1	0	0
Change in appointment category (IS to BOD or IS to Management)	0	1	0	0	0
<b>Total</b>	<b>74</b>	<b>78</b>	<b>73</b>	<b>71</b>	<b>53</b>

IS = International Staff, BOD = Board of Directors.

<sup>a</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.7b: Reasons for Terminations (Women International Staff)**

Termination Reasons	2012	2013	2014	2015	2016 <sup>a</sup>
Voluntary resignation	9	16	9	20	6
Retirement	4	9	8	7	7
Normal	4	7	6	7	6
Early	0	2	2	0	0
Incapacity	0	0	0	0	1
Fixed-term expiration	1	2	1	2	2
Non-confirmation of appointment	0	0	0	0	0
Interest of good administration	0	0	0	0	0
Mutually agreed separation	2	0	4	0	4
Misconduct	0	0	0	0	0
Death	0	0	0	1	0
Ill health	0	0	0	0	0
Early separation program	0	0	0	0	0
Unsatisfactory service	1	0	1	1	0
Abandonment of office	0	0	0	0	0
Change in appointment category (IS to BOD or IS to Management)	0	0	0	0	0
<b>Total</b>	<b>17</b>	<b>27</b>	<b>23</b>	<b>31</b>	<b>19</b>

IS = International Staff, BOD = Board of Directors.

<sup>a</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.8: Reasons for Voluntary Resignations for International Staff**

Reason		2012	2013	2014	2015	2016 <sup>d</sup>
Personal or family <sup>b</sup>	All	14	13	14	12	10
	Women	4	9	5	9	3
Salary or career <sup>c</sup>	All	16	10	7	10	6
	Women	2	5	2	6	1
Others <sup>d</sup>	All	3	11	10	7	2
	Women	1	2	2	4	1
Not provided by staff	All	4	1	1	4	3
	Women	2	0	0	1	1
<b>Total</b>	<b>All</b>	<b>37</b>	<b>35</b>	<b>32</b>	<b>33</b>	<b>21</b>
	<b>Women</b>	<b>9</b>	<b>16</b>	<b>9</b>	<b>20</b>	<b>6</b>

<sup>a</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

<sup>b</sup> Including situation in the Philippines and spouse employment/children's education.

<sup>c</sup> Including better career prospects elsewhere and lack of professional opportunities.

<sup>d</sup> Including migration, return to parent organization, department and/or division management and job content.

Source: Asian Development Bank.

## **B. Headquarters National Staff and Administrative Staff**

2. Tables A7.9–A7.16 present the recruitment and retention experience for national staff and administrative staff (NSAS) at headquarters. The main points are as follows:

- (i) **Recruitment rate.** Table A7.9 provides a summary of the offers made and accepted from January 2012 to August 2016. For 2016, there has been a significant drop in the number of offers made compared to the 2012–2015 period. Of the 35 offers made in the first 8 months of 2016, 33 (28 administrative staff and 5 national staff) were accepted (Table A7.10). However, the acceptance rate of 94.3% is higher than the average acceptance rate of 92.0% during 2012–2015. Moreover, the annualized recruitment rate of 3.5% for 2016 is lower than the average recruitment rate of 6.6% during 2012–2015. From January 2012 to August 2016, the majority of recruited NSAS came from the private sector (80.0%) and government agencies (13.3%) and the rest from international organizations and the academe (Table A7.11).
- (ii) **Rejection rate.** Table A7.12 shows the rejection rates from January 2012 to August 2016. The annualized rejection rate of 8.6% for 2016 is higher than the average rejection rate of 6.6% during 2012–2015. The main reasons for the rejection of job offers were salary, benefits and job related concerns (Table A7.13).
- (iii) **Termination rate.** Table A7.14 shows the termination rates from January 2012 to August 2016. The annualized termination rate of 4.6% is lower than the average termination rate of 5.8% during 2012–2014. Terminations from January 2012 to August 2016 were mainly because of voluntary resignation, retirement, and ADB-initiated separations (Table A7.15).
- (iv) **Voluntary resignation rate.** The annualized voluntary resignation rate of 3.1% for 2016 is lower than the average voluntary resignation rate of 3.6% during 2012–2015. Table A7.16 shows that in the first 8 months of 2016, 29 staff resigned voluntarily mainly because of personal or family reasons (62.1%).

**Table A7.9: Recruitment Experience for Headquarters National Staff and Administrative Staff**

Year	Number of Staff as of 1 January		Number of Offers <sup>a</sup>		Number of Accepted Offers <sup>b</sup>		Acceptance Rate <sup>c</sup> (%)		Recruitment Rate <sup>d</sup> (%)	
	All	Women	All	Women	All	Women	All	Women	All	Women
2012	1,384	1,128	114	85	105	78	92.1	91.8	7.6	6.9
2013	1,424	1,160	54	42	52	40	96.3	95.2	3.7	3.4
2014	1,336	1,084	105	85	95	79	90.5	92.9	7.1	7.3
2015	1,349	1,095	120	85	107	75	89.2	88.2	7.9	6.8
2016 <sup>e</sup>	1,416	1,138	35	24	33	22	94.3	91.7	2.3	1.9

<sup>a</sup> Includes formal offers and informal offers (only where the candidates declined).

<sup>b</sup> Number of staff recruited includes all candidates who accepted offers made during the year

<sup>c</sup> Rate of recruited candidates over the number of offers.

<sup>d</sup> Rate of recruited candidates over the number of staff at the beginning of the year.

<sup>e</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.

**Table A7.10: Recruitment of Headquarters National Staff and Administrative Staff by Staff Category**

ADB Level	Number of Staff Recruited <sup>a</sup>				
	2012	2013	2014	2015	2016 <sup>b</sup>
Administrative Staff					
AS1	0	0	0	0	0
AS2	0	0	0	0	0
AS3	4	4	5	8	2
AS4	56	30	60	56	14
AS5	6	1	5	6	3
AS6	6	4	5	11	5
AS7	8	1	3	4	4
National Staff					
NS1	12	8	10	5	3
NS2	9	4	5	6	0
NS3	4	0	1	6	2
NS4	0	0	0	3	0
NS5	0	0	1	2	0
NS6	0	0	0	0	0
NS7	0	0	0	0	0
<b>Total</b>	<b>105</b>	<b>52</b>	<b>95</b>	<b>107</b>	<b>33</b>

AS = administrative staff, NS = national staff.

<sup>a</sup> Includes all candidates who accepted offers made during the year.

<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.11: Sources of Appointed Headquarters National Staff and Administrative Staff<sup>a</sup>**

Year	Private Sector	Government Agencies	International Organization	Academe	Total
2012	69	25	3	2	99
2013	51	4	0	0	55
2014	70	15	2	0	87
2015	91	15	6	2	114
2016 <sup>b</sup>	24	4	1	1	30

<sup>a</sup> Includes all candidates who accepted offers made during the year.

<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.12: Rejection of Headquarters National Staff and Administrative Staff Job Offers**

Offer Year	Number of Offers <sup>a</sup>		Number of Rejections <sup>b</sup>		Rejection Rate (%)	
	All	Women	All	Women	All	Women
2012	114	85	5	4	4.4	4.7
2013	54	42	2	2	3.7	4.8
2014	105	85	8	5	7.6	5.9
2015	120	85	13	10	10.8	11.8
2016 <sup>c</sup>	35	24	2	2	5.7	8.3

<sup>a</sup> Includes formal offers and informal offers (only where the candidates declined)

<sup>b</sup> Excludes candidates whose offers were withdrawn by ADB.

<sup>c</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.13: Reasons for Rejections of Headquarters National Staff and Administrative Staff Job Offers**

Reason		2012	2013	2014	2015	2016 <sup>a</sup>	Total
Salary and/or benefits <sup>b</sup>	All	2	0	6	8	1	17
	Women	2	0	4	5	1	12
Personal and/or family reasons and spouse employment	All	0	0	0	3	0	3
	Women	0	0	0	3	0	3
Security and living conditions in Manila	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
Job related <sup>c</sup>	All	3	2	2	2	1	10
	Women	2	2	1	2	1	8
Not provided by staff	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
<b>Total</b>	<b>All</b>	<b>5</b>	<b>2</b>	<b>8</b>	<b>13</b>	<b>2</b>	<b>30</b>
	<b>Women</b>	<b>4</b>	<b>2</b>	<b>5</b>	<b>10</b>	<b>2</b>	<b>23</b>

<sup>a</sup> Includes formal offers and informal offers (only where the candidates declined).

<sup>b</sup> Excludes candidates whose offers were withdrawn by the Asian Development Bank.

<sup>c</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.14: Termination Rates for Headquarters National Staff and Administrative Staff**

Year	Number of Staff as of 1 January		Voluntary Resignations				Other Terminations				Total Terminations			
	All	Women	Number of Staff		Rate <sup>a</sup> (%)		Number of Staff		Rate <sup>b</sup> (%)		Number of Staff		Rate <sup>c</sup> (%)	
			All	Women	All	Women	All	Women	All	Women	All	Women	All	Women
2012	1,384	1,128	19	14	1.4	1.2	40	26	2.9	2.3	59	40	4.3	3.5
2013	1,424	1,160	96	83	6.7	7.2	47	37	3.3	3.2	143	120	10.0	10.3
2014	1,336	1,084	59	48	4.4	4.4	15	11	1.1	1.0	74	59	5.5	5.4
2015	1,349	1,095	27	24	2.0	2.2	20	14	1.5	1.3	47	38	3.5	3.5
2016 <sup>d</sup>	1,416	1,138	29	24	2.0	2.1	14	8	1.0	0.7	43	32	3.0	2.8

<sup>a</sup> Rate of voluntary resignations over the number of staff at the beginning of the year.

<sup>b</sup> Rate of other terminations over the number of staff at the beginning of the year.

<sup>c</sup> Rate of total terminations over the number of staff at the beginning of the year.

<sup>d</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.



**Table A7.15a: Reasons for Terminations (All Headquarters National Staff and Administrative Staff)**

Termination Reasons	2012	2013	2014	2015	2016 <sup>a</sup>
Voluntary resignation	19	96	59	27	29
Retirement	23	34	12	9	5
Normal	17	19	4	7	4
Early	4	14	7	2	0
Incapacity	2	1	1	0	1
Fixed-term expiration	2	1	1	2	1
Non-confirmation of appointment	1	0	1	0	1
Interest of good administration	11	8	0	4	4
Misconduct	1	0	0	0	2
Death	0	1	0	2	0
Ill health	0	1	0	0	0
Special separation program	0	0	0	0	0
Early separation program	0	0	0	0	0
Change in appointment category (NSAS to IS)	2	2	1	3	1
<b>Total</b>	<b>59</b>	<b>143</b>	<b>74</b>	<b>47</b>	<b>43</b>

IS = international staff, NSAS = national staff and administrative staff.

<sup>a</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.15b: Reasons for Terminations (Women Headquarters National Staff and Administrative Staff)**

Termination Reasons	2012	2013	2014	2015	2016 <sup>a</sup>
Voluntary resignation	14	83	48	24	24
Retirement	16	27	9	7	4
Normal	12	14	3	5	3
Early	2	12	5	2	0
Incapacity	2	1	1	0	1
Fixed-term expiration	0	0	0	1	0
Non-confirmation of appointment	1	0	1	0	0
Interest of good administration	7	7	0	2	2
Misconduct	1	0	0	0	1
Death	0	1	0	2	0
Ill health	0	1	0	0	0
Special separation program	0	0	0	0	0
Early separation program	0	0	0	0	0
Change in appointment category (NSAS to IS)	1	1	1	2	1
<b>Total</b>	<b>40</b>	<b>120</b>	<b>59</b>	<b>38</b>	<b>32</b>

IS = international staff, NSAS = national staff and administrative staff.

