

REGISTRY’S SUMMARY<sup>1</sup>: *Ari et al., Applicant v. International Monetary Fund,  
Respondent*

IMFAT Judgment No. 2025-3 (June 6, 2025)

DIRECT CHALLENGE TO “REGULATORY DECISION” – “RULES-BASED” STAFF COMPENSATION  
SYSTEM – CALCULATION OF COMPENSATION – DISCRETIONARY AUTHORITY OF  
MANAGEMENT – DISCRETIONARY AUTHORITY OF EXECUTIVE BOARD

Applicants, comprising eight staff members of the Fund, contested elements of the FY2024 staff compensation decision, which was proposed by Management and adopted by the Executive Board (“Board”) on April 20, 2023, with effect from May 1, 2023. They contended that this regulatory decision failed to adhere to rules established by the Comprehensive Compensation and Benefits Review (“CCBR”) decision, which the Board adopted in 2019 to provide the framework for the annual compensation decisions going forward.

Two earlier challenges brought before the Tribunal concerned the implementation of, and later amendment to, the “safeguard mechanism” rule, along with the salary increase decisions for FY2022 (*Elkjaer et al. (No. 2)*) and FY2023 (*Elkjaer et al. (No. 3)*). This Application raised challenges to the implementation of the rules governing the triennial adjustment of the Fund’s payline and the accompanying salary increase decision for FY2024.

Applicants’ chief complaint concerned the adjustment of the payline as part of the FY2024 compensation decision. The payline adjustment was made following a comparator-based assessment, which, pursuant to the CCBR, takes place triennially during “Year 1” of the three-year compensation cycle. Applicants asserted that Management’s analysis as presented in the 2023 Review of Staff Compensation—on which the Board’s FY2024 staff compensation decision relied—did not comply with the multi-step payline adjustment process prescribed by the CCBR, resulting in a payline that was “inexplicably below market” at some grades, in particular Grades A5-A6 (within the A1-A8 payline) and Grades A9-A10 and A15-B2 (within the A9-B2 payline). Applicants further contended that Management’s allegedly flawed analysis deprived the Board of the facts it needed to make an informed decision concerning the payline, and that this failure in turn affected the salary increase decision.

In response, Respondent contended that the FY2024 staff compensation decision was consistent with the CCBR rules and that it reflected the reasonable exercise of discretionary authority. Respondent asserted that it has “broad discretion” under the CCBR to balance competing factors in developing the proposed payline and that, in proposing the grade-by-grade adjustments to the midpoints as part of the 2023 Review of Staff Compensation, it properly took all relevant elements into consideration, adding that its decisions were not arbitrary and were taken “after extended consideration” of a range of views and data, with input from multiple stakeholders including the Staff Association Committee (SAC).

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<sup>1</sup> This summary is provided by the Registry to assist in understanding the Tribunal’s Judgment. It does not form part of the Judgment. The full Judgment of the Tribunal is the only authoritative text. The Tribunal’s Judgments are available at: [www.imf.org/tribunal](http://www.imf.org/tribunal).

Summarizing the “key facts,” the Tribunal noted that, under the CCBR provisions for Grades A1-A8 staff, the Washington-Baltimore region is considered the primary comparator market, and comparator institutions are drawn from that region. In Year 1 of the three-year compensation cycle, the CCBR prescribes a two-step process for the comparator-based review of the Grades A1-A8 payline. Step 1 compares the midpoints at grades A1-A8 to the comparator market to develop a provisional payline. A grade-by-grade assessment is made to determine what is needed to maintain consistent and adequate progression between grades, and more closely align the Fund’s midpoints to the market payline. Step 2 makes final grade-by-grade adjustments to the provisional payline giving consideration to those grades where the Fund recruits most staff at these levels (grade A4/A5) and any challenges experienced in bringing in and retaining talent at grades A1-A8.

For Grades A9-B2 staff, the Tribunal noted that the United States is considered the primary comparator market. Comparator institutions are drawn from that market, representing particular components of the private and public sectors, with the sectors weighted in a manner that “supports current and future recruitment and retention needs,” so as to “help ensure that Fund salaries are maintained at the right level in the markets in which it competes for talent.”

