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# FINANCE COMMITTEE

**Hundred and Fifty-sixth Session**

**Rome, 3 - 7 November 2014**

**Recommendations and Decisions of the International Civil Service  
Commission and UN Joint Staff Pension Board to the General Assembly  
(including Changes in Salary Scales and Allowances)**

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EXECUTIVE SUMMARY

- The purpose of this paper is to inform the Committee of recent developments in the activities of the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Board (UNJSPB) and changes in the conditions of service of staff in the professional and higher categories as well as general service staff.

GUIDANCE SOUGHT FROM THE FINANCE COMMITTEE

- The Finance Committee is invited to take note of the contents of this document.

Draft Advice

- **The Finance Committee noted the recent recommendations and decisions adopted by the International Civil Service Commission (ICSC), related to the conditions of service of staff in the professional and higher categories as well as general service staff, and the United Nations Joint Staff Pension Board (UNJSPB).**

## INTERNATIONAL CIVIL SERVICE COMMISSION (ICSC)

### Review of the Common System Compensation Package: Report of the Working Group on the Remuneration Structure

1. At its seventy-seventh session, the Commission, in connection with the review of the compensation package, established three working groups on: (1) the remuneration structure, including post adjustment; (2) competitiveness and sustainability; and (3) performance recognition and other related human resources matters. At its seventy-ninth session, the Commission considered a number of proposals of the Working Group on the Remuneration Structure and the main conclusions of the Commission are summarised below.

2. In the first stage of this review, which is on-going, only the compensation package of internationally recruited staff in the Professional and higher categories is being examined. The review of the compensation package for National Professional Officers and the General Service category will be undertaken in a second stage.

#### *Dependency and Single Rates of Pay*

3. The rationale behind the current salary scale structure that provides for a single and a dependant rate of the net salary lays in the tax practices under some national systems which provide for different taxation levels between individuals with and without dependent family members. However, this approach is considered complex and contributes to perceptions of inequity in treatment between staff members based on their family status. The Commission therefore considered alternative ways to recognize dependent spouses and, following discussions on this item, agreed on the following principles:

- One unified salary scale should be introduced for all staff in the Professional and higher categories without regard to family and dependency status.
- The ICSC secretariat will explore scale models and assess the financial impact on the staff and organizations of the various options.
- In line with the rules in the comparator, dependent spouses will continue to be recognised and the format of the proposed allowance will be considered in the context of the salary scale structure.

#### *Setting and Adjusting the Level of the Base/Floor Salary Scale*

4. In the light of the relatively low level of the UN's base/floor salary scale, various options were considered to adjust it. The Commission expressed a preference for an incremental approach in raising the level of the base/floor salary, through consolidation of post adjustment on a no loss/no gain basis, to avoid windfall gains in low cost duty stations. The amount of the increase would be determined as per normal procedures.

#### *Social Benefits*

##### *Dependent Child Allowance*

5. The Commission agreed that:
- The current eligibility criteria and the general methodology for setting the amount of the dependent children's allowance should be maintained.
  - Where the staff member is a single parent, the allowance for the staff member's first child should be higher than the regular dependent children's allowance.
  - The level of the allowance will be determined after the format and the amount of the spouse allowance have been established.

### *Secondary Dependant's Allowance*

6. The Commission decided to recommend that the eligibility and the current methodology for setting the amount of the secondary dependant's allowance should be maintained.

### *Education Grant*

7. The education grant is available to expatriate staff and is based on the principle of cost sharing between organizations and the staff member. The organization reimburses up to 75 per cent of admissible expenses, subject to a set ceiling. The grant covers primary, secondary and the first four years of post-secondary education. Under the current methodology, the level of the grant is reviewed every two years, which involves setting separate ceilings for 15 currency zones.