<sup>a</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.16: Reasons for Voluntary Resignations for Headquarters National Staff and Administrative Staff**

Reason		2012	2013	2014	2015	2016 <sup>a</sup>
Personal or family <sup>b</sup>	All	9	69	30	17	18
	Women	8	62	26	15	14
Salary or career <sup>c</sup>	All	4	20	19	2	4
	Women	1	15	13	2	4
Others <sup>d</sup>	All	5	2	8	6	7
	Women	5	2	8	5	6
Not provided by staff	All	1	5	2	2	0
	Women	0	4	1	2	0
<b>Total</b>	<b>All</b>	<b>19</b>	<b>96</b>	<b>59</b>	<b>27</b>	<b>29</b>
	<b>Women</b>	<b>14</b>	<b>83</b>	<b>48</b>	<b>24</b>	<b>24</b>

<sup>a</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

<sup>b</sup> Including the situation in the Philippines and spouse employment and/or children's education.

<sup>c</sup> Including better career prospects elsewhere and lack of professional opportunities.

<sup>d</sup> Including migration, return to parent organization, department and/or division management and job content.

Source: Asian Development Bank.

### C. Field Office National Staff and Administrative Staff

3. Tables A7.17 - A7.24 present the recruitment and retention experience for national staff and administrative staff in field offices. The main points are as follows:

- (i) **Recruitment rate.** Table A7.17 provides a summary of the offers made and accepted from January 2012 to August 2016. Of the 40 offers made in the first 8 months, 38 were accepted—19 for administrative staff positions and 19 for national staff positions (Table A7.18). As for 2012–2015, most of the staff recruited came from the private sector (Table A7.19).
- (ii) **Rejection rate.** Table A7.20 shows the rejection rates from January 2012 to August 2016. The annualized rejection rate of 7.5% for 2016 is lower than the average rejection rate of 9.3% during 2012–2015. The main reasons for rejecting job offers were salaries, benefits and job-related concerns (Table A7.21).
- (iii) **Termination rate.** Tables A7.22 shows the termination rate of local staff in field offices from January 2012 to August 2016, while Table A7.23 shows the reasons for the termination. The annualized termination rate of 6.5% in 2016 is higher than the average termination rate of 5.4% during 2012–2015. The terminations were mainly because of voluntary resignations and retirements.
- (iv) **Voluntary resignation rate.** The annualized voluntary resignation rate of 2.9% for 2016 is slightly lower than the average voluntary resignation rate of 3.0% during 2012–2015. Table A7.24 shows that in the first 8 months of 2016, 11 staff resigned voluntarily mainly because of personal or family concerns (36.4%) and salary or career related reasons (36.4%).

**Table A7.17: Recruitment Experience for Field Office National Staff and Administrative Staff<sup>a</sup>**

Year	Number of Staff as of 1 January		Number of Offers <sup>a</sup>		Number of Accepted Offers <sup>b</sup>		Acceptance Rate <sup>c</sup> (%)		Recruitment Rate <sup>d</sup> (%)	
	All	Women	All	Women	All	Women	All	Women	All	Women
2012	512	249	72	36	63	33	87.5	91.7	12.3	13.3
2013	545	273	41	15	37	13	90.2	86.7	6.8	4.8
2014	550	272	40	20	40	20	100.0	100.0	7.3	7.4
2015	567	283	53	24	45	19	84.9	79.2	7.9	6.7
2016 <sup>e</sup>	578	289	40	29	38	27	95.0	93.1	6.6	9.3

<sup>a</sup> Includes local staff in the representative offices, but excludes the Philippines Country Office.

<sup>b</sup> Includes formal offers and informal offers (only where the candidates declined).

<sup>c</sup> Number of staff recruited includes all candidates who accepted offers made during the year.

<sup>d</sup> Rate of recruited candidates over the number of offers.

<sup>e</sup> Rate of recruited candidates over the number of staff at the beginning of the year.

<sup>f</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.

**Table A7.18: Recruitment of Field Office National Staff and Administrative Staff by Staff Category<sup>a</sup>**

ADB Level	Number of Staff Recruited <sup>b</sup>				
	2012	2013	2014	2015	2016 <sup>c</sup>
Administrative Staff					
AS1	0	0	0	0	0
AS2	0	0	0	0	0
AS3	3	2	3	2	5
AS4	15	6	5	5	3
AS5	6	3	5	1	2
AS6	12	7	6	14	9
AS7	0	0	1	1	0
National Staff					
NS1	6	5	5	3	3
NS2	14	4	7	7	7
NS3	6	9	5	12	6
NS4	1	0	2	0	0
NS5	0	1	1	0	2
NS6	0	0	0	0	1
NS7	0	0	0	0	0
<b>Total</b>	<b>63</b>	<b>37</b>	<b>40</b>	<b>45</b>	<b>38</b>

AS = administrative staff, NS = national staff.

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Number of staff recruited includes all candidates who accepted offers made during the year.

<sup>c</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.19: Sources of Appointed Field Office National Staff and Administrative Staff<sup>a, b</sup>**

Year	Private Sector	Government Agencies	International Organization	Academe	From ADB's International Staff	Total
2012	39	9	12	3	0	63
2013	22	8	7	0	1	38
2014	34	3	2	1	0	40
2015	26	9	7	0	0	42
2016 <sup>c</sup>	25	5	6	0	1	37

ADB = Asian Development Bank.

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Number of hires include all candidates who were appointed as staff during the year.

<sup>c</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.20: Rejection of Field Office National Staff and Administrative Staff Job Offers<sup>a, b</sup>**

Offer Year	Number of Offers <sup>a</sup>		Number of Rejections <sup>c</sup>		Rejection Rate (%)	
	All	Women	All	Women	All	Women
2012	72	36	9	3	12.5	8.3
2013	41	15	4	2	9.8	13.3
2014	40	20	0	0	0.0	0.0
2015	53	24	8	5	15.1	20.8
2016 <sup>d</sup>	40	29	2	2	5.0	6.9

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Includes formal offers and informal offers (only where the candidates declined).

<sup>c</sup> Excludes candidates whose offers were withdrawn by ADB.

<sup>d</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.21: Reasons of Rejection of Field Office National Staff and Administrative Staff Job Offers<sup>a</sup>**

Reason		2012	2013	2014	2015	2016 <sup>b</sup>	Total
Salary and/or benefits <sup>c</sup>	All	3	2	0	4	1	10
	Women	0	0	0	2	1	3
Personal and/or family reasons and spouse employment	All	4	2	0	0	0	6
	Women	1	2	0	0	0	3
Security and living conditions in Manila	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
Job related <sup>d</sup>	All	2	0	0	4	1	7
	Women	2	0	0	3	1	6
Not provided by staff	All	0	0	0	0	0	0
	Women	0	0	0	0	0	0
<b>Total</b>	<b>All</b>	<b>9</b>	<b>4</b>	<b>0</b>	<b>8</b>	<b>2</b>	<b>23</b>
	<b>Women</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>5</b>	<b>2</b>	<b>12</b>

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Data as of 31 August 2016.

<sup>c</sup> Including low salary, receipt of better offer, and non-transferability of pension.

<sup>d</sup> Including broader job requirement, job assignment preference, and higher entry level position.

Source: Asian Development Bank.

**Table A7.22: Termination Rates for Field Office National Staff and Administrative Staff<sup>a</sup>**

Year	Number of Staff as of 1 January		Voluntary Resignations				Other Terminations				Total Terminations			
			Number of Staff		Rate <sup>b</sup> (%)		Number of Staff		Rate <sup>c</sup> (%)		Number of Staff		Rate <sup>d</sup> (%)	
	All	Women	All	Women	All	Women	All	Women	All	Women	All	Women	All	Women
2012	512	249	13	3	2.5	1.2	17	6	3.3	2.4	30	9	5.9	3.6
2013	545	273	19	12	3.5	4.4	14	4	2.6	1.5	33	16	6.1	5.9
2014	550	272	15	6	2.7	2.2	8	3	1.5	1.1	23	9	4.2	3.3
2015	567	283	19	8	3.4	2.8	12	4	2.1	1.4	31	12	5.5	4.2
2016 <sup>e</sup>	578	289	11	3	1.9	1.0	14	1	2.4	0.3	25	4	4.3	1.4

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Rate of voluntary resignations over the number of staff at the beginning of the year.

<sup>c</sup> Rate of other terminations over the number of staff at the beginning of the year.

<sup>d</sup> Rate of total terminations over the number of staff at the beginning of the year.

<sup>e</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

Source: Asian Development Bank.

**Table A7.23a: Reasons for Terminations (All Field Office National Staff and Administrative Staff Staff)<sup>a</sup>**

Termination Reasons	2012	2013	2014	2015	2016 <sup>b</sup>
Voluntary resignation	13	19	15	19	11
Retirement	8	7	7	9	8
Normal	7	6	7	9	8
Early	0	1	0	0	0
Incapacity	1	0	0	0	0
Fixed-term expiration	2	0	0	0	0
Non-confirmation of appointment	0	0	0	0	0
Interest of good administration	0	0	0	2	1
Misconduct	0	1	0	0	0
Death	0	0	0	0	3
Ill health	0	0	0	0	0
Early separation program	0	0	0	0	0
Change in appointment category (NSAS to IS)	7	6	1	1	2
<b>Total</b>	<b>30</b>	<b>33</b>	<b>23</b>	<b>31</b>	<b>25</b>

IS = international staff, NSAS = national staff and administrative staff.

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.23b: Reasons for Terminations (Women Field Office National Staff and Administrative Staff)<sup>a</sup>**

Termination Reasons	2012	2013	2014	2015	2016 <sup>b</sup>
Voluntary resignation	3	12	6	8	3
Retirement	2	1	3	1	0
Normal	2	1	3	1	0
Early	0	0	0	0	0
Incapacity	0	0	0	0	0
Fixed-term expiration	1	0	0	0	0
Non-confirmation of appointment	0	0	0	0	0
Interest of good administration	0	0	0	2	0
Misconduct	0	1	0	0	0
Death	0	0	0	0	1
Ill health	0	0	0	0	0
Early separation program	0	0	0	0	0
Change in appointment category (NSAS to IS)	3	2	0	1	0
<b>Total</b>	<b>9</b>	<b>16</b>	<b>9</b>	<b>12</b>	<b>4</b>

IS = international staff, NSAS = national staff and administrative staff.

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Data as of 31 August 2016.

Source: Asian Development Bank.

**Table A7.24: Reasons for Voluntary Resignations for Field Office National Staff and Administrative Staff<sup>a</sup>**

Reason		2012	2013	2014	2015	2016 <sup>b</sup>
Personal or family <sup>c</sup>	All	7	10	5	9	4
	Women	3	7	2	4	3
Salary or career <sup>d</sup>	All	4	8	5	5	4
	Women	0	4	2	1	0
Others <sup>e</sup>	All	2	1	4	3	1
	Women	0	1	2	2	0
Not provided by staff	All	0	0	1	2	2
	Women	0	0	0	1	0
<b>Total</b>	<b>All</b>	<b>13</b>	<b>19</b>	<b>15</b>	<b>19</b>	<b>11</b>
	<b>Women</b>	<b>3</b>	<b>12</b>	<b>6</b>	<b>8</b>	<b>3</b>

<sup>a</sup> Includes local staff in the representative offices, but excludes Philippine Country Office.