In Year 1 of the three-year compensation cycle, the CCBR prescribes a three-step process for the comparator-based review of the Grades A9-B2 payline. Step 1 compares the midpoints at grades A9-B2 on a level-to-level basis with the U.S. and international comparator markets, in order to also take stock of the relationship of the overall payline (including its slope) with the comparator market paylines. The Fund midpoints are assessed to determine the overall percentage increase required to maintain market alignment, on a staff weighted average basis, resulting in a provisional payline. In Step 2, grade-by-grade adjustments will be applied to individual midpoints, taking into consideration different recruitment challenges for positions where there may be more difficulty securing talent from the competitive market. Where the market reflects a lower reference point than the Fund’s current midpoint, the midpoint would remain unchanged. In making grade-by-grade adjustments of the midpoints, internal considerations of career progression and the stability of the payline will also be taken into account. Step 3 will be an assessment of the competitiveness of the revised payline vis-à-vis the international comparator markets. The Fund payline will be compared to the composite payline for the international comparator market (France, Germany, and Japan) based on the arithmetic average of the percentage differences at each grade level. These differences will be weighted by the number of staff in each grade, determined as of January 1 of the review year. For this purpose, the test for international competitiveness will be a Fund payline that is a range of 10-20 percent above the international market payline. The CCBR provides that a “further adjustment of the Fund’s salary structure midpoints following the grade-by-grade adjustment will be permitted, but not required, based on an evaluation of international competitiveness.” Further factors to be considered include provision of adjustment when the payline falls below the specified target floor and a specified discretionary downward adjustment being subject to the safeguard mechanism.

On April 20, 2023, the Board approved, effective May 1, 2023, Management’s proposed salary structure resulting in a staff weighted average of 5.0 percent, along with the proposed average salary increase of 6.9 percent as set out in the 2023 Review.

The Tribunal noted that the crux of the controversy was whether Respondent failed to adhere to the rules prescribed by the CCBR and exceeded the breadth of discretion afforded by these rules when it took the FY2024 staff compensation decision, formulating the two principal questions for its decision: First, in proposing to the Board the triennial payline adjustment in connection with the FY2024 staff compensation decision, did Management fail to adhere to the rules prescribed by the CCBR and abuse its discretion? Specifically, did Management (1) fail to consider a “provisional payline”? (2) improperly “commingle” elements of a multi-step process and fail to take proper account of career progression, payline stability, and staff recruitment and retention? (3) arbitrarily adjust downward the Grades A9-B2 payline, based on its assessment of “international competitiveness”? (4) fail to explain adequately to the Board the FY2024 payline adjustment proposal? and (5) otherwise misdirect the Board in developing the proposed payline adjustment? Second, given Management’s proposal, did the Board abuse its discretion in taking the FY2024 staff compensation decision?

The Tribunal emphasized the degree of deference it allows for review of regulatory decisions, noting that “deference is at its height when the Tribunal reviews regulatory decisions (as contrasted with individual decisions), especially policy decisions taken by the Fund’s Executive Board.” (para. 68) However, amending non-fundamental terms and conditions of employment is subject to constraints: “[c]hanges must be based on a proper consideration of relevant facts. They must be reasonably related to the objective which they are intended to achieve. They must be made in good faith and must not be prompted by improper motives. They must not discriminate in an unjustifiable manner between individuals or groups within the staff. Amendments must be made in a reasonable manner seeking to avoid excessive and unnecessary harm to the staff...” (para. 68) Moreover, when taking regulatory decisions affecting staff compensation, the Fund’s obligation to adhere to its written rules is “heightened ... because a ‘fundamental and essential’ condition of staff employment is that the compensation system will be ‘rules-based’ and ‘comparator-based.’” (para. 69) With these considerations in mind, the Tribunal noted that the CCBR’s triennial payline adjustment rules provided some room for discretion and that it would consider what was required by the rules and how Management implemented them.

As to question (1), Applicants contended that, in preparing the 2023 Review, Management skipped Step 1 of developing a “provisional payline” as provided in the CCBR and improperly “commingled” elements of the multi-step process it prescribed, resulting in “substantively unjustified results.” The Tribunal noted that the review process, as formulated for both Grades A1-A8 and Grades A9-B2, calls for the comparison of the midpoints to those of the relevant comparator markets in determining a “provisional payline” in order to take account of the requirement that the Fund’s staff compensation system is to be “comparator-based.” However, the review process must also take into account additional factors of career progression, payline stability and staff recruitment and retention. In the view of the Tribunal, the prescribed Steps are merely a means to ensure that the review of the salary structure is comparator-based, and need not be followed rigidly. The Tribunal concluded that Management had compared the Fund’s then-current paylines with the relevant market paylines and had adhered to the CCBR’s requirement to consider a “provisional payline” for each of the Grades A1-A8 and Grades A9-B2 paylines in developing the FY2024 payline adjustment proposal.

As to question (2), The Tribunal examined whether, as asserted by Applicants, Management exceeded the range of discretionary authority afforded by the rules in mixing the proposed adjustments to the payline into one step without full explanation or taking account of recruitment and retention issues and concluded that it had not done so. The Tribunal recalled that it has recognized that “provision for the exercise of discretion within a system does not invalidate the system, and that the exercise of that discretion within its governing parameters leads to solutions no less legally valid than another.” (para. 84) It noted that the rules did not specify how the competing factors should be balanced, and concluded that Management had discretion to prioritize one factor over another. Hence, the Tribunal concluded that Management had not improperly “commingled” elements of the governing rules. Where the Applicants disagreed with certain outcomes on the payline adjustment process, these outcomes, in the view of the Tribunal, did not demonstrate a failure to follow the governing process, noting that it has held that “[t]he Fund’s policy-making discretion unsurprisingly extends to making choices among reasonable alternatives.” (para. 91)

