PE-338-1 Reimbursement of Income Tax on Pensions

INTRODUCTION:

To ensure general equity among Eligible Retirees (as defined in Section 2) who receive Bank Retirement Income (as defined in Section 2) net of tax, the Bank reimburses income taxes that Eligible Retirees are required to pay on their Bank Retirement Income. The purpose of this Staff Rule is to specify the terms of such reimbursement.

SCOPE: This Staff Rule applies to Eligible Retirees of the Bank, as defined in paragraph 2.1, below.

INTERPRETATION AND APPLICATION: The Vice President for Finance and Administration shall be responsible for the determination of issues that may arise regarding the interpretation of this Staff Rule, consistent with the principles established herein, and the General Manager of the Human Resources Department shall be responsible for its application and for the approval of any related handbooks, implementation guidelines, and administrative procedures, which shall be available to all staff and retirees.

1. GENERAL

1.1. Income tax reimbursements will be calculated on the assumption that the Bank Retirement Income is the total income of the Eligible Retiree[1], with the spouse's income taken into account, when applicable, as provided in paragraph 3.2 of this Staff Rule.

1.2. Eligible Retirees receiving tax reimbursements are required to use the tax reimbursements paid by the Bank to comply with their tax obligations with respect to Bank Retirement Income in accordance with applicable law.

2. DEFINITIONS

For purposes of this Staff Rule, the following definitions apply:

2.1. Eligible Retiree: An individual who receives either or both of the following benefits and who is subject to tax under the laws of the individual's country of citizenship and/or residence as reflected in official Bank records:

2.1.1. a pension (including a commutation, a survivor's pension or a disability pension) or a children's benefit under the Staff Retirement Plan; or

2.1.2. long-term disability benefits, as a former staff member, under the Bank's Long-Term Disability Program.

2.2. Bank Retirement Income: All amounts payable under the Staff Retirement Plan (except payments of withdrawal benefits or lump sum death benefits) and benefits paid

[1] Board of Governors Resolution AG-3/60, February 5,1960.

under the Bank's Long-Term Disability Program that are subject to tax under the laws of the Eligible Retiree's country of citizenship or residence.

2.3. Appropriate Legal Filing Status: The tax filing status for which the Eligible Retiree is eligible under applicable law and which results in the lowest possible tax payable. In general, in the case of Eligible Retirees who are eligible under applicable law to file tax returns using married joint filing status, the Appropriate Legal Filing Status is married joint, except when under special circumstances an exception is approved by the Human Resources Department in accordance with published guidelines.

3. CALCULATION OF U.S. TAX REIMBURSEMENTS

3.1. The amount of an Eligible Retiree's income tax reimbursement shall cover the federal and state income taxes the Eligible Retiree is required to pay on Bank Retirement Income. The Bank will calculate this amount using the exemptions and/or child credits to which the Eligible Retiree is entitled, the Appropriate Legal Filing Status, and the standard deduction. The income tax reimbursement includes any additional income tax on the tax reimbursement itself. In case the federal alternative minimum tax is applicable, it will only be reimbursed as part of a supplemental tax reimbursement under paragraph 3.4 of this Staff Rule.

3.2. If the Eligible Retiree is married, a joint tax will be calculated on the sum of the taxable Bank Retirement Income and the spouse's taxable income. The tax reimbursement will be the portion of the joint tax allocated to the Bank Retirement Income on a pro-rata basis. Eligible Retirees reporting spouse income will be required to furnish supporting documentation to the Bank. Failure to provide supporting documentation within the time limitations established by the Bank in published guidelines shall result in the re-computation of the tax reimbursement with no spouse income attributed for the year, and/or the suspension of further payments of tax reimbursement.

3.3. The Bank will pay tax reimbursements to Eligible Retirees in advance of the deadlines for payment of estimated taxes.

3.4. An Eligible Retiree, after finalizing the tax return for a year, may apply for a supplemental tax reimbursement within the time limitations established by the Bank in published guidelines. Eligible Retirees who apply for a supplemental tax reimbursement are required to submit their income tax returns to the Bank for review, together with all supporting forms, schedules and exhibits which the Bank may require to determine eligibility for, and the amount of, any supplemental tax reimbursement. Eligibility for, and the amount of, any supplemental tax reimbursement will be determined in accordance with published guidelines.

4. REIMBURSEMENT OF TAXES IMPOSED BY COUNTRIES OTHER THAN THE U.S.

In the case of Eligible Retirees who are obliged to pay income tax on their Bank Retirement Income in a country other than the U.S., the tax reimbursement will be calculated by applying a methodology determined by the Bank that is consistent, to the extent possible, with the general principles set forth in Section 3 of this Staff Rule, while taking into account the particular rules and requirements of the applicable national tax system, and will cover the income taxes the Eligible Retiree is required to pay on Bank Retirement Income.

5. OTHER CONDITIONS AND REQUIREMENTS

5.1. The Bank reserves the right to request appropriate documentation to support the data supplied by the Eligible Retiree, which was relied upon by the Bank in the calculation of the tax reimbursement, and to verify that the Eligible Retiree has complied with applicable tax obligations. The Bank also reserves the right to require Eligible Retirees to authorize the tax authorities to release to the Bank tax transcripts containing their tax return data. Failure to provide the documentation or authorization required by this paragraph may result in the suspension of further payments of tax reimbursement.

5.2. An Eligible Retiree who receives an overpayment due to an error, should immediately report the overpayment to the Bank. Erroneously paid amounts do not create entitlements for the recipient. The Bank shall have the right, at its discretion, to require the immediate repayment to the Bank or allow for repayment in installments, as appropriate, and will so inform the Eligible Retiree.

5.3. The Bank shall have the authority to recover overpaid amounts due to the update or confirmation of spouse income under paragraph 3.2, an error in a calculation, or an error in the data used in a calculation through deduction from payments due from the Bank to the Eligible Retiree. The Bank may also undertake any other process for obtaining repayment, as applicable.

5.4. The right of an Eligible Retiree to request a tax reimbursement from the Bank shall lapse two years from the date on which the corresponding tax payments were due to tax authorities. The right of the Bank to claim any overpayment of tax reimbursement for a tax year, made and received in good faith by an Eligible Retiree, will lapse two years from the date of the final payment of tax reimbursement for the tax year. The right of the Bank to claim an overpayment made because of false, erroneous or incomplete information provided by the Eligible Retiree shall not lapse.

5.5. The Bank may adjust the amount of an Eligible Retiree’s tax reimbursement taking into account any changes in applicable tax laws or regulations, as well as any changes in the retiree’s circumstances that are disclosed to the Bank and are expected to affect the retiree’s tax liabilities on Bank Retirement Income.

6. TRANSITIONAL PROVISION

All Eligible Retirees to whom tax advances were made in 2018 will be required to submit a settlement application on Bank Retirement Income for the 2018 tax year within the time limits established in, and in accordance with, guidelines published by the Bank.