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FINANCE COMMITTEE

Hundred and Fortieth Session

Rome, 10 - 14 October 2011

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)

Queries on the substantive content of this document may be addressed to:

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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, both in the professional and higher categories as well as general service staff, which could result in financial implications for FAO.

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 took note of the contents of this document.**

INTERNATIONAL CIVIL SERVICE COMMISSION (ICSC)

CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES OF STAFF

Mobility and Hardship Scheme

1. In accordance with the decisions of the Commission in 2005, as approved by the General Assembly in its resolution 61/239, the amounts payable under the mobility and hardship scheme are to be revised every three years by reference to three factors:

a) The average movement of net base salary plus post adjustment in the eight headquarters locations of the United Nations system;
b) The movement of the out-of-area index used for post adjustment based on inflation factors in 21 countries; and
c) the movement of the base/floor salary scale.

2. The flat amounts implemented in 2007 were reviewed and revised for the first time by the Commission in 2008, based on recommendations by a working group, and came into effect on 1 January 2009.

3. At its sixty-ninth session in 2009, the Commission endorsed a road map for the conduct of the second periodic review of the mobility and hardship scheme in two phases. The first phase, to be completed by 2010, would consist of a review of the scheme and its methodology; the second phase, for completion by 2011, would consist of a review of the procedures for the hardship classification of duty stations, which would coincide with the revision of the amounts due for implementation in 2012. The Commission also decided to include the issue of hazard pay in the review and to discuss the additional boarding costs accorded to staff in designated duty stations under the mobility and hardship scheme.

4. In order to conduct the review of the mobility and hardship scheme, at its sixty-ninth session the Commission established a working group comprising representatives of the Commission, its secretariat, the Human Resources Network of the United Nations System Chief Executives Board for Coordination (CEB), organizations and staff federations.

5. The working group met on three occasions and reported on its progress to the Commission following its first and second meetings at the Commission's seventieth and seventy-first sessions, respectively.

6. At its seventy-second session, the Commission adopted the recommendations of its working group on the review of the mobility and hardship scheme and decided:

a) that each organization should determine how it can best administer the payment of the mobility and hardship elements;
b) to request its secretariat to conduct a further assessment of the impact of the revised scheme on mobility once it has been in place for a period longer than a typical assignment length, that is, no earlier than at the time of the third review of the amounts in 2015;
c) in accordance with General Assembly resolution 65/248, the Commission requested the organizations and the secretariat of the United Nations System Chief Executives Board for Coordination to work closely with the ICSC secretariat to systematically collect and report on data. This collaborative effort would allow a more meaningful analysis of the use and impact of specific allowances and other cross-cutting initiatives, such as the harmonization of conditions of service in non-family duty stations;
d) to define "H" category duty stations as headquarters and similarly designated locations where the United Nations has no developmental or humanitarian assistance programmes for that country, or locations in countries that are members of the European Union;
e) to request its secretariat, in consultation with the organizations of the United Nations common system, to conduct a formal review of all "H" category duty stations and all field

duty stations in which organizations of the common system continue to maintain humanitarian or developmental activities for that country, with a view to determining the correct classification of those countries and duty stations, and to report thereon to the Commission at its seventy-fourth session;

f) not to change the current modalities for payment of mobility allowance for service in “H” and “A” duty stations, at this point in time;

g) to maintain, for the time being, the current relativities between the amounts applicable to the grade-level groupings in the mobility/hardship scheme;

h) to maintain the current relativities for single and dependency rates in the mobility/hardship scheme;

i) to maintain to maintain the current five-year ceiling on the payment of the mobility allowance but to permit, in the exceptional case of staff members who remained at the same duty station at the explicit request of the Organization or for compelling humanitarian reasons, the payment of the full mobility allowance for a maximum period of one additional year;

j) to maintain a pragmatic approach to reviewing the amounts payable under the mobility/hardship scheme every three years, taking all three adjustment factors into account while noting that the movement of the base/floor salary scale is the most stable factor over time;

k) to maintain the current criteria for the payment of additional boarding costs in designated duty stations, noting that they responded to a real need, but with the proviso that staff for whom suitable and adequate education for their children was available in the curriculum and language of instruction offered in the duty station of the parent be excluded from eligibility;

l) to discontinue hazard pay and introduce danger pay, effective 1 January 2012 in order to allow for a timely transition from hazard pay to danger pay, on the basis of the revised criteria which comprise the following:

- duty stations where United Nations staff, owing to the very fact of their association with, or employment by, an organization of the United Nations common system are clearly, persistently and directly targeted or where premises are clearly, persistently and directly targeted, thus presenting an imminent and constant threat to staff and activities;
- duty stations where United Nations staff or premises are at high risk of becoming collateral damage in a war or active armed conflict; and
- non-protected environments to which medical staff are specifically at risk of their life when deployed to deal with public health emergencies as declared by the WHO;

m) to request its secretariat and its Working Group for the Review of Conditions of Life and Work in Field Duty Stations that all duty stations be reviewed, with or without the use of a questionnaire;

n) to maintain all the current hardship factors but to make a change in their relative weightings (except for education, as it is not included in the scoring);

o) to establish rating scales for the individual hardship factors as recommended by the working group that, in accordance with the Commission’s decision that the details of the scoring system of hardship classification should be kept confidential, and not be published;

p) to approve the change in the weighting scheme of individual hardship factors and the modifications to the current criteria as recommended by the working group that, in accordance with the Commission’s decision that the details of the scoring system of hardship classification should be kept confidential, and not be published;

q) to implement the revised hardship classification system on 1 January 2012.

7. With regard to the levels, the Commission decided:

a) to grant a 2.5 per cent increase for the hardship allowance, the mobility allowance, and the non-removal allowance, respectively, for implementation on 1 January 2012; and
b) that the additional non-family hardship element for staff serving in non-family duty stations should be adjusted by the same percentage as the hardship, mobility, and non-removal allowances, for implementation on 1 January 2012.

Danger pay

8. The Commission considered the following three methods for establishing the level of danger pay, effective 1 January 2012:

- Method 1 - same adjustment methodology as for the mobility and hardship scheme;
- Method 2 - the Afghanistan model of exceptional measures, i.e. USD 2,000 per month for internationally recruited staff who remained on duty in Afghanistan; and
- Method 3 - redistribution of the savings gained from the revised criteria for danger pay. Due to the inherent difference in the criteria for hazard pay and danger pay, there will be a reduction in the number of locations that would be eligible for danger pay as opposed to hazard pay. To ensure cost neutrality, a redistribution of the savings obtained through discontinuing hazard pay and introducing danger pay might be another option for consideration. In that case, danger pay for internationally recruited staff could be USD 2,065 per month.

9. The Commission noted that, based on the new criteria, danger pay would apply only in extraordinary situations where staff were at high risk as a direct consequence of their employment by the United Nations common system. It also recognized the fact that the number of recipients of danger pay would be substantially reduced compared to recipients of current hazard pay. The Commission was in agreement that the level of danger pay should be higher than the amount based on method 1 (USD 1,400/month). It was also the view that the Afghanistan model (method 2) should not be used as a precedent as it was approved only as an exceptional and temporary special measure. Further, the Commission regarded that method 3 should not be considered as an option as it would not be an easy task to make a precise estimation of cost savings given that the movements of staff in the field as well as the security situation on the ground were constantly changing. After considering the three options and taking into account General Assembly resolution 65/248, the Commission decided to:

a) Establish, effective 1 January 2012, the level of danger pay at USD 1,600 per month for internationally recruited staff;
b) apply, effective 1 January 2012, the current payment modalities for hazard pay to danger pay except for time away from the duty station on rest and recuperation travel and official duty travel up to a maximum of seven consecutive calendar days;
c) review the levels of danger pay every three years;
d) request its secretariat to conduct a study of the methodology for establishing the level of danger pay for locally recruited staff and report thereon at its seventy-fifth session in the summer of 2012; and
e) pending the review and as an interim measure, to establish the level of danger pay for locally recruited staff at the rate of 25 per cent of the net midpoint of the applicable local General Service salary scale and adjustment would be made as they were under hazard pay.

Performance Management

10. In its resolution 63/251 the General Assembly stressed the importance of developing mechanisms for better differentiating levels of performance and requested the ICSC to work closely with organizations to identify workable means of rewarding performance and to submit an updated performance management framework to the General Assembly. The Commission, therefore, decided to keep the issue of performance management under review, and requested its secretariat to update the performance management guidelines it had set out in 1997, with emphasis on culture and environment

and on the leadership that must come from the top level of each organization to sustain such an environment.

11. During its seventy-first session, the Commission considered a document from its secretariat containing the results of its consultations with organizations and staff and setting out the elements of the updated framework. Following the Commission's request to fine-tune the elements of the framework and present it in a format that was more accessible and user-friendly, the secretariat submitted a refined version of the framework at the seventy-third session of the ICSC.