<sup>b</sup> Including spouse employment and/or children's education.

<sup>c</sup> Data as of 31 August 2016, includes all staff on board including unconfirmed staff.

<sup>d</sup> Including better career prospects elsewhere and lack of professional opportunities.

<sup>e</sup> Including migration, return to parent organization, department and/or division management and job content.

Source: Asian Development Bank.

## REVISED POLICY AND PROCESS GUIDELINES FOR CONDUCTING THE FIELD OFFICES COMPENSATION REVIEWS

### A. PRINCIPLES AND POLICY STATEMENTS

#### 1. Principles and Objectives

- (i) Competitiveness is ensured with external markets by offering a high value proposition in terms of salary and benefits to compete vigorously with other international employers including International Financial Institutions.
- (ii) Compensation is based on relevant markets' compensation levels and practices, internal equity is provided by levels of compensation that recognizes differences in job weight and value through a grading structure, and salary progression is administered according to individual performances measured annually
- (iii) Compensation enables the organization to recruit locally staff members of the desired skills, competencies, expertise and experience appropriate to the job requirements of the Asian Development Bank (ADB) at all grade levels to support the business and operations in the field.
- (iv) Compensation allows for retaining locally recruited staff so long as there is coherence between their development and career aspirations and ADB's evolving missions and development purposes.
- (v) Compensation helps motivate staff to achieve the highest level of individual performance in the exercise of their job responsibilities.
- (vi) Compensation policy costs are managed within budget limits that are commensurate with ADB's missions and responsibility towards its member countries.

#### 2. Policy Statements

- (i) **Compensation policy** is set at the upper quartile (75th percentile) of the market of ADB's competitors' total remuneration (base salary, grants, bonuses and benefits in kind) and is materialized by the pay-line.
- (ii) **Comparators.** ADB's market references for compensation pay levels and practices are international organizations and corporations, public and private, that seek to employ local nationals with an international type of education and the ability to work fluently in English at international standards.
- (iii) **Labor market.** The labor market sample shall ideally have a large representation of different branches of the general industry market including consumers goods, the financial and banking market including investment banks, the international organizations market including international financial institutions and non-governmental organizations, and the public sector market including central banks and embassies, in the proportion of two third private sector and one third public sector.
  - (a) The organizations selected will be ADB chosen comparators for benchmarking compensation and benefits.
  - (b) Said representation may not be possible to achieve in all field offices because the local labor market may be too small or unorganized with a poor presence of various branches of industry. In these cases the labor market sample shall be composed of at least 10-12 private and/or public organizations, established in the country for at least 2 years and known for their socially responsible human resources policy and ethical conduct.
  - (c) The composition of the market sample is regularly reviewed, at least every 3 years, to make sure that the chosen comparators are still



- operating, that there has not been important changes in the composition of the local labor market following the economic growth of the country or any other major economic change.
- (d) The gathering of relevant remuneration data and information is completed through benchmarking jobs/positions or group of jobs/ positions of similar weight and value according to the job content, outputs, position in the organization and level of responsibility. Comparators may use different grading systems. Mapping grades can be used for benchmarking as long as grade equivalency is built on a thorough comparison of jobs/positions' contents, outputs and responsibilities.
  - (iv) **Total remuneration** is delivered as an annual net<sup>1</sup> of income taxes salary paid in semi-monthly installments. ADB may, with Board endorsement, seek to deliver remuneration in different formats to reflect market practices. Annual salaries are generally delivered in the local currency of the country where the field office is located. Salaries can be delivered in another currency if it reflects the local market practice and considered legal by the local authorities.
  - (v) **Salary structure.** The salary scales for consecutive grades constitute the salary structure. The midpoints of these consecutive scales or ranges materialize the compensation policy (upper quartile) of the organization and show the pay progression by grade level or pay-line.
    - (a) Jobs and positions, whether currently recorded or to be developed according to future needs of the business, are grouped by grade levels. A salary range with a minimum and maximum is developed for each grade level.
    - (b) There are currently 7 grades for administrative staff and 7 grades for national staff.
    - (c) Any change to the current grading system has no impact on the present policy guidelines.
  - (vi) **Salary scale, range and midpoint.** The salary scale indicates the range of salary that staff may be paid at each grade based on pay practices in the local market.
    - (a) The minimum and maximum of the range are equidistant from the midpoint.
    - (b) The midpoint is the point in the salary scale broadly aligned with the local labor market at the upper quartile of the comparators' market.
    - (c) Individual salaries cannot exceed the maximum of the range.
    - (d) Salaries offered to new entrants cannot be below the minimum of the range for their grade level.
  - (vii) **Market alignment** of the salary structure and of the pay line is realized every year on 1 January, by aligning the midpoint of each grade level with the market reference point set at the upper quartile (75th percentile) of the comparators' total remuneration for job/positions matched at that grade level.
    - (a) The salary structure is aligned with the observed upward movement of the market.
    - (b) When no market movement is observed, the salary structure is frozen at its current values and remains frozen until the next review.

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<sup>1</sup> With the exceptions of Japan, the Philippines and the United States where total remuneration is delivered as a gross salary.

- (c) When a downward market movement is observed, the salary structure is not adjusted downwards but frozen at its current values and remains frozen until the next review.
- (d) The salary structure may be frozen for more than 1 year and will remain frozen, until a review shows that the market reference points are exceeding the salary structure midpoints.
- (viii) **Actual pay alignment with the pay policy** is realized by aligning pay on average with the midpoints (pay-line) of the salary structure and consequently the 75<sup>th</sup> percentile of the market.
  - (a) Management has the option of aligning pay per grade level, per type of staff (national staff, administrative staff) or on a global weighted average according to the most equitable process at the time of the salary review.
  - (b) The comparatio is the result of comparing an annualized wage bill<sup>2</sup> or payroll with the weighted average of the midpoints corresponding to the mix of staff in the wage bill. Comparatio can be calculated for a full office, a grade level, a group of staff (administrative staff, national staff).
  - (c) The comparatio for a field office is the result of comparing a projected wage bill as of 31 December with the weighted average of the midpoints of the salary structure as of 1 January of the following year. A comparatio of 100 means that actual pay is on average aligned with the midpoints of the salary structure and therefore the market's 75<sup>th</sup> percentile. A comparatio of 95 indicates that pay is on average below the market by 5%. A comparatio of 110 indicates that pay is on average above the market by 10%.
  - (d) Actual pay alignment with the market may not be possible in one year in a number of circumstances such as setting a new office, drastic changes in the job mix following an unusual large number of new entrants and/or the departure of staff with long services, important growth of the labor market and budget constraints.
  - (e) Full alignment with the market is necessary to ensure that actual pay remains competitive with the market and needs to be reached within a reasonable period of time (2/3 years) to ensure proper governance, consistency and equity of treatment.
  - (f) The comparatio will exclude pay of new entrants with less than 1 year of service and all other unconfirmed staff since a confirmation increase is provided upon confirmation.
  - (g) A minimum increase of up to 2% can be provided at management discretion if the wage bill in a given year reaches or exceeds a comparatio of 100.
  - (h) Management has either the discretion to freeze actual pay when it happens that no adjustment to the salary structure is necessary and that the comparatio is already above 100 or to provide a lump sum payment as indicated in Paras. 6 item (iii) and 7 item (iv) below.
- (ix) **Individual salary increases** are implemented on January 1 of each calendar year and are performance based. Promotions and the ensuing salary increase are implemented on the first day of the month following the promotion decision. All individual increases are applied to the midpoint of the relevant grade.

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<sup>2</sup> Wage bill is the sum of the actual salaries or staff pay paid over a period of time (usually a month or a year) for the total number of staff for a whole office, a group of staff ( administrative staff , national staff) or at a grade level.

- (x) **Special compensation measures** may be introduced to address natural disasters, drastic economic changes or any other situation that strongly impact the well-being of staff in a field office.
  - (a) These situations may be linked to a catastrophic natural event, to a drastic change in the economic environment or to social and/or political unrest.
  - (b) The compensation measures provided as relief to staff are based on market practices and are studied in partnership with comparators present in the country and mainly the World Bank Group (WBG).
  - (c) Management is responsible for issuing specific sets of guidelines on the circumstances that call for such measures and for defining the compensation elements of the proposals including the impact on the Staff Retirement Plan and other benefits.
  - (d) Compensation measures provided as a relief in these circumstances are by definition temporary and are reviewed as deemed necessary but at least every quarter. Management is responsible for determining duration, start date, cessation trigger and end date of said measures.

## B. ANNUAL REVIEW PROCESS

### 3. Market surveys

- (i) **Market data:** ADB's compensation for Field Offices is market-driven; each year the annual review process will commence by purchasing the updated market information necessary to review the current salary structure.
- (ii) **Sources of market data:** data will be purchased from the Birches Group according to the practice that has been long established with this consulting firm. Data will also be purchased from at least one other reputable source to complement the Birches Group data for the private sector.
- (iii) **Custom Surveys:** when data is not readily available or not reported in a format that is in line with ADB's requirements (such as total net remuneration, social benefits excluded, inappropriate or unknown benchmarking) custom surveys of well-established organizations (15 to 20) with long-standing presence in the location may be commissioned at the discretion of the Director of the Human Resources Policy and Program Division.
- (iv) **Market surveys or data:** data is to be reported as a total annual remuneration netted down for income taxes using the tax rate for a married couple with 2 dependent children. The following are included in the total net remuneration: base salary including 13th month pay, vacation or year-end premiums, any grants in cash such as housing or education, variable pay and bonuses, and the monetary value of all benefits in kind such as company cars when privately used, subsidized housing, free telephones, club memberships etc. However social benefits such as retirement, medical, death and disability, workers compensation, and leave should not be aggregated in the total net remuneration because ADB is providing similar benefits in addition to salary.
- (v) **Data relevance:** remuneration data is to be collected and presented either according to jobs and positions that have been effectively matched to ADB's benchmark positions (as is the case for the Birches Group data) or according to levels or grades appropriately matched to ADB's grades.

## 4. Market Analysis

- (i) **Data analysis:** the data, collected from the Birches Group and other data sources, is entered into ADB's compensation analysis excel calculator and analyzed. Anomalies and outliers are neutralized. The data is then weighted and averaged and provides a market reference point at the upper quartile (75th percentile) of the comparators remuneration for ADB grades. When United Nations data is reported, step 7 of the UN salary structure is used as a proxy for the upper quartile.
- (ii) **World Bank Group salary structure:** the WBG midpoints are retained by the current methodology as a proxy for competitive levels of salary in the local markets. The WBG salary structure is effective 1 July of each year. To account for the timing difference between the WBG review and the ADB review, which is effective 1 January of each year, the WBG salary structure is aged according to the expected salary increase figures for the period from 1 July to 1 January for each country.
- (iii) **Market analysis:** The WBG aged salary structure is then analyzed and or combined with the market reference points resulting from other sources of data to determine the most appropriate reference to derive the ADB's salary structure for the following year. The data collected may confirm that the WBG salary structure is most competitive because it is positioned at the 75th percentile of the market. If this were not the case, the Director of the Human Resources Policy and Program Division could elect to revert to the market reference points resulting from the data analysis.