8. After review of the recommendations of the Working Group, the Commission agreed on the following principles and recommendations:

- The education grant is an essential element of the compensation package and an important tool to facilitate the attraction and retention of a global mobile workforce.
- The purpose of the grant is to assist expatriate staff in covering additional expenses relating to educating their children while serving at a duty station away from their home country.
- For the primary and secondary level education, the ceiling for maximum admissible expenses should be referenced to educational institutions at the place of duty of the staff member, unless there are no adequate educational institutions at the duty stations (e.g. non-family/hardship postings). For the tertiary level, a global approach should be explored to establish a single ceiling applicable world-wide.
- With a view to simplifying the administrative process, as well as covering costs directly related to the education of children as is the purpose of the grant, the admissible expenses should be revised to include tuition and enrolment-related fees only. This should result in an overall reduction of the cost of the education grant to organizations.

### *Annual Leave Entitlements*

9. The Commission decided to recommend that the existing provisions relating to the annual leave be maintained and that the organizations should strive to minimize the accrual by staff of unused leave days by encouraging staff to take leave regularly.

### *Location-Specific Hardship and Security Related Monthly Payments*

10. The Commission considered the recommendations made by its Working Group on the Remuneration Structure on the location-specific and relocation related elements of the United Nations compensation system.

### *Hardship Allowance*

11. Under the current mobility and hardship scheme, the ICSC classifies duty stations into six categories by level of difficulty: "H" (i.e. headquarters and similarly designated locations, or locations in countries which are members of the European Union) and "A" to "E".

12. The Commission decided to request its Working Group to explore the possibility for simplifying and further streamlining the hardship classification system into three broad categories and to pay the hardship allowance differentiated by groups of grades (as per current groupings) of staff and category of duty station.

### *Additional Hardship Allowance*

13. The additional hardship allowance (AHA) is a compensation for staff to undertake assignments at non-family locations and recognises the increased level of financial and psychological hardship incurred by involuntary separation from their families. The AHA is paid in addition to the normal hardship allowance and varies according to the staff member's grade and family status.

14. The Commission requested its Working Group to conduct further study to streamline and integrate the AHA for non-family duty stations into the hardship classification system and explore the establishment of a single amount of AHA for staff with eligible dependants and single staff.

#### ***Other Benefits in the Field under Mobility and Hardship Scheme***

15. Depending on the particular circumstances of the duty station, further benefits may be applicable. In this regard, the Commission took the following decisions:

- Discontinue the entitlement to additional freight entitlement for hardship duty stations.
- Discontinue the reimbursement of the cost of basic medical examinations for accompanying eligible family members.

#### ***Assignment and Mobility Related Payments***

#### ***Mobility Allowance***

16. In the context of the mobility and hardship scheme, mobility is the geographic reassignment of a staff member for a period of one year or more from one duty station to another, usually to another country. The purpose of the mobility allowance is to encourage geographic movement of internationally recruited staff in accordance with organizational needs. The Commission decided:

- That annual flat amounts for each geographical reassignment based on degree of hardship should be established;
- To exclude H duty stations from the mobility allowance;
- To request its Working Group to study further options to streamline and integrate the mobility allowance and the assignment grant into one system.

#### ***Allowances upon New Assignment or Reassignment (Assignment Grant and Shipment Entitlements)***

17. The assignment grant provides a cash amount at the beginning of an assignment to help staff meet expenses relating to initial costs of settling into a new duty station and may be composed of two elements, a DSA portion and a lump sum portion, based on different factors such as length of the assignment, the location and removal entitlements.

18. The Commission decided to maintain the current DSA portion of the assignment grant, but requested the Working Group to consider integrating it in the mobility allowance. It also decided to discontinue the additional 1-month salary payment of assignment grant (lump sum portion) at the beginning of the third year of assignment in field duty stations.

19. The Commission requested that the Working Group review all shipment and removal related elements with a view to streamlining them.