12. The framework emphasized the need for staff to work in a supportive trusting environment and to have a clear understanding of what was expected of them if they were to be engaged and motivated. Certain "enablers" were outlined in the framework for organizations to consider putting in place if performance management was to be successfully implemented. These included: a result oriented culture in which staff understand what they should be doing and are given the opportunity to make decisions about their work, a system of governance under which staff is managed respectfully through procedurally fair and transparent processes, a comprehensive communication strategy and useful, reliable data backed up by appropriate technology. The framework also spoke to developing a capable motivated workforce and linking outcomes to resources. The framework further identified key players and outlined their roles in successful performance management.

13. With regard to reward and recognition for exceptional work, the framework promoted a "culture of appreciation" which would encourage staff members to recognize colleagues for outstanding work or behaviour. It outlined ways of rewarding staff that organizations could adapt to suit their own organizational culture and needs. As requested by the Commission, there were proposals concerning guidelines for the use of merit steps to reward exceptional performance.

14. The Commission further revised the framework originally put forward by the secretariat and decided to:

a) submit the revised framework to the General Assembly for its approval; and
b) consider the use of merit steps at a future session.

Education grant methodology: minimum eligibility age for the receipt of the grant

15. In response to a request from the CEB, ICSC addressed the issue of the minimum eligibility age requirement for receipt of the education grant. The request was driven by the *HarmoS Concordat*, an inter-cantonal agreement on the harmonization of compulsory education in Switzerland, which came into effect on 1 August 2009. One of the changes expected under this agreement was the extension of compulsory education to children 4 years of age. This change applied to public schools only and did not affect private educational institutions. In view of this, an amendment to the current minimum eligibility age for the receipt of the grant was proposed so as to exceptionally allow common system organizations to lower the minimum eligibility age for receipt of the education grant from 5 years of age if laws at specific locations mandated an earlier start of formal education.

16. The Commission decided to recommend to the General Assembly that for the school year in progress on 1 January 2012:

a) The current eligibility requirements for the receipt of the education grant should be amended as follows:

   Minimum age: The child is in full-time attendance at an educational institution at the primary level or above while the staff member is in the service of the organization. Education shall be deemed "primary" for the purposes of this criterion when the child is 5 years of age or older at the beginning of the school year or when the child reaches the age of 5 within three months of the beginning of the school year. **Exceptionally, a lower minimum eligibility age could be accepted for those educational institutions which, by virtue of law, require an earlier start of formal education.**

b) The organizations of the common system should be invited to amend the minimum age eligibility requirement accordingly in order to harmonize the grant eligibility criteria.

CONDITIONS OF SERVICE OF STAFF IN THE PROFESSIONAL AND HIGHER CATEGORIES

Identification of the highest-paid national civil service under the Noblemaire principle

17. In accordance with the mandate provided to it under General Assembly resolution 44/198, the Commission periodically conducts studies to determine the highest-paid national civil service under the Noblemaire principle. The studies require comparison of compensation packages of national civil services, which could potentially replace the current comparator of the United Nations common system. According to the methodology approved by the Assembly in resolution 46/191, a group of possible comparator national civil services is selected based on the established criteria. The services are compared, initially, in terms of net cash compensation (phase I) and then, if necessary, in terms of total compensation (phase II).

18. A new Noblemaire study commenced in 2010. Ten national civil services had been selected for the analysis: Australia, Belgium, Canada, France, Germany, Netherlands, Norway, Republic of Korea, Spain and United Kingdom. The cross-country comparison of net compensation across these services and the United States federal civil service, the current comparator, was conducted and the results presented to the Commission at its seventy-second session for consideration and guidance.

19. Based on the information provided, the Commission saw no reason for proceeding to further the study at the current juncture and decided that:

a) the current Noblemaire study should not proceed to phase II, noting that the comparison result showed that the current comparator paid the highest level of cash compensation and that the percentage differences with other civil services seemed too large to be offset by other compensation elements, and thus the current comparator would be retained; and
b) It would carry out another study to determine the highest-paid national civil service no later than the next Noblemaire study, scheduled for 2016.

Report of the Advisory Committee on Post Adjustment Questions at its thirty-third session

20. As part of the operation of the post adjustment system, comprehensive place-to-place surveys are conducted periodically at all duty stations. In this connection, place-to-place surveys were conducted by the Commission in Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C., in September and October 2010. A price collection exercise for New York, the base of the post adjustment system, was carried out in June and in September and October 2010. Documentation dealing with the surveys was examined by ACPAQ at its thirty-third session, in January 2011, and the Committee's recommendations regarding the results of the surveys were considered by the Commission.