## 5. Salary Structure Review

- (i) **Job matching, benchmarking and grade equivalency:** Job matching is conducted on the basis of the job content, level of responsibility, expected outcome and position within the organization. ADB benchmark jobs are used for the job matching or for determining grade equivalency. Job matches and Grade equivalency may evolve following changes in job requirements and content as well as in market definitions.
- (ii) **With the World Bank Group salary structure<sup>3</sup>:** The aged midpoints of the WBG salary structure are compared with ADB's current midpoints and the gap in percentage between the two values provides the basis for the salary scales adjustment calculation.
- (iii) **With the market reference points resulting from the data analysis:** The market reference points are compared with the current midpoints of the corresponding ADB grades to determine the gap in percentage between the two values. The gap provides the basis for the salary scale adjustment at the corresponding grade. The WBG data is included in this analysis as one comparator, as well as step 7 of the United Nations' salary scales.
- (iv) **Salary structure adjustment:** The midpoints are adjusted each year by applying the percentage increase needed to align them with the chosen market references, whether it is the WBG salary structure midpoints or the market data at the upper quartile or a combination of both. The salary scale or range of each grade (minimum and maximum) is also adjusted according to the same percentage. The average salary structure adjustment for each field office is the combined weighted average of these individual grade adjustments.

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<sup>3</sup> Mapping of ADB's grades for NSAS to WBG grades is provided in Table A8.1.

## 6. Determining the Pay Increase

- (i) **Calculating the comparatio**<sup>4</sup>: Determining the pay increase requires identifying the position of actual pay versus the updated midpoints (pay-line). This is to conform to the pay policy which is to position the midpoints at the 75th percentile of the market comparators, and to pay staff performing satisfactorily and having the required set of skills and experience for the job on average at the 75th percentile of the market.
  - (a) The actual positioning of staff actual pay is determined by comparing the wage bill for all staff (minus salaries of unconfirmed staff with less or more than 1 year of service) in an office with the weighted average of the salary structure midpoints using the same number of staff and grade mix (comparatio). This ratio can also be calculated separately for administrative staff and national staff or by grade level when deemed necessary.
  - (b) The ratio resulting from these comparisons will show the relative position of actual pay versus the pay-line and thus the market 75<sup>th</sup> percentile. A ratio of 93 indicates that actual pay needs to be increased by 7% to be aligned with the updated midpoints.
  - (c) Technically the average pay increase or average salary increase for each field office is determined by calculating the weighted average percentage increase needed to align the wage bill on January 1 with the updated midpoints. Applying that average pay increase would result in a 100% comparatio recovery.
  - (d) The actual proposed average salary increase may however be different as detailed below in para. 6 item (iii).
- (ii) **Comparatio and Dilution Factor**: Each year some changes occur in the composition of the staff mix (retirements, promotions, resignations, new entrants, vacancies) that impact pay and reduce the average pay value versus the weighted average midpoints value during the course of the year.
  - (a) The salary dilution effect is known as the dilution factor and is generated by growth in the numbers of staff and the difference in pay levels between staff leaving and staff entering the organization. In any given year the comparatio tends to drop while the expected growth of the wage bill is reduced by the dilution factor.
  - (b) The expected dilution factor is computed each year based on historical data, promotions, confirmations, retirement, and recruitment projections to calculate the impact of salary dilution on the comparatio.
- (iii) **Average salary increase**: The proposed average salary increase is determined for each office by Management after due consideration is given to maintaining a 100% comparatio recovery where possible or setting intermediary steps when a 100% recovery needs to be phased over 2-3 years.
  - (a) Average salary increases are determined by reference to the comparatio and a target recovery of 100% or less. Usually the average salary increase is the sum of the salary structure adjustment and an additional merit increase to allow for salary progression within the range and achieve the target comparatio recovery.
  - (b) When the salary structure adjustment is higher than the average salary increase necessary to reach a 100% comparatio recovery, the full

<sup>4</sup> The terminology used in other corporations or in the WBG may refer to salary gap.

structural adjustment cannot be used as the actual salary increase. The average salary increase is determined by the comparatio recovery and is limited to the percentage sufficient to bring staff salaries at par with the new midpoints.

- (c) When the comparatio exceeds 100, Management may grant a minimum merit increase of up to 2%, particularly in offices with a small number of staff. However these merit increases should not contribute to maintain or increase the overpayment of staff in these offices in the long term.
- (d) When there is no salary structure movement observed in the market and when the comparatio exceeds 100, due consideration needs to be given to freezing actual pay in addition to freezing the salary structure to avoid overpayment. In this event, as per *Administrative Order 3.01* on Salary Administration, Management may revert to the process used for staff reaching the maximum of the range and provide a lump sum payment, as per para. 7 item (iv), derived from a minimum merit increase of 2%.

7. **Salary administration:** Individual salary increases are merit-based. Each year, staff's performance is reviewed and measured. Management determines individual increases based on performance ratings. Individual increases are expressed in percentage of the midpoint of the staff's grade.
- (i) The performance ratings are: unsatisfactory which does not qualify for any increase, satisfactory, satisfactory with special recommendation and exceptional.
  - (ii) The approved average salary increase is distributed to staff according to a merit matrix which allows for salary progression within the salary range for satisfactory performers and above, for recognition of superior and outstanding performances and for a full utilization of the increase budget.
  - (iii) Through the ADB On-Line Salary Increase Recommendation Officer Responsibility system, Managers can access a screen that shows recommended individual increases, which reflect the merit ratings and the relative positioning of individual salaries within the salary range. Managers have the option of approving the recommended increases or making changes as deemed appropriate.
  - (iv) Individual salaries cannot exceed the maximum of the range<sup>5</sup>. When the individual salary increase brings the staff's salary above the maximum of the range following a review, the amount in excess of the maximum is paid as a lump sum and does not form part of the staff salary for the calculation of benefits and overtime as applicable.

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<sup>5</sup> As per ADB Administrative Order 3.01 on Salary Administration.

**Table A8.1: ADB National Staff and Administrative Staff Job Grade Equivalencies with World Bank Grades**

ADB Level	World Bank
AS1	GA
AS2	GA
AS3	GB
AS4	GB
AS5	GC
AS6	GC
AS7	GD
NS1	GD/GE
NS2	GE
NS3	GF
NS4	GF
NS5	GG
NS6	GG
NS7	GG+

ADB = Asian Development Bank; AS = administrative staff;  
 NS = national staff.

Source: Willis Towers Watson.

## **STAFF RETIREMENT PLAN**

1. As a result of the 2015 Comprehensive Compensation and Benefits Review, an Advisory Task Force (ATF) was established to evaluate options to present for management's consideration in order to set the SRP on a financially sustainable path. The ATF, representing staff, retirees, board members (in a personal capacity), and management supported by external experts, met to assess the current financial situation of the plan and evaluate design options of relevance to both current and future staff. The ultimate goal was to help provide – as part of a competitive total remuneration package – an SRP with better controlled costs and more predictable funding, structured so that the risk of large future OCR transfers to fund the plan beyond budgeted amounts is lowered, thus reducing over time the Plan's impact on ADB's balance sheet.
2. The SRP undertook a financial impact analysis of the current SRP and made recommendations in four areas of reform; (i) modification of the discretionary benefits for future contracts; (ii) options for cost reduction of current pre-2006 and 2006 plans; (iii) a new plan for new hires in 2017; and (iv) additional recommendations for strengthening the SRP in the areas of governance, funding and budgeting, investment risk strategies and providing incentives for staff in the pre-2006 plan to move to lower cost plans.
3. Discretionary Benefit reforms will be subject to Pension Committee approval in 19 October 2016. Management will seek general endorsement by the Board of Directors of the retirement and pension reforms in November 2016. Detailed design of the reforms is underway, and will be submitted for Board approval in Q2 2017 for implementation on 1 October 2017.

### **Management Response to Staff Retirement Plan Advisory Task Force (SRP ATF) Recommendations (4 October 2016)**

4. Management received the reform proposals presented by the Staff Retirement Plan Advisory Task Force (SRP ATF) dated 29 June 2016, and is grateful for the thorough effort. Management takes this opportunity to thank members of the SRP ATF for their time and effort in producing a thoughtful and comprehensive set of proposals aimed at reforms to set the SRP on a financially sustainable path.
5. Management has reviewed and considered the ATF's recommendations with the overarching aim to help provide – as part of a competitive total remuneration package– a more sustainable SRP with better controlled costs and more predictable funding - structured so that the risk of large future OCR transfers to fund the plan beyond budgeted amounts is lowered. This would reduce over time the Plan's impact on ADB's balance sheet, which will be reflected in our lending capacity. After careful consideration of the ATF's recommendations, Management presents the following response on the SRP reform as described in the paragraphs below.

#### **A. Existing Staff**

6. **Discretionary Benefits.** Management accepts the ATF's recommendations proposing revisions to the discretionary benefits (XB) portion of the SRP with two modifications, (i) providing more flexibility to vary contribution amounts throughout a calendar year; and (ii) using



the Treasury Department's Multi-purpose Loan (MPL)<sup>1</sup> rate as the basis for setting the interest rate to be earned on the XB balances after end of employment or retirement. Management will propose to the Pension Committee that it approve the proposed revisions to XB contracts in accordance with the terms and conditions described in Annex 1, which would be offered to eligible staff from 1 January 2017<sup>2</sup>.

7. **Commutation Option.** Management accepts the ATF's recommendation to allow the commutation of up to 100% of pension at retirement (versus current 50% for the pre-2006 plan and 0% for the 2006 plan). Management also agrees with the ATF recommendation that staff wishing to commute more than 50% of their pension would be required to agree to reduce any survivor pension commensurately. Staff commuting 100% of pension would be ineligible for Post-Retirement Group Medical Insurance Plan coverage and Post-Retirement Group Life Insurance coverage due to the inability to otherwise securing deduction of insurance premium in the absence of monthly pension payments. For those staff members seeking both maximum commutation and enrollment in Post-Retirement Group Medical Insurance and/or Post-Retirement Group Life Insurance coverage, ADB would compute the largest possible commutation percentage that would leave sufficient monthly pension payments to allow the deduction of insurance premium amounts and make provision for any subsequent adjustments in premium rates. The option to commute up to 100% of pension at retirement will become available when the SRP is amended to make provision for the new hybrid pension plan (anticipated 1 October 2017).

8. **Voluntary Waiver of the 3% COLA floor.** Management thanks the ATF for their practical and pragmatic proposal that would allow retirees and staff members who joined ADB prior to 1 October 2012 to voluntarily waive the guaranteed 3% COLA on past and future accruals. Staff members who voluntarily waive the 3% COLA floor will, for all future cost of living increases, be treated in the same manner as staff members who joined SRP on or after 1 October 2012. This recommendation is accepted by Management with immediate effect. The procedure and format for this waiver will be announced shortly.

9. **Retirement Age.** Management is grateful to the ATF for its thoughtful proposals associated with revising ADB's retirement age policy. As the ATF recognizes in its recommendations, the proposal to extend the retirement age has implications for both pension sustainability and HR management. Regarding pension sustainability, extending retirement age has positive impacts on sustainability of defined benefits depending on assumptions and negative impacts on sustainability of discretionary benefits. Regarding HR management, extending retirement age needs to be accompanied by efforts to ensure that performance of staff is managed effectively.

10. After carefully considering the ATF's recommendations, Management agrees with the recommendation that the normal retirement age (NRA) for current staff would be extended from 60 to 62, allowing staff the choice to work beyond 60 provided they accept revisions to their SRP contracts such that:

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<sup>1</sup> ATF had proposed that the rate for XB balances invested after the earlier of NRA or end of employment date, would earn interest at a short-term rate, as reset each year by the Pension Committee. This rate would be set based on 12-month Libor, with no subsidy, rounded to nearest ¼%.

<sup>2</sup> Staff joining on or after 1 October 2017 will not be eligible for XB.