#### ***Rest and Recuperation Framework (R&R)***

20. The purpose of R&R travel is to allow eligible staff periodic relief from the extremely difficult or dangerous environment in which they serve. The R&R framework consists of paid travel by the organizations and five consecutive calendar days of special leave and travel time.

21. The Commission decided to continue the review of the R&R framework taking into account all other types of available travel provisions and breaks in consultation with the organizations and staff federations.

#### ***Accelerated Home Leave Paid Travel***

22. A 24-month home leave cycle applies when a staff member is assigned to "H", "A" and "B" duty stations, while at "C", "D" and "E" duty stations a 12-month home leave cycle (i.e. accelerated home leave) applies. The Commission decided to request its secretariat to conduct further analysis together with its work on R&R to identify whether the accelerated home leave travel should be maintained.

## CONDITIONS OF SERVICE OF STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

### *Base/Floor Salary Scale and Review of Staff Assessment Rates Used in Conjunction with Gross Salaries*

23. The Commission decided to recommend to the General Assembly, for approval with effect from 1 January 2015, the revised base/floor salary scale for the Professional and higher categories reflecting a 1.01 per cent adjustment, to be implemented by increasing the base salary and commensurately reducing post adjustment multiplier points, resulting in no change in net take-home pay.

24. The system-wide financial implications of this change would be limited to the revision of the separation payments schedule. For FAO, the financial implication is estimated to be approximately USD 35,630 for the year 2015.

### *Evolution of the United Nations/United States Net Remuneration Margin and Margin Management Around the Desirable Midpoint*

25. Under a standing mandate, the Commission reports annually to the General Assembly on the net remuneration margin, which is the relative difference between the net remuneration of United Nations staff in the Professional and higher categories in New York and that of officials in comparable positions in the United States federal civil service in Washington, D.C. For that purpose, the Commission annually tracks changes occurring in the remuneration levels of both civil services. Furthermore, and in response to the General Assembly's request (section II.B, paragraph 5 of its resolution 68/253 refers), the Commission considered possible options to bring the margin back to its desirable midpoint of 115.

26. The Commission was informed of elements that affected the margin level in 2014, namely: the lifting of the statutory freeze in United States federal pay adjustments resulting in a 1.0 per cent general increase as of 1 January 2014 for all statutory pay systems in the comparator civil service; revisions in federal taxation, resulting in slight reductions of overall income taxes in Washington, D.C.; the level of the post adjustment multiplier in New York; the level of the base/floor salary in the United Nations Common System (UNCS) for the period from January to December 2014; and the revised cost-of-living differential between New York and Washington, D.C. estimated at 112.7. As a result, the estimated net remuneration margin for 2014 amounted to 117.4 with the corresponding five-year average (2010 to 2014) amounting to 116.4.

27. The Commission decided to report to the General Assembly that the margin between the net remuneration of officials in the Professional and higher categories of the United Nations in New York and officials in comparable positions in the United States federal civil service in Washington, D.C., for the calendar year 2014 amounted to 117.4 and its five-year (2010-2014) average amounted to 116.4, which was above the desirable midpoint of 115.

28. Having reviewed the range of actions to bring the margin to its desirable midpoint, the Commission decided that:

- the normal procedure for management of the margin within the established range would be suspended until further notice;
- the freeze in net remuneration in New York would be continued until such time that the margin had been brought back to its desirable midpoint.

### *Proposals on Synchronizing the Post Adjustment Classification Review Cycles at Headquarters Duty Stations and Other Group I Duty Stations*

29. In response to the request from the General Assembly, the Commission considered two proposals on the synchronization of the post adjustment classification review cycles at headquarters and other group I duty stations:

- Option 1: Review all headquarters and other group I duty stations only once a year, on a predetermined date
  - Option 2: review all headquarters and other group I duty stations at least once a year, on the anniversary date of the post adjustment classification review for New York.
30. The Commission decided:
- that the post adjustment classifications of all headquarters and other group I duty stations should be reviewed once a year, on the anniversary date of the post adjustment classification review for New York, the base city in the UN Common system; and,
  - to refer the question of the continued use of the 5 per cent rule for group I duty stations (i.e. a review may be conducted before the statutory review date if an increase in the cost of living of 5 per cent or more is measured earlier) for consideration by the Advisory Committee on Post Adjustment Questions, in the context of its review of the operational rules governing the post adjustment system, at its next session in 2015.

