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FINANCE COMMITTEE

Hundred and Sixty-fourth Session

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**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 update the Committee on the implementation of the changes to the compensation package for the professional and higher categories, and on the recent developments in the activities of the United Nations Joint Staff Pension Board (UNJSPB).

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 progress on implementation of the changes to the compensation package for the professional and higher categories, and the major decisions made by the Pension Board.**

International Civil Service Commission (ICSC)

Update on the implementation of the changes to the compensation package for the professional and higher categories

1. At its seventieth session (December 2015), the United Nations General Assembly (UNGA) adopted resolution 70/244 on the United Nations common system that focused on the report of the International Civil Service Commission (ICSC) for the year 2015. The main elements of the resolution regard decisions taken on the implementation date of the new mandatory age of separation and on the changes to the compensation package for staff in the professional and higher categories. Both of these topics were addressed in the Finance Committee document 161/9.

2. The changes to the compensation package for staff in the professional and higher categories will be gradually implemented in a series of phases. The first implementation phase took place on 1 July 2016 and comprised changes to the relocation related elements and the mobility and field allowances and benefits. The second phase is expected to be implemented on 1 January 2017 and regards the implementation of a unified salary scale and changes to the dependency allowances. At the time of writing this paper there were no developments to report on the implementation of the new mandatory age of separation for staff recruited prior to 1 January 2014.

End-of-Service severance pay

3. In its resolution 65/248 of 2010, the General Assembly decided to revert, at its seventy-first session, to the Commission's recommendation regarding the introduction of end-of-service severance pay in the organizations of the common system for fixed-term staff involuntarily separating from the organization upon the expiration of their contract after 10 or more years of continuous service.

4. The financial implications of introducing end-of-service severance pay were estimated at 1.64 million USD per annum system-wide. Based on available data, for FAO the financial implications are estimated to be minimal.

5. The Commission decided to submit its earlier recommendation to the General Assembly that end-of-service severance pay be introduced for fixed-term staff separating from the organization upon the expiration of contract after 10 or more years of continuous service.

United Nations Joint Staff Pension Board (UNJSPB)

6. The sixty-third session of the United Nations Joint Staff Pension Board was held at the International Atomic Energy Agency (IAEA) in Vienna, Austria, from 14 to 22 July 2016. The CEO highlighted the challenges faced by the Fund, such as the growth in the number of clients being serviced, increasing geographical dispersion, the Fund's maturity and complexity, and more recently, an unexpected surge in the number of separations, as well as the limited resources available. Below are major decisions made by the Pension Board.

Actuarial valuation

7. The Board took note of the favourable valuation results reporting a surplus of 0.16%. The Board also reiterated the importance of continuing to earn the necessary 3.5% annual real rate of return both on a long-term basis for the future solvency of the Fund, as well as on a short-term basis.

Investments matters

8. The Representative of the Secretary-General (RSG) introduced the report on the management of the Fund's investments, and noted that all investments meet the criteria of safety, profitability, liquidity and convertibility. The RSG underlined the important nature of the ICT Strategy. The

Pension Board was informed that the IMD Anti-Fraud Policy has been drafted by IMD to further support IMD policies and procedures in the prevention, detection and reporting of fraud, i.e. corruption and other irregularities against the United Nations Joint Staff Pension Fund (UNJSPF or the Fund). The RSG presented the draft policy document for information and informed the Board that it was still under review with the United Nations Office of Legal Affairs and the Department of Management.

Medical matters

9. The Medical Consultant to the Board presented a report with respect to the two-year period from 1 January 2014 to 31 December 2015. The report contained detailed information and analysis as regards the new disability benefits awarded during that period, together with data on new disabled child benefits and on the deaths of participants while in service.

10. After consideration of the views of the UNMDWG and of the Consulting Actuary, the Board approved that the medical standard for participation in the Fund should be a determination by the medical services of the member organization of the Fund that the staff member is “fit for employment” provided the other requirements for participation under article 21(a) of the Regulations have been met. The determination that the staff member is “fit for employment” would be made by the medical services of the member organization in accordance with its pre-entry medical clearance procedures encompassing the risk-stratified approach.

Administrative matters

11. The Pension Board considered the financial statements of the Fund for the year ended 31 December 2015. These are the Fund’s fourth financial statements prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Board approved the Financial Statements for the year ended 31 December 2015. The Board also requested that the background and details related to the cost-sharing arrangement be provided to the Budget Working Group in 2017.