- (i) Any outstanding XB contract that started on or before 31 December 2016 will earn the step down rate of 5% after age 60 (as it would if they had retired at age 60);
- (ii) Waive the COLA floor for future accruals for the period between age 60 and end of employment. This waiver is not applicable for staff who joined the SRP on or after 1 October 2012 because they are not subject to the COLA floor;
- (iii) Pre-2006 plan participants will accrue after age 60 at the 2006 SRP benefits structure (1.5% accrual instead of current 2.95%), with no participant contributions, and no additional 0.25% increase per month in accrual rate, still subject to a maximum pension of 80% of Highest Average Remuneration (HAR).

Staff members not exercising this option can still retire at age 60 with full benefits. Extension of retirement age and all terms and conditions will apply effective 1 October 2017.

11. Management has further considered the ATF recommendations to offer the option to extend employment beyond age 60 and added the following provisions:

- (i) When staff members reach the age of 58, BPMSD will send a notification to the HOD and the staff member inviting the staff member to inform BPMSD of his/her interest in exercising the option to continue employment to 62 under the terms and conditions for extension beyond NRA as recommended by the ATF (see para 7 above). Except as provided in paragraph (ii) below, the retirement date of staff who accept such terms and conditions will be extended without being subject to review or approval by Management. For the 2017 implementation, staff members approaching age 60 will be notified as soon as possible for them to confirm their interest in continuing employment past age 60.
- (ii) In the case of IS level 7 and above who inform BPMSD of their interest in continuing employment beyond age 60, their cases for extension will be subject to review and consideration by an independent panel chaired by VPAC. The panel will review leadership, delivery skills, and ADB's business needs at the time of the extension, and will submit its recommendation for any proposed extension to the President. Such cases will be subject to the approval of the President.
- (iii) Staff members may be allowed to extend their retirement age from 62 up to 65 under mutual agreement (same as the current rule based on business need). The considerations outlined in para. 7 will apply to these extensions.

## **B. Staff Joining On or After 1 October 2017**

12. **Hybrid Plan.** Management thanks the ATF for the innovative proposal to implement a new pension plan for new hires joining ADB on or after 1 October 2017 that would, as noted by the ATF, address the objectives of risk reduction, risk sharing and more predictable funding. Management generally agrees with the ATF recommendation to implement a new hybrid pension plan, based on the Hybrid B proposal consisting of (i) a modified defined benefit (DB) component capped at US\$100,000 (annual accrual of 1.5%, up to 40% of HAR, the same as the 2006 plan with some modifications); and (ii) a defined contribution (DC) component. Regarding the DC component, ADB will contribute 20% of salaries above the salary threshold of US\$100,000. These ADB contributions are made in lieu of funding a DB pension on salary

above the threshold. All staff members will be encouraged to contribute at least 10% of salary (up to a maximum of 40%) towards the DC portion of the plan regardless of their salary level. Staff will still have a choice to opt out from making contributions to the DC.

13. **Retirement Age.** Management has determined that the NRA for staff joining on or after 1 October 2017 will be 62 instead of 65 as recommended by the ATF. Management notes that the prospect of moving to a normal retirement age of 65 will be considered as a future goal subject to review of experience in implementing the NRA of 62 and enhanced performance management arrangements. The rationale for NRA of 62 is to (i) avoid a gap between the retirement age of current and new staff members, thereby avoiding the perception among staff of a double standard; and (ii) provide an opportunity for ADB to monitor the impact on human resources management of raising the retirement age to 62 before considering an increase to 65 in the future.

14. After assessing this change in NRA, there is a small cost to the SRP due to reducing the retirement age to 62 compared with a retirement age of 65 under the ATF's Hybrid B proposal. Nonetheless, the proposed Hybrid B scheme with retirement age of 62 would still reduce significantly the costs to the SRP compared to the current scheme.

15. **Matching Contribution to DC.** Reducing the retirement age to 62 under Hybrid B, however, results in lower replacement ratios compared with NRA65 under Hybrid B. In order to raise replacement ratios, Management has decided to provide an incentive to encourage staff members to increase their contributions to the DC component of the plan by providing a matching contribution. ADB will match staff contributions at a ratio of \$1 to each \$8 contributed by staff. The portion of staff contribution matched by ADB will be capped at 12% of salary. Staff members may contribute up to 40% of salary but amounts contributed by staff above 12% of salary will not receive a match by ADB. In addition, as discussed in para.9, ADB will contribute 20% of salary above the defined benefit threshold of \$100,000 towards the defined contribution plan. Table 1 depicts the impact on cost and replacement ratio between the current plan and the Hybrid B plan for new entrants under retirement age 65 and 62 respectively.

Table 1- Cost and Replacement Ratio Comparison of SRP Reforms

Normal Cost		Funding basis*		Accounting basis*		Risk-adjusted basis*	
2006 Scheme (NRA 60) + XB		16.9%		35.2%		44.1%	
Hybrid B (Mod DB, Capped + DC, NRA65)		15.4%		22.9%		26.5%	
Hybrid B (Mod DB, Capped + DC, NRA62)		15.8%		23.6%		27.4%	
Hybrid B (Mod DB, Capped + DC, NRA62) – with matching		17.3%		25.1%		28.9%	
Replacement ratios XB or DC component:		Total Replacement ratio		Total <b>Median</b> Replacement ratio		Total <b>Median</b> Replacement ratio	
		2006 Scheme (NRA 60) + XB (10% staff contr.)		Hybrid B (Mod DB, Capped + DC, NRA65) (10% staff contr.)		Hybrid B (Mod DB, Capped + DC, NRA62) (12% staff contr. and 12.5% ADB match)	
Staff Category	Final salary	Entry age 37	Entry age 47	Entry age 37	Entry age 47	Entry age 37	Entry age 47
IS	\$180,000 (example)	45%	25%	51%	34%	48%	29%
NSAS		43%	24%	50%	34%	49%	30%

\*Note: **Funding basis.** Evaluates cost and liabilities assuming that all assets invested will earn an expected return on assets. Currently assumed to be 7%. **Accounting basis.** Evaluates cost based on the market rate for AA corporate bonds with maturities corresponding to the timing of the pension benefits. It is required under U.S. GAAP for reporting in financial statements. As reported on ADB's 2015 financial statement, this rate as at 31 December 2015 was 4.55% (nominal). **Risk-adjusted basis.** Evaluates cost based on the rate on instruments that would be the best hedge for the liabilities. Assumes 1% real, or 3.78% nominal under a yield of 20-30yrs US TIPS rate.

16. If ADB were to change the overall normal retirement age to 65 at a later stage, the matching contribution incentive to the DC would cease. In the case of staff members (employed on and after 1 October 2017) who are extended beyond age 62, the staff will not get the matching contribution by ADB described in paragraph 15 for the period after age 62.

17. **Implementation.** The new plan will generally follow the design principles of the hybrid pension plan which are described in Annex 2. Management recognizes that the design details and implementation of this new hybrid scheme will take some time and will require an amendment of the SRP documents. Design of this new hybrid plan is already underway, and it is proposed to submit the documentation to the Board of Directors for approval in Q2 2017 for implementation on 1 October 2017.

### C. Additional Recommendations

18. **Governance of the SRP.** As recommended by the ATF, Management considers that strengthening the Governance of the SRP and improving resourcing for pension administration in ADB are important priorities. Management will propose measures to improve SRP

governance in the course of 2017. Management has already started taking steps to strengthen resourcing provided for pension administration.

19. **Funding policy and budgeting mechanisms.** As recommended by the ATF, Management will consider improving funding and budgeting mechanisms to better align with funding requirements.

20. **Reviewing the asset-liability strategy and introduction of risk management measures.** Management welcomes this recommendation and will request the Investment Committee to consider these matters, including the matters discussed in Annex I to the ATF Report, and will provide an update to the Pension Committee in 2017.

21. **Option for Current Staff to Switch to Hybrid Plan.** Management welcomes the ATF's recommendation that existing staff be permitted to switch from their existing plan to the new hybrid plan. This recommendation, as well as the proposal to consider the possibility of providing financial incentives (such as cash buy-outs for staff to move from older to newer plans), merits further consideration. ADB will assess the practicalities of these recommendations in the course of 2017 as the design of the new hybrid plan is progressed.

22. **Option for Current Staff to Switch Discretionary Benefits Contributions to the Defined Contribution.** Management will consider offering an incentive for staff in the current plan to shift their XB balances and future contributions to the discretionary benefits into the defined contribution plan.

#### **D. Timetable**

23. This Management response to ATF recommendations will be shared with staff, former employees, Board of Directors, and Pension Committee. Discretionary Benefit reforms will be subject to Pension Committee approval in October 2016. Management will seek general endorsement by the Board of Directors of the retirement and pension reforms as described above in November 2016. Detailed design of the reforms is underway, and will be submitted for Board approval in Q2 2017 for implementation on 1 October 2017.

Annex 1

### **DISCRETIONARY BENEFITS**

#### **TERMS AND CONDITIONS FROM 1 JANUARY 2017**

Management welcomes the ATF recommendations to revise the terms and conditions of Discretionary Benefits (XB) with effect from 1 January 2017 for staff joining before 1 October 2017<sup>3</sup>. Management accepts the ATF recommendations, which are described in more detail below, to include two modifications (footnote 5 and 7), and some additional details to address special considerations for new hires into the current plan.

- a. **Contribution modality.** Contributions under a XB contract will be made only as semi-monthly payroll deductions during a calendar year. Lump sum contributions will be

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<sup>3</sup> Staff joining on or after 1 October 2017 will not be eligible for XB.

discontinued except for staff members joining between 1 January and 30 September 2017 who elect to make a one-time transfer of retirement funds into the XB within six months of entry on duty.

- b. **Rate of interest.** The interest rate on contributions will be set annually by the Pension Committee (PC). The guaranteed interest rate for each calendar year's XB contracts will be established near the end of the preceding calendar year by the PC, based on 30-year U.S. Treasury (UST) yields, rounded to the nearest ¼%, plus a 1% subsidy from ADB. Contributions made during a calendar year will earn the established guaranteed rate of return established for that calendar year until the earlier of end of employment or normal retirement age (NRA) of 60.
- c. **Contribution amount.** The amount of the default contribution to each new XB contract will be equivalent to 10% of the staff member's salary; staff can contribute up to a maximum of 40% of salary. The current maximum contribution limit (based on projected value of XB and annuity factors at age 55) will be eliminated. The minimum contribution semi-monthly contribution guidelines remain in effect.<sup>4</sup> Staff members may contribute less than the default 10% of salary, or waive contributions altogether. Once the XB contract begins, staff can increase, reduce, suspend and resume contributions within the calendar year<sup>5</sup>. Unless specified by the staff member, at the beginning of each year a new XB contract will be established for the same contribution amounts of the preceding year.
- d. **Interest rate for existing contracts prior to 1 January 2017.** Existing XB contracts issued on or before 31 December 2016 will continue to earn the agreed rate of return stipulated in their XB contracts until the later of NRA of 60 or end of employment<sup>6</sup>. Semi-monthly contributions made after 1 January 2017 to contracts established before 31 December 2016 will continue to receive the same rate as stipulated in their XB contracts.
- e. **Interest rate after end of employment or retirement.** Eligible staff members who wish to keep their XB balances invested after the earlier of NRA or end of employment date would earn interest at a short-term rate, reset every semester. This rate would be set based on the MPL rate (Multi-purpose Loan)<sup>7</sup> specified by the Treasury Department, minus the loan servicing charge<sup>8</sup>.
- f. **Lump sum benefit.** At the end of employment or normal retirement the staff member may take a one-time lump sum payment consisting of the aggregate value of the staff member's contributions and accumulated interest.
- g. **Annuity Options.** Annuity options will be offered based on annuity prices, revised from time to time and established by the PC based on prevailing inflation-adjusted interest rates

<sup>4</sup> These minimums are US\$100 for IS, PHP100 for NS/AS at Headquarters, and the equivalent of US\$2 in local currency for NS/AS outside of Headquarters.