21. The Commission approved the results of the 2010 place-to-place surveys for Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C., as recommended by the Advisory Committee, and decided that the survey results should be taken into account in determining their respective post adjustment classification with effect from 1 April 2011. The result of the place-to-place survey for Rome represented an increase in the post adjustment classification of 1.4 per cent.

22. The Commission also decided that place-to-place surveys should be conducted for Bulgaria, Hungary, Poland and Romania in the middle of the present round of surveys.

Base/floor salary scale and review of staff assessment rates used in conjunction with gross salaries

23. The base/floor salary scale is set by reference to the General Schedule salary scale of the comparator civil service. Periodic adjustments are made on the basis of a comparison of net base salaries of United Nations officials at the midpoint of the scale with the corresponding salaries of their counterparts in the United States federal civil service. The adjustments are implemented by means of the standard method of consolidating post adjustment points into base/floor salary, namely, by increasing base salary while commensurately reducing post adjustment levels.

24. The Commission was informed that, as a result of the implementation of a pay freeze, the gross levels of the General Schedule of the comparator would not be adjusted between 1 January 2011 and 31 December 2012. However, a slight change in the federal tax rates resulted in an increase of the reference comparator pay level in net terms, which amounted to 0.13 per cent as compared with the 2010 level.

25. As part of the present review, the Commission also considered a request from the United Nations to revise the rates of the staff assessment. This request was made to address the surplus that had accumulated in the Tax Equalization Fund, in particular, in the sub-account of the United States of America. According to estimates by the United Nations, a 15 per cent reduction in staff assessment revenue was required to address this problem.

26. As the purpose of the present exercise was to address the surplus of the Tax Equalization Fund, the revision of the staff assessment rates for gross salaries, which were used exclusively for generating the Fund’s resources, was the appropriate approach to resolving this issue in line with the established practice. The proposed revision was aimed at achieving the required 15 per cent reduction in revenue.

27. The Commission decided to recommend to the General Assembly for approval with effect from 1 January 2012:

a) a revised base/floor salary scale for the Professional and higher categories reflecting a 0.13 per cent adjustment implemented through the standard no-loss/no-gain consolidation method of increasing the base salary and commensurately reducing post adjustment multiplier points; and
b) revised rates of staff assessment used in conjunction with gross base salaries for the Professional and higher categories of staff.

28. The Commission also recommended that the staff assessment rates used in conjunction with gross salaries be reviewed every three years and revised as appropriate.

Evolution of the United Nations/United States net remuneration margin

29. Under a standing mandate from the General Assembly, the ICSC continued to review the relationship between the net remuneration of the United Nations staff in the Professional and higher categories in New York and that of the United States federal civil service employees in comparable positions in Washington, D.C. The Commission decided to report to the General Assembly that the margin between the net remuneration of the United Nations staff in grades P-1 to D-2 in New York and officials in comparable positions in the United States federal civil service in Washington, D.C., for the year 2011 is estimated at 114.9.

30. The Commission also decided to draw the attention of the Assembly to the fact that the current average margin level for the past five years (2007-2011) was estimated at 114.2, which was below the desirable midpoint of 115.

Survey and report on diversity in the United Nations common system

31. In its resolution 64/231, the General Assembly requested the ICSC to review measures taken by organizations of the common system concerning the implementation of paragraph 3 of Article 101

of the United Nations Charter which states that "*the paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible"* and to report its findings as appropriate.

32. At the seventy-third session of the ICSC, the secretariat presented a document which summarized the diversity policies implemented in the organizations of the common system. Such policies included: gender parity, employment of persons with disabilities and HIV/AIDS in the workplace. Furthermore, the secretariat reported in some detail on geographical balance in the larger organizations of the common system. Actions taken by organizations to bring about equitable geographical balance included ensuring that staff selection decisions took into consideration the nationality and gender of recommended candidates and that specific outreach programmes were in place to increase the number of applicants from unrepresented and under-represented Member States. It was recalled that one of the stated purposes of Young/Junior Professionals Programmes in the UNCS, open to young Professionals from unrepresented and under-represented Member States, was to improve geographical representation.