As to question (3), Applicants alleged that without any reasonable basis, Management arbitrarily proposed to adjust downward the Grades A9-B2 payline relative to the U.S. market based on the international competitiveness test, and challenged as arbitrary the amount of the downward adjustment. Applicants argued that the earlier circulated Draft 2023 Review had stated that there was no evidence that the Fund’s payline was “over-competitive,” yet the final 2023 Review concluded that “full alignment to the U.S. market at every grade across the A9-B2 grade range and resultant increase in the competitiveness margin over the international comparators is not warranted at this time,” (para. 96) citing that aligning the Grades A9-B2 payline fully with the U.S. market would place it more than 20 percentage points above the CCBR’s 10-20 percent target range for international competitiveness. Instead, Management’s proposal had opted for a “more targeted and moderate increase in the Fund’s payline,” which, it said, would “maintain the Fund’s competitiveness at key recruitment levels, satisfy internal equity considerations, and uphold the rules-based system.”

The Tribunal noted that “[w]hen decisions come before the Board relating to staff employment, compensation and benefits, the Board’s decision-making process will benefit from being fully informed of the views of all key stakeholders.” (para. 100) However, drafts did not constitute binding positions. Moreover, “the fact that one decision is recommended to a decision-making authority and a different decision ultimately is taken does not of itself vitiate the reasonableness of that decision.” (para. 101) The Tribunal concluded that Applicants had not shown that, in developing the FY2024 payline adjustment proposal, Management had arbitrarily adjusted the Grades A9-B2 payline downward based on an assessment of international competitiveness.

As to question (4), Applicants contended that Management had additionally abused its discretion by failing to explain adequately to the Board its FY 2024 payline adjustment proposal, in particular not explaining why it recommended a particular option. Respondent submitted that the Board was given all of the information required by the CCBR. The Tribunal again recognized the Board’s lawful exercise of discretion and the need for reasoned decision-making and concluded that Management had adhered to the rules and not abused its discretion, noting that while Management may not have mechanically followed the required CCBR steps, the analysis and

choices made were explained and documented in the 2023 Review, its Annexes and the 2023 Supplement which had been issued in response to SAC's Statement to the Board containing proposed adjustments.

As to question (5), Applicants argued that Management also misdirected the Board with respect to the market pitch because the definition was not fully spelled out in the 2023 Review and that the "75<sup>th</sup> percentile market pitch claim simply portrays the Fund's payline as more competitive than it actually is." Applicants asked that Management be ordered to include in a revised 2023 Review a "full and accurate explanation of the so-called 'market pitch' for each segment of the U.S. comparator market used to develop the Grades A9–B2 payline or, alternatively, require the Fund to adopt a methodology that is fully consistent with its 75<sup>th</sup> percentile market pitch representation." (para. 110) Respondent asserted that the 75<sup>th</sup> percentile is merely a shorthand reference for more elaborate calculations.

The Tribunal recalled that the CCB, which is referred to multiple times in the 2023 Review, explains in detail what the reference to the 75<sup>th</sup> percentile should be understood to mean. In addition, when referring to the 75<sup>th</sup> percentile or addressing a specific item of its definition, the 2023 Review clearly indicates in its explanations that the Fund's market pitch "targets" or "approximate[s]" the 75<sup>th</sup> percentile, or is set "on average" at that level. Applicants' challenge to the reference to the "75<sup>th</sup> percentile" in the 2023 Review's discussion of market pitch was therefore without merit.

The Tribunal further rejected Applicant's claim that the CCB required that the Fund salaries should "remain aligned" with the comparator market, noting that just because the system is "comparator-based," the Fund's payline need not necessarily be congruent with a payline constructed from other comparators as this would eliminate the need to take account of additional factors of career progression, payline stability, and staff recruitment and retention.

In sum, the Tribunal concluded that Applicants did not show that, in developing the FY2024 payline adjustment proposal, Management (a) failed to consider a "provisional payline"; (b) improperly "commingled" elements of a multi-step process or failed to take proper account of career progression, payline stability, or staff recruitment and retention; (c) arbitrarily adjusted downward the Grades A9-B2 payline, based on its assessment of "international competitiveness"; (d) failed to explain adequately to the Board the FY2024 payline adjustment proposal; or (e) otherwise misdirected the Board in developing the proposed payline adjustment. Accordingly, the Tribunal further concluded that Management did not fail to adhere to the rules prescribed by the CCB, nor did it abuse its discretion in proposing to the Board the triennial payline adjustment in connection with the FY2024 staff compensation decision. Having concluded that Management had not abused its discretion in making its proposal, the Tribunal further concluded that the Board did not abuse its discretion in taking the FY2024 staff compensation decision based on that proposal. Therefore, the Application was denied.