<sup>5</sup> ATF Proposal stated: "During the year, staff members may reduce or suspend contributions for that year; but having done so, their original contribution rate may not be reinstated that same year".

<sup>6</sup> If electing to extend retirement from 60 to 62, staff must accept a revision to any outstanding XB contracts so that they earn the step-down rate of 5% after age 60 (as it would be if they had retired at 60).

<sup>7</sup> ATF had proposed that the rate for XB balances invested after the earlier of NRA or end of employment date, would earn interest at a short-term rate, as reset each year by the Pension Committee. This rate would be set based on 12-month Libor, with no subsidy, rounded to nearest ¼%.

<sup>8</sup> The MPL is generated by the TD on 1 January and 1 July every year, based on short-term USD Libor rates plus a loan servicing charge. The MPL to be applied for SRP will have the loan servicing charge deducted.

and mortality assumptions. Any annuity purchase will be subject to the annuity prices in effect at the time of the purchase.

- h. **Home Currency.** For staff member who elect to annuitize their XB balance and who are eligible to receive their defined benefits (DB) pension in a currency different than that of their salary, their XB annuity may be converted based on 12-month average FX rates, calculated in the same manner as the modified DB plan. Staff members who elect to receive their XB balance as a lump sum, however, would have their balances converted using the spot exchange rate as of the date of entitlement to the lump sum.
- i. **Other terms and conditions.** Consistent with the provisions of the SRP, the PC may establish such other terms and conditions as it determines are necessary for the implementation and administration of the modified XB scheme.

Annex 2

## DESIGN PRINCIPLES OF THE NEW HYBRID PENSION PLAN

### NEW STAFF ON BOARD ON OR AFTER 1 OCTOBER 2017

- a. **Normal retirement age (NRA) of 62.** ADB will monitor the impact on human resource management of raising the retirement age to 62 before considering an increase to 65 at some stage in the future.
- b. Staff members may be allowed to extend their retirement age from 62 up to 65 under mutual agreement (same as the current rule based on business need).
- c. **Salary basis for pension.** For the defined benefit portion, the salary basis for pension will be the 3-year highest average remuneration (HAR) (instead of the 2-year HAR currently in place for the pre-2006 and 2006 plans).
- d. **DB maximum benefit.** The maximum defined benefit will be 40% of HAR (same as 2006 Plan) with an annual accrual of 1.5% per year. The defined benefit (DB) pensionable salary is capped at \$100,000 (or equivalent), adjusted each year in line with Headquarters US\$ salary scales.
- e. **Early Retirement.** Early retirement with full pension under “Rule of 85”. Staff members could retire early with an unreduced pension under the “Rule of 85” (when age plus years of service is greater than or equals 85) instead of the “Rule of 70” for current plans. Early retirement reduction factors increase from 1.5% per year to 3% per year.
- f. **Home currency option.** Home currency conversion option will use a 12-month FX average (not the 60-month average currently in place in the pre-2006 and 2006 plans).
- g. **Staff member contributions.** Staff members are encouraged to contribute a minimum of 10% and a maximum of 40% of salary towards the DC portion of the plan; staff members may elect to reduce or increase that contribution rate prospectively within the allowed

range at any time. Contributions will be in US\$. For staff earning in different currencies, contributions will be converted to US\$ at the spot rate at the time of contribution.

- h. **ADB contributions.** For new staff with salaries above the defined benefit pensionable salary cap, ADB will make contributions to their DC account equal to 20% of the staff member's salary above the cap.
- i. **Additional ADB contributions.** In order to incentivize staff contributions to their DC accounts, ADB will also provide a matching incentive equal to 12.5% of the staff member's contribution (up to a maximum staff member contribution of 12% of salary).
- j. **Simulation of total combined effect of staff and ADB contributions to the DC**

Staff DC Contribution Election (10% to 40%)	10%	11%	12%	15%	20%	30%	40%
<b>Salary A - \$90,000</b>							
Staff DC Contribution (\$)	\$ 9,000	\$ 9,900	\$ 10,800	\$ 13,500	\$ 18,000	\$ 27,000	\$ 36,000
ADB Incentive Contribution of 12.5% (applies to up to 12% of staff contribution)	\$ 1,125	\$ 1,238	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350
ADB Contribution (20% of salary over \$100,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total ADB Contribution	\$ 1,125	\$ 1,238	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350	\$ 1,350
Total Contribution	\$ 10,125	\$ 11,138	\$ 12,150	\$ 14,850	\$ 19,350	\$ 28,350	\$ 37,350
<b>Salary B - \$180,000</b>							
Staff DC Contribution (\$)	\$ 18,000	\$ 19,800	\$ 21,600	\$ 27,000	\$ 36,000	\$ 54,000	\$ 72,000
ADB Incentive Contribution of 12.5% (applies to up to 12% of staff contribution)	\$ 2,250	\$ 2,475	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700	\$ 2,700
ADB Contribution (20% of salary over \$100,000)	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000	\$ 16,000
Total ADB Contribution	\$ 18,250	\$ 18,475	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700
Total Contribution	\$ 36,250	\$ 38,275	\$ 40,300	\$ 45,700	\$ 54,700	\$ 72,700	\$ 90,700

Figure 1- Simulation of Staff Contributions and ADB Contributions

- k. **DC choice of investment funds.** The combined DC contributions (staff contributions plus any ADB contributions as applicable) are made to individual accounts and invested as the staff member directs, selecting from among a choice of funds established under the DC Plan by ADB as Plan Sponsor.
- l. **Annuity option at retirement.** The new DC plan would be designed as a cash accumulation and investment vehicle where funds may be withdrawn as a lump sum when leaving employment at retirement (or earlier), or possibly on a gradual basis after retirement as needed. While there will be no ADB-guaranteed annuity option offered, staff members may use accumulated DC balances to purchase annuities in the financial markets.
- m. **Plan administration.** A third-party administrator would maintain all participant records, including contributions and investment gains and losses, and would also make disbursements, prepare customized participant statements, and be responsible for other aspects of plan processing.
- n. **Costs.** Investment fund management fees would be deducted from returns and thus would be borne collectively by account holders. Administrative costs would be borne by ADB.



## **GROUP MEDICAL INSURANCE PLAN**

1. Management has received the reform proposals presented by the GMIP Advisory Task Force (GMIP ATF), and takes this opportunity to thank members of the GMIP ATF for their time and effort in producing a thoughtful and comprehensive set of recommendations aimed at strengthening the effectiveness and sustainability of the GMIP.

2. Management regards the Group Medical Insurance Plan (GMIP) as an important part of a competitive benefit package which allows ADB to continue to attract and retain the best talent, consistent with its mission, and in line with international trends. Together with the ATF, Management agrees that the goal of the GMIP should be to provide quality medical insurance that is efficient, effective, and affordable for ADB staff, retirees and their dependents, and that is as fair as possible, and reflects international best practice.

### **MANAGEMENT RESPONSE TO GROUP MEDICAL INSURANCE PLAN ADVISORY TASK FORCE (GMIP ATF) RECOMMENDATIONS ( 27 October 2016)**

3. Management agrees with all recommendations proposed by the ATF, and decisions on the future direction of the GMIP are set out under the following headings:

- A. continuing features of the GMIP;
- B. areas of change to the GMIP;
- C. preparations for possible reforms to the GMIP in the future; and
- D. steps to strengthen the Plan's performance.

#### **A. CONTINUING FEATURES OF THE GMIP**

4. As recommended by the ATF, Management has decided that the following fundamental features of the GMIP will remain unchanged:

- i) The GMIP will continue as a global plan for all members – i.e., medical insurance coverage is available for eligible expenses for members in any country, regardless of citizenship or residence.
- ii) The GMIP will continue as a fully-insured program. This means that ADB will continue to pay a premium to the vendor based on the number of people enrolled in the plan. This contrasts with a self-insured approach which would require the ADB to set up and manage a reserve fund to pay the claim costs as well as to pay a third party administrator to adjudicate and process claims. A “self-insured” approach would expose the ADB to larger risk in the event that more claims than expected must be paid in a particular period. Given ADB's dispersed geographic profile, ADB would also find it difficult to secure reinsurance, a key feature of implementing a self-insured modality. Management agrees with the ATF's conclusion that there is no compelling financial case to move to a self-insured plan at this time as the insurer, Cigna, has not made excessive profit in the plan, and that the GMIP should continue as a fully-insured plan.
- iii) Cigna will continue as the vendor for the GMIP for the short term. Management will consider in 2018 whether to rebid based on an assessment of Cigna's performance during 2016-2017.

5. ADB will continue to subsidize the premium for members based on the current levels of support as follows:

- ADB subsidizes 75% of GMIP costs including amounts above stop-loss for active staff; and
- ADB subsidizes 75% of GMIP costs excluding amounts above stop-loss for retirees.

6. Member responsibility (coinsurance) for claims will continue to be 20% for active staff and 25% for retirees. The GMIP will continue to pay 100% of eligible claims in the remainder of any calendar year after stop-loss is met, and stop-loss is reset to zero on 1 January of each year, as is currently the case.

**Will all active and retired staff and eligible dependents still have access to coverage anywhere in the world?**

Yes. The GMIP is a global program, and all eligible members will have access to coverage anywhere in the world.

## **B. CHANGES TO THE GMIP**

7. As recommended by the ATF, Management will make changes to the GMIP in the following areas:

- a. expansion to medical services covered by GMIP;
- b. changed arrangements for GMIP usage in the United States; and
- c. new structures for governance and stakeholder engagement.

8. These changes are detailed in the paragraphs below.

### **a. Expansion to Medical Services Covered by GMIP**

The following changes to Plan coverage will be effective 1 January 2017:

- i) *Chemotherapy and radiation therapy*: For these treatments, members will no longer be required to pay coinsurance of 20% for active staff and 25% for retirees. Commencing 1 January 2017, members will pay 0% co-insurance. Since the vast majority of patients undergoing cancer treatment reach stop-loss, the cost implications are minor to the Plan, yet the proposed change is a humane response to those in need of these treatments.
- ii) *Physiotherapy, speech therapy, occupational therapy*: 30 sessions per modality per year will be permitted without medical review by Cigna (compared with the current situation where there is wide variability in the handling of these treatments by Cigna, depending on the diagnosis, and this result in uncertainty for patients.) This will streamline claims processing and reduce the number of denied claims. Sessions over 30 per modality per year will be allowed but only after medical review by Cigna to confirm medical necessity.
- iii) *Acupuncture and chiropractic medicine*: 30 acupuncture sessions and 30 chiropractic sessions will be permitted without medical review by Cigna (compared with the current situation where there is wide variability in the

handling of these treatments by Cigna, depending on the diagnosis, and this results in uncertainty for patients.) This will streamline claims processing and reduce the number of denied claims. Sessions over 30 per year will be allowed but only after medical review by Cigna to confirm medical necessity.

- iv) *Mental health coverage*: Coverage will be expanded to include licensed psychologists as qualified practitioners. (Currently GMIP does not provide coverage for treatment by licensed psychologists.)
- v) *First vaccinations*: Initial vaccinations for newborn infants that are typically provided in the hospital immediately following childbirth will be covered by the GMIP. Such vaccinations are currently covered by the Medical and Dental Retainer Plan but these are difficult to access at time of childbirth.