12. The Board considered the status report on the implementation of the Integrated Pension Administration System (IPAS), which was a complex, large scale, enterprise-wide undertaking. The Board took note of the status report and the successful implementation of the IPAS project. The Board also welcomed management’s proposal to establish a new Task Force to complement specific measures to address the backlog, and to conduct a review of the end-to-end process in cooperation with UNJSPF Member Organizations. The first draft of the end-to-end process paper was presented to the Board members the first week of September 2016.

13. In order to address the needs of recent retirees who were experiencing hardship due to delays in the pension benefit payments, the Board authorized the Chief Executive Officer to implement a measure for provisional payment by early November. The measure shall be applicable to periodic benefits only that have not been put into payment within three months of receipt of all documentation required for processing the benefit. The payment shall be limited to 80% of the estimated monthly periodic benefit payable. The Board noted that this measure will entail more work for the Fund secretariat and may require additional resources. The Board requested that the Secretary/CEO submit a report at its sixty-fourth session in 2017 on the implementation of the measure and usage, in order to determine the status and any resource implications.

14. The most important Audit Committee’s recommendations were as follows:

- a) the RSG and the CEO should take all necessary measures to fill senior level and other critical posts without delay;
- b) IMD should, as a matter of priority, formulate a coherent and comprehensive strategy to guide and justify its critical and growing ICT needs both currently and in the future; and

- c) the Fund secretariat should intensify its efforts to forecast, plan for, and manage its benefit caseload, in particular given the projected high volume of separations in the United Nations over the next several years.

15. As the final audit report for the current year was not yet available, the Board requested the Audit Committee to review and provide feedback on the external auditors report and recommendations at the next session of the Pension Board in July 2017.

16. The Board endorsed the proposed timeline for the presentation of the Board of Auditors report. The Pension Board also supported the proposal to schedule the Pension Board session in the last week of July and requested the Fund secretariat to continue coordination with ICSC and the HR Network to avoid as much as possible any overlaps between meetings.

Governance matters

17. The Board approved the Fund's 2018-2019 Strategic Framework and took note of the update on the performance indicators for the two-year period 1 January 2014 to 31 December 2015. The Board requested the CEO to refine the Fund's indicators on personnel management matters.

18. The Board took note of the result of the CEO Performance evaluation.

Investments management

19. The Board requests the Secretary-General to adopt and sign a clear investment policy that demonstrates the Secretary-General's commitment to the fiduciary duty for the investment of the assets of the Fund, including the definition that the strategic objective of the Fund's investments is to maximize investment return within the Fund's risk appetite so as to at least meet the Fund's assumed real rate of return over the long-term.

Appeals procedure

20. The Board supported a gradual implementation of the proposed changes to the Fund's appeals procedure. It decided that those modifications concerning the proceedings of the Standing Committee that could be implemented without any changes to the Regulations and Rules, should be implemented on a trial basis next year, when the Board meets for a shorter period of time. This means, for example, that the Standing Committee, with the same composition until the new one is appointed by the Board, would meet in 2017 before the Pension Board's 64th session and receive the documentation at least three weeks before the meeting.

21. In order to increase efficiency, the members of the Committee should receive the records of the meeting soon after the meeting and those should be approved by the Committee, in accordance with the Rules of Procedure. A report would be submitted to the Pension Board for information. Meetings would continue to be confidential and held in private, and all records and correspondence of the Committee would also continue to be private and kept in the care of the Secretary of the Board.

Other matters

22. The Board requested that the United Nations Secretariat make a concerted effort to ensure that it supplies the individual pensionable remuneration amounts based on the new salary structure to the Fund secretariat at the time of each staff member's separation. Alternatively, should the necessary data be provided to the Fund on a retroactive and corrective basis, the Board requests that the United Nations provide the appropriate resources required to complete the additional processing work and be responsible for the appropriate communications to staff members regarding the processing delays. Further, it is expected that the United Nations would follow the principle of process/data control/ownership in order to ensure that quality data is provided to the Fund to avoid delays in processing and

payments. The Board further requested that the Fund secretariat work closely with OHRM and the ICSC on this matter and participate in the Fifth Committee deliberations on this matter.