## **CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES OF STAFF**

### *Health Insurance*

31. In compliance with the General Assembly's request (Resolution 68/253 refers), the Commission reviewed the apportionment of the health insurance premiums between the United Nations Organization and participants in both United States and non-United States plans.
32. Based on the substantive data provided to the Members of the Commission, it was observed that, in the light of the situation and practice in the comparator civil service, in Member States where most United Nations staff retire and in many other international organizations, if the Commission were to revise the apportionment, the employer's portion would most likely increase.
33. The Commission decided to recommend to the General Assembly that the current apportionment of health insurance premiums between the Organization and both active and retired staff in United States and non-United States health insurance plans be maintained at their existing ratios.

### *Mandatory Age of Separation for Existing Staff*

34. At its sixty-eighth session, the General Assembly, in its resolution 68/253, requested the Commission to undertake further analysis, in consultation with all relevant stakeholders, on the impact of the adoption of the recommendation to raise to 65 years the mandatory age of separation for current staff on workforce and succession planning frameworks and all relevant human resources policies across the United Nations common system.
35. At the Commission's seventy-ninth session, its secretariat provided it with an analysis of the potential impact of increasing the mandatory age of separation to 65 years of age for current staff members. The costs to organizations and the impact on various human resources initiatives were also discussed.
36. In response to presentations made by several specialised organizations, amongst which FAO, that an increase in the mandatory age of separation of serving staff would negatively impact the workforce planning, restructuring and redeployment exercises, the Commission considered that organizational restructuring and the reduction of posts were continuous operations within all organizations and that an increase in the mandatory separation age should not have a deleterious effect on the organizations' human resources management or strategic planning.
37. The Commission decided to inform the General Assembly that it had conducted the required analysis on workforce and succession planning and all relevant human resources policies including performance management and appraisal, rejuvenation, gender balance and equitable geographic representation across the United Nations common system.

## UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)

### *61st United Nations Joint Staff Pension Board Meeting, Rome, 10-18 July 2014*

38. The 61st UNJSPF Board meeting was hosted by FAO in Rome. Aside from the standard budget and governance matters, the Board discussed the financial statements of the Fund, actuarial valuation, membership of the Committee of Actuaries and Investments Committee and the report on the Fund's investment performance.
39. The CEO emphasized that the Fund has been significantly strengthened in the last few years and is in a very good operational and financial situation.
40. The latest actuarial valuation revealed that there is a reversal of the downward trend in the results of the actuarial valuations, largely linked to the increase in normal retirement age and the change in the early retirement provisions for new staff. The CEO mentioned that the deficit of 0.72% of pensionable remuneration resulting from the latest actuarial valuation shows a significant improvement over the previous actuarial valuation deficit of 1.87% of pensionable remuneration. Assuming the expected annual 3.5% real rate of return continues to be earned, the principal of the Fund will not be utilized to cover the gap between contributions collected and benefits paid out at least for the next 50 years.
41. Over the last 10 years the population serviced by the Fund has grown by approximately 33%. Furthermore, the number of benefits processed after separation from active service ("complex cases") during 2012/2013 has grown by 51% since 1998/1999, while the number of enquiries processed and responded to annually has increased by 235% since 1999. The Fund not only processes increasingly more cases, and more complex cases, but additionally, the Fund services the needs of an aging retiree/beneficiary population that has particular needs due to advanced age. Presenting the increasing transactional volume faced by the Fund every year, as well as an increasing demand for services, there is a need for further strengthening of the Fund's client servicing capacity.
42. The Board also reviewed a number of other matters including the most important decisions made and discussions on the following:
- Consideration of ASHI Arising from the GA Resolution***
43. In fall 2013, the General Assembly considered the report of the Secretary-General (A/68/353) and the related report of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) (A/68/550) on managing after-service health insurance (ASHI) liabilities. Following its consideration of these two reports, the General Assembly approved resolution A/RES/68/244.
44. Given the possible ramifications of the General Assembly's resolution on the UNJSPF, the Pension Board's Assets and Liabilities Monitoring (ALM) Committee at its first meeting in February 2014 requested that the Consulting Actuary prepare a note on the "Option of Broadening the Mandate of the UNJSPF to Include Administration of After-Service Health Insurance (ASHI) Benefits".
45. The Board took note of the General Assembly's request and expressed its agreement with the conclusions presented in the note of the Consulting Actuary on the "Option of Broadening the Mandate of the UNJSPF to Include Administration of After-Service Health Insurance (ASHI) Benefits". The Board also endorsed the recommendations of the ALM Committee on this matter which are reflected under item 11(c) Report of the Assets and Liabilities Monitoring Committee. The Board noted that the investments objectives of the Fund differed from those of ASHI. Therefore, it might be inappropriate for the Fund to manage the resources related to ASHI.
46. The Pension Board agreed that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of ASHI benefits, noting that this option could jeopardize the Fund's operational viability and could also negatively affect the long-term sustainability of the Fund depending upon the extent of the adopted measure.

***Effect on UNJSPF of the Increasing Use of Contracts Expressly Excluding Participation in the Fund***

47. The Participants' Group presented a conference room paper concerning the effects on the Fund of the increasing use of contracts expressly excluding participation in the Fund. It was noted that consultants and other individuals working on so-called "non-staff contracts" represent a significant percentage of the United Nations Common System global workforce. It further noted that official and unofficial data show that the use of such contracts has been generally increasing across the United Nations common system and that this could be a reason for concern to the sustainability of the Fund as personnel working on non-staff contracts are not eligible to participate in the Fund.

48. The Board took note of the information provided in the conference room paper. It also requested the ALM Committee to keep this item under review in the context of its periodic solvency monitoring and Asset-Liability Management (ALM) studies and report back to the Board as necessary.

***Report of the Assets and Liabilities Monitoring Committee***

49. The Board approved the following recommendation of the ALM Committee as set forth in its report:

The Pension Board approved the following UNJSPF risk appetite statement:

"The Fund recognizes the very long-term scope of its operations, its insurance-like nature which pools resources and risks to provide retirement, death, disability and other defined benefits and related services to its participants, retirees and beneficiaries as well as the importance of ensuring the continuing viability of its operations and finances. The Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments."

***Staff Pension Committees Terms of Reference***

50. The Board approved the revised terms of reference for the Staff Pension Committees (SPCs) and SPC Secretaries.

51. The Board requested the Fund secretariat to prepare a document on the matter for its next session in 2015, including an Administrative Rule that would provide for a dispute resolution mechanism between the member organizations and the Fund for issues arising from the interpretation of the Fund's Regulations and Rules.

52. The Board approved an amendment to the mentioned confidentiality rule by stating that the SPCs may, through the secretariat to the committees, provide relevant pension information of a participant or beneficiary that is considered necessary in the administration of staff members and their entitlements in their employing organizations.

***Recovery of Amounts Paid as Death or Disability Benefits from Third Parties Found Liable by a Court or Pursuant to National Legislation for Injury or Death of a Participant***

53. The Board noted the report and recalled its earlier decision to approve the concept of recovery from third parties in principle. It further requested an amendment to the scope of the proposed provisions in the Fund's Regulations and Administrative Rules. The Board further requested that the Secretary/CEO to submit at its session in 2016 a revised document which better aligns the legal provisions with the paper presented.