**Will there be changes to GMIP contributions  
for active staff and retirees?**

Staff and Retiree contribution amounts for the GMIP will not increase in 2017. Recognizing that health care costs continue to rise worldwide, the cost containment measures for GMIP usage in the US, as outlined in this report, are aimed at helping limit future increases in GMIP contributions for all members.

**b. Changes to GMIP Usage in the U.S.**

9. In 2015, about 6% of the covered population in the GMIP obtained health care in the US, but these US claims accounted for 33% of total GMIP claims. These figures show a significant location of care subsidy in the GMIP that benefits those who access US-based medical services.

10. The US has the highest medical costs in the world. Management agrees with the ATF that efforts by the GMIP to contain US costs will not only help to improve the financial sustainability of the GMIP and help to ensure the GMIP remains a global plan.

11. The ATF also found that the GMIP had not taken advantage of a range of practices, which are widespread in the US medical sector, aimed at containing costs while also promoting high standards of care and member convenience. For all of these reasons, Management agrees that the GMIP should be more closely aligned with US practices.

12. The following changes will be introduced with effect from 1 January 2017:

- i. Members choosing to use providers (doctors, hospitals, labs, etc.) outside of the Cigna network will pay an additional 20% coinsurance and be required to meet a stop-loss limit that is twice the in-network level of stop-loss. The vast majority of US health care are already provided by in-network doctors and hospitals. In exchange for making this adjustment, Cigna will give the GMIP the maximum provider discounts, reducing costs for both the members and the ADB.
- ii. All patients will be required to pre-certify out of network non-emergency hospital stays and selected other medical procedures in the U.S. Without such pre-certification, a higher stop-loss level will apply. The rules around pre-certification will be communicated to members upon the publication of the GMIP Summary Plan Description due December 2016. No precertification is necessary for

members receiving care in an in network hospital, as this will be done by the facility on behalf of the patient automatically. However, members who choose to go to non-network hospitals will be required to pre-certify in order to avoid having to meet the highest level of stop-loss limit in the GMIP before 100% coverage is available. Pre-certification is a routine and expected activity in the US and helps ensure the most appropriate care is provided to patients with inpatient admissions or other extensive treatments.

- iii. GMIP daily limits for hospital room and board charges provided by in-network hospitals will be eliminated. This will streamline the process for patients using in network hospitals and reduce the out of pocket expenses. The current daily room and board limits for non-network hospitals will continue.
- iv. An annual deductible will be introduced for US care. Deductibles are common practice in the US system, and are also applied by other International Financial Institutions (IFIs).
- v. A higher stop loss limit (the IS amount) will be applied for NS/AS who receive care in the US. The change reflects the fact that US health care costs are generally substantially higher than costs in other countries. The stop-loss level set for IS members is competitive with stop-loss levels prevailing in the IFI community and is relatively low by US medical plan design standards.
- vi. Co-payments will be introduced for in-network office visits and emergency room (ER) in place of the GMIP's 80% coinsurance (75% for retirees). This measure will simplify the patient billing experience and often will be less expensive to the patient. **This specific measure will be introduced in the course of 2017<sup>1</sup>.**

13. The GMIP will require US residents age 65+ who are eligible for US Medicare on the same contribution and eligibility basis as US nationals to enroll in Medicare. In doing so, for claims covered by both Medicare and the GMIP, Medicare will become the primary insurer, and GMIP will become the secondary insurer. ADB will reimburse appropriate costs for on-time enrolment in Medicare, which means that members will be reimbursed for monthly premiums payable to the Medicare program, assuming members take the necessary steps to sign up for Medicare. Coordination with US Medicare for retirees will be implemented in the course of 2018. This change will not increase (and is expected to decrease) overall costs for GMIP members while taking advantage of the subsidies available through the US Medicare program. This approach to coordinating the GMIP with Medicare is consistent with other IFIs and nearly all US-based employers which provide health insurance coverage to their retirees.

14. Further details of these seven new measures for US care are provided in the Appendix.

### **c. New Structures for Governance and Stakeholder Engagement**

15. Management agrees with the recommendations of the ATF to strengthen governance and stakeholder engagement. Management will establish the following new structures:

- i. The Health Management Committee (HMC) will be established to provide strategic oversight and direction to ADB's health and wellness policies and programs. Its role

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<sup>1</sup> The exact date of implementation will be advised after Cigna has determined the time required to make the necessary changes to its systems.

will include tracking vendor performance as well as cross-subsidies in the GMIP, and consider whether any adjustments for active staff and retirees are warranted. The Committee will draw on external advice to ensure that ADB is kept abreast of international trends in health care and health insurance. The views of staff on health and wellness issues will be provided through the existing avenues for consultation with the Staff Council as well as through the new GMIP Member Forum (see below). The Health Management Committee will meet three times a year.

- ii. The GMIP Member Forum will be established as the principal forum for consultation between Management and staff and retirees on the GMIP. The Forum will meet quarterly.

These groups will be established in the first quarter of 2017.

### **C. PREPARATION FOR POSSIBLE FUTURE REFORMS**

16. The ATF made several recommendations for further analysis and review to be undertaken by ADB to ensure the GMIP continues to be effective and sustainable. In line with these recommendations, Management will take the following steps as detailed below.

#### **a. Possible Coverage Additions to the GMIP – preventive, dental and vision care**

17. Management recognizes the importance of preventive care. Currently, active staff and their dependents receive preventive care through the Medical and Dental Retainer Plans (MDRP) funded from the ADB Administrative Budget. However, retirees and their dependents do not have access to the MDRP nor do they have access to preventive care through the GMIP. Thus, while the MDRP fills some coverage gaps in the GMIP, not everyone benefits from the MDRP.

18. To incorporate preventive care, as well as dental and vision care in the GMIP would add to the costs of the GMIP, and would have implications for the premium. Therefore, before making a decision on whether to incorporate possible plan additions (preventive, dental and vision care) in the GMIP, Management will undertake the following steps:

- i. review of the effectiveness of the MDRP in meeting its stated goals, including taking account of international best practices in the provision of preventive care;
- ii. analysis of the relationship between the MRDP and the GMIP including any gaps or overlap between the MDRP and the possible plan additions for preventive care and dental and vision coverage;
- iii. assessment of the costs of high, medium and low coverage options for adding preventive, dental and vision care to the GMIP;
- iv. assessment and observation of the impact of US cost containment measures; and
- v. consultation with Staff Council and AFE conducted through the GMIP Member Forum.

Management aims to reach a decision in the second half of 2017 on whether to include preventive, dental and vision care in the GMIP.

**b. Extension of pre-certification to other countries**

19. Management agrees with the ATF recommendation to extend the pre-certification requirement over time for hospitalization to Manila-based care. ADB is Cigna's only client in Manila which does not require pre-certification. This can create confusion upon hospital admission. ADB will explore with Cigna the best approach to pre-certification for hospitalization in Manila to ensure client convenience as well as cost-effectiveness. Any new measures will start in 2018.

**c. Exploration of Coordination with other National Health Care Plans of ADB Member Countries**

20. Management agrees with the ATF recommendation to explore the potential for coordinating the GMIP with the national health plans of countries other than the US. As eligibility for national health plans and plan coverage vary widely from country to country, each country will need to be evaluated to assess the feasibility and cost effectiveness of coordination. Management aims to commence this analysis in the second half of 2018 – after the commencement of the GMIP's coordination with US Medicare.

**STEPS TO STRENGTHEN PERFORMANCE OF CIGNA AND WATSONS PHARMACY**

21. Management agrees with the ATF that significant efforts need to be made by Cigna and ADB to improve the performance of the administration of the GMIP, especially in terms of customer satisfaction. Management welcomes the member survey that was undertaken by the ATF and the valuable information it provided on the range of staff concerns regarding the performance of the GMIP. Management also agrees that there is scope for Watsons Pharmacy to improve its performance.

22. Management will take the following steps to promote improved performance by Cigna, Watsons and by ADB:

- i. ADB and Cigna will publish a Summary Plan Description, a user-friendly summary of GMIP provisions to clarify coverage, exclusions, claim adjudication and appeal processes and claim filing instructions.
- ii. ADB will reach agreement with Cigna on service standards, including financial penalties for failure to meet targets, and will publish the standards online.
- iii. ADB will request Cigna to expand provider networks (especially outside the US), based on identifying those hospitals, clinics, labs and physicians that GMIP members frequently use.
- iv. ADB will request Cigna to improve its efforts to educate its network providers.
- v. ADB will partner with Cigna in provider outreach efforts in key locations including in the Philippines and field office counties.
- vi. ADB and Cigna will create a focal point for escalated claims handling to ensure complete and timely follow up from Cigna.
- vi. ADB will request Cigna to provide information on guarantee of payment procedure for hospital admissions including non-business hours.

- viii. ADB will develop frequently asked questions (FAQs) for member guidance and education.
- ix. ADB will initiate an independent external claims and process audit of Cigna's services.
- x. ADB will pursue with Cigna technical improvements to the Cigna premium formula to smooth volatility.<sup>2</sup>
- xi. ADB will request Cigna to assign appropriate resources to implement and maintain the service improvement requirements, and ADB to increase its resources for GMIP administration.
- xii. ADB will review the Watsons contract to ensure members are receiving the best service and drug discounts.

### **TIMELINE FOR REFORMS SET OUT IN THIS DOCUMENT**

<b>Reform Item</b>	<b>Date</b>
<b>VENDOR CONTRACT:</b>	
Consider whether to rebid.	2018
<b>CHANGES TO THE GMIP:</b>	
Expansions to medical services covered by the GMIP (chemotherapy, radiation therapy, physiotherapy, speech therapy, occupational therapy, acupuncture and chiropractic therapy, psychologists, first vaccinations for newborn infants.	1 January 2017
Changes to GMIP usage in the US.	Commence in 2017 except coordination with US Medicare which will commence in 2018.
New structures for governance and stakeholder engagement, i.e., Health Management Committee and GMIP Member Forum.	Q1 2017
<b>PREPARATIONS FOR POSSIBLE FUTURE REFORMS:</b>	
Consider possible plan additions of preventive, dental and vision care, after review of MDRP and relationship with GMIP, member views, and costs including impact of new US cost-containment measures.	Decision in 2017 and implementation in 2018 of any plan additions.
Extend pre-certification for hospitalization to Philippines.	Decide in 2017 and implement any changes in 2018.
Explore coordination with other national health care plans of ADB member countries.	Analysis to start in 2018, after implementation of US coordination of Medicare efforts.
<b>STEPS TO STRENGTHEN PERFORMANCE OF CIGNA AND WATSONS PHARMACY</b>	Action already commenced – all steps to be completed in 2017.

<sup>2</sup> The current formula used in ADB's contract with Cigna, to set premiums paid to Cigna, is actuarially sound but subject to volatility.

## **APPENDIX: CHANGES FOR GMIP USAGE IN THE USA**

1. This appendix provides detail on the changes that will apply to all GMIP members accessing health care in the US. All measures will start in 2017 as indicated below with the exception of the measure involving coordination with US Medicare for retirees. The implementation of the latter measure will start in 2018.

- i. Members choosing to use providers outside of the Cigna network (doctors, hospitals, labs, etc.) will pay an additional 20% coinsurance and be required to meet a stop-loss limit that is twice the in-network level of stop-loss. *Start date 1 January 2017.*
- ii. All patients will be required to pre-certify out of network hospital stays and selected medical procedures. *Start date 1 January 2017.*
- iii. GMIP daily limits for hospital room and board charges provided by in-network hospitals will be eliminated, while daily room and board limits for non-network hospitals will remain as they are today. *Start date 1 January 2017.*
- iv. Introduce an annual deductible for US care of \$300 for individuals and \$600 for families. *Start date 1 January 2017.*
- v. A higher stop loss limit, the IS amount, will apply to NS/AS who obtain healthcare in the US. *Start date 1 January 2017.*
- vi. Introduce co-payments for in-network office visits and emergency room (ER) in place of the current coinsurance. *Start date in 2017 – after modifications to Cigna’s systems.*
- vii. The GMIP will require US residents age 65+ who are eligible for US Medicare on the same contribution and eligibility basis as US nationals to enroll in Medicare. *Start date in 2018.*

### **Steerage to Cigna US network providers (effective 1 January 2017)**

2. GMIP will adopt several measures, as set out below, to promote use of network providers. ADB already takes advantage of Cigna’s US network which offers discounts to GMIP patients compared to non-network providers offering the same service. In 2015, 95% of the amount claimed in the US and 91% of the number of US claims were in-network, and nearly all US-based ADB retirees live in areas served by Cigna network providers.

3. Cigna will offer even deeper discounts for in-network US care (which will result in additional savings) if the GMIP includes:

- i) at least a 20 percentage point coinsurance differential between in-network care and non-network care; and
- ii) stop-loss amounts for non-network claims that are twice the stop-loss amounts for in-network claims.



4. Thus, with effect from 1 January 2017, increased rates for co-insurance and for stop-loss amounts will apply for use of non-network providers in the US. The current and new rates are set out below:

Coinsurance							
Active Staff				Retiree			
Current		New		Current		New	
		Network	Non-network			Network	Non-network
20%		20%	40%	25%		25%	45%
Stop-Loss (Individual only; Family stop-loss is twice individual stop-loss)							
Active Staff				Retiree			
Current		New		Current		New	
IS	NS/AS <sup>3</sup>	IS or NS/AS		IS	NS/AS <sup>4</sup>	IS or NS/AS	
		Network	Non-network			Network	Non-network
\$3,605	\$1,040	\$3,605	\$7,210	\$4,430	\$1,280	\$4,430	\$8,860

5. Today, the GMIP already requires pre-certification for hospitalization and other major procedures done in the US. Pre-certification is the provider's responsibility (not the patient's) under the provisions of the US Affordable Care Act (also known as Obamacare). Management has decided to remove today's five percentage point penalty for non-pre-certification, and instead apply the GMIP's highest stop-loss (non-network IS/retiree) to all US hospitalizations and other major procedures performed out-of-network without Cigna pre-certification. The details are set out in the following table. The reason behind this change is to encourage steerage to Cigna in-network providers which offer deep discounts and to simplify claims administration for staff. It is also to protect members by discouraging them from using out-of-network providers without pre-certification where they could face substantially higher costs. Rules associated with pre-certification, including all procedures covered and how to ensure that the pre-certification is accomplished will be in the revised Summary Plan Description, or members can contact Cigna at any time.

Pre-certified?	Co-insurance				Applicable Stop-loss	
	Active Staff		Retiree			
	Current	New	Current	New	Current	New
Yes	20%	20%	25%	25%	IS or NS/AS Staff or Retiree	IS Active or Retiree
No	25%		30%			IS Retiree

<sup>3</sup>NS/AS stop-loss is denoted in Philippine Pesos and converted here to US dollars using approximate 2016 exchange rates.

<sup>4</sup>Ibid.

**Eliminate daily limits for in-network hospital care (effective 1 January 2017)**

6. The GMIP will remove the US hospital room and board daily limits currently in place for in network hospitalizations in the US. For room and board at in-network facilities, discounted rates that are negotiated by Cigna with hospitals will be used. This change is a further incentive for members to seek care at in-network facilities. This change will also protect members from experiencing large “balance bills”, which is a charge in excess of the daily room and board limits at a specific geographical location where room and board charges are larger than our daily limit (e.g., New York). Room and board daily hospital room limits for non-network hospitals remain unchanged.

**Introduce annual deductible for US care (effective 1 January 2017)**

7. The GMIP will introduce an annual deductible of \$300 for individuals and \$600 for families annually for US claims. Almost all US health care plans impose an annual deductible on US care, including other International Financial Institutions. This provision assists in mitigating the disparity in costs between the US and other locations where GMIP members access care.

**IS level stop-loss to be applied to NS/AS who seek medical care in the US (effective 1 January 2017)**

8. The GMIP will apply the IS stop-loss to all US claims. Currently NS/AS staff members and retirees who access US healthcare enjoy the NS/AS stop-loss, which is low in the US marketplace. By applying the IS stop-loss (currently \$3,605 for individual staff, \$4,430 for individual retirees and twice these levels for families) to all US claims regardless of staff member or retiree grade, the GMIP will align with US norms. This change has no impact on IS active staff or retirees.

**Introduce co-payments for in-network office visits and emergency room (will start in 2017 - date of implementation will depend on the Cigna's system readiness)**

9. Management has decided to eliminate co-insurance and introduce differentiated co-payments for in-network US physician office visits and emergency room visits. Co-payments count towards stop-loss (but not the deductible), and incentivize the appropriate level of treatment for many minor conditions by steering patients in the first instance to the primary health care physician, which is also less expensive. Co-payments also simplify the patient billing experience and often are less expensive to the patient compared to coinsurance. This measure will align the GMIP with current US practices. The new measures are as follows:

Cigna Network Participation	Type of Visit:	Current Co-insurance		New co-payment to replace coinsurance
		Active Staff	Retiree	All Members
In-network	Primary Care Physician	20%	25%	\$25
	Specialist			\$75
	Emergency Room <sup>5</sup>			\$150
Out-of-network	Physician	20%	25%	Not applicable. Same coinsurance as Current.
	Emergency Room			

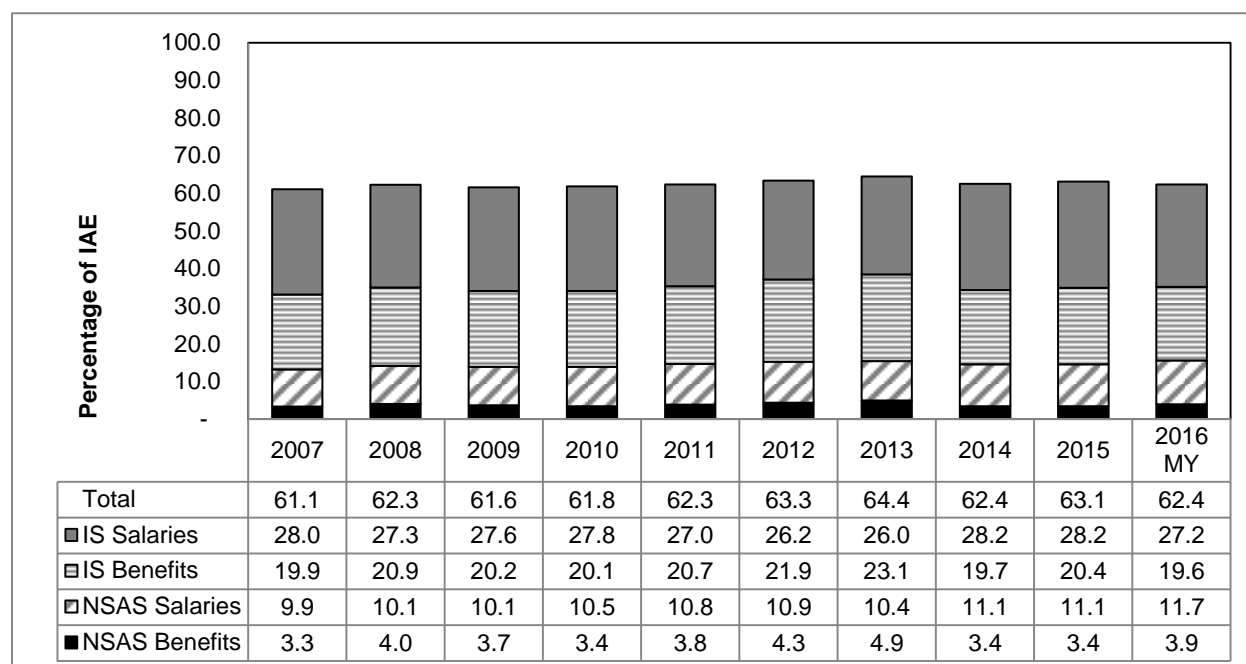
### **Coordination with US Medicare for retirees**

10. The GMIP will require US residents age 65+ who are eligible for US Medicare on the same contribution and eligibility basis as US nationals to enroll in Medicare. In doing so, for claims covered by both Medicare and the GMIP, Medicare will become the primary insurer, and GMIP will become the secondary insurer. Members will receive a benefit from the combination of Medicare and the GMIP that is at least as much as the benefit received under the current GMIP-only structure. ADB will reimburse appropriate costs for on-time enrolment in Medicare, which means that members will be reimbursed for monthly premiums payable to the Medicare program, assuming members take the necessary steps to sign up for Medicare. ADB will provide support to relevant members during the process, including the enrollment and reimbursement coordination between Medicare and GMIP. Detailed implementation guidance will be provided to GMIP members and briefings will be provided in 2017 in preparation for implementation. ADB will work closely with retirees and prospective retirees to ensure the smooth implementation of this process.

11. This approach to coordinating with Medicare is consistent with other international financial institutions and nearly all US-based employers providing health insurance coverage to their retirees.

<sup>5</sup>The emergency room co-payment is waived if the patient is admitted to the hospital.

## RATIO OF STAFF SALARIES AND BENEFITS TO INTERNAL ADMINISTRATIVE EXPENSE (%)



IAE = Internal Administrative Expenses, IS = international staff, NSAS = national staff and administrative staff.

Notes:

1. 2007–2015: actual data; 2016: midyear estimates.
2. Figures for salary and benefits are adjusted to include cost of temporary staff services under salaries; health services and staff welfare and recreation under benefits.
3. Percentages of salary and benefits over net IAE for 2007–2011 are adjusted using net IAE after carryover.
4. Major events in the rationalization of salaries and benefits:
  - (i) For international staff:
    - (a) Education grant: rationalization of tuition and flat rate allowance (1999–2003, 2015)
    - (b) Home country travel and education travel: 80% airfare (2006)
    - (c) Rental subsidy: fixed cost sharing at 60% Asian Development Bank and 40% staff (2006)
    - (d) Post-retirement group medical insurance plan: decrease in reimbursement rate and elimination of subsidy for stop loss benefits (2006)
    - (e) Staff Retirement Plan: new plan provisions (2006 and 2009)
    - (f) Rental subsidy: fixed cost sharing at 65% Asian Development Bank and 35% staff (2008)
    - (g) Rental subsidy: implementation of rental allowance scheme (2012)
  - (ii) For national staff and administrative staff:
    - (a) Dependency allowance for headquarters NSAS: 3-year buyout for parents and parents-in-law (2011)
    - (b) Dependency allowance for headquarters NSAS: eliminated for staff hired from 1 January 2012 (2012)
    - (c) Salary payment mode for headquarters NSAS: annualized salary paid over 12 months (2012)
    - (d) Overtime: uniform overtime rate for all administrative staff to 1.5 for weekdays and 1.7 for weekends and holidays (2012)

Source: Asian Development Bank.