33. The Commission noted that as implied by Paragraph 3 of Article 101 of the Charter, the proper balance had to be found between recruiting staff of the highest level of competence and achieving and maintaining geographical balance. However, the Commission reiterated that the paramount consideration in the employment of staff was professional qualifications which were the key to the capacities of the organizations to deliver their mandates. It concluded that the General Assembly's request could best be carried out by focusing on recruitment policies and the elimination of barriers to recruiting from as wide a geographic area as possible. The Commission reiterated its support for such programmes as the Young/Junior Professional Programmes, recruiting missions and recruitment through competitive examinations. It was agreed that studies would be conducted into recruitment practices in the organizations with a view to identifying barriers to the implementation of paragraph 3 of Article 101 of the Charter and to propose possible solutions.

34. Noting that diversity was not synonymous with geographical balance, it was agreed that the Commission also had a role in initiating policy frameworks for diversity in the common system.

35. The Commission decided to inform the General Assembly on the status of geographical distribution in the organizations of the common system and actions being taken by organizations and their governing bodies to achieve geographic balance. The Commission also decided to study the recruitment measures with a view to recommending to organizations, measures that would be more favourable to diversity and revert to discussing diversity broadly at a later date.

CONDITIONS OF SERVICE OF STAFF IN THE GENERAL SERVICE AND OTHER LOCALLY RECRUITED CATEGORIES

Review of the General Service salary survey methodologies

36. In accordance with article 11 of its statute, the Commission reviewed at its seventy-second session the headquarters and non-headquarters methodologies for surveys of best prevailing conditions of employment based on the recommendations of an ICSC working group composed of members of the Commission, the organizations, the three staff federations (i.e., CCISUA, FICSA and UNISERV), as well as ICSC secretariat representatives. While there was consensus on many of the group's recommendations, the representatives of the staff federations expressed reservations on a few. Additionally, the working group was also not able to reach agreement on several issues due to the wide range of positions within the group. Such issues, along with the group's recommendations, were submitted to the Commission for decision.

Applicability of the methodologies

37. The Commission decided that the applicability of the two methodologies should be based on similarities in the labour market and not simply based on whether a duty station was a headquarters

duty station or not. Hence, methodology I would be applied to the eight headquarters duty stations, for which the Commission was responsible under article 12 of its statute, and six additional duty stations where the surveys would be conducted and reviewed by the responsible agencies. All other duty stations would be under methodology II. The Commission further agreed that for duty stations where fewer than 30 General Service staff served, alternative mechanisms for adjusting the salary scales should be considered over the next two years during which time adjustments to the salary scales should continue to be made on the basis of mini-surveys.

The use of salary movement data from vendors

38. Employer participation had continued to be an issue at some duty stations in the last round of surveys. To overcome the problem, the working group had evaluated the use of vendor-provided salary survey data under the methodologies and it had recommended the use of salary movement data as a residual source to complete the surveys where the normal minimum number of 20 employers could not be surveyed. Given the problems of comparability with the vendors' data, the Commission was supportive of the residual use of salary movement data provided by vendors where employer participation proved to be problematic under both methodologies I and II. The Commission also agreed that the data from two vendors should be averaged to provide a broader indicator of salary movement and that the movement should be adjusted for the gross to net tax relationship.

39. The Commission decided that the use of salary movement data from two vendors, adjusted for the gross to net relationship based on the tax regulations at the duty station, would be permitted:

a) under methodology I applicable to the headquarters and similar duty stations, when the normal minimum required number of 20 employers cannot be surveyed, provided that at least 5 employers, including the national civil service comparator, and at least 8 employers from the private sector, with no sub-sector accounting for more than 25% of the sample, are surveyed;
b) under methodology II category I, when the normal required number of 15 employers cannot be surveyed, provided that at least 11 employers have been surveyed overall and at least 4 or 5 employers from the public sector, depending on whether the national civil service is retained or not, are included in the surveyed employers;
c) under methodology II category II, when the normal required minimum number of 10 employers cannot be surveyed, provided that at least 7 employers have been surveyed overall and at least 3 or 4 employers from the public sector, depending on whether the national civil service is retained or not, are included in the surveyed employers; and
d) the results of the analysis of the data from the surveyed employers and the salary movement data would be weighted by the number of employers surveyed and the number of employers short of the normal required minimum respectively, to determine the final adjustment to be applied to the salary scales.

National civil service

40. The inclusion of the national civil service was a requirement under the headquarters methodology. The General Assembly in its resolution 64/231 had requested the Commission, when reviewing the salary survey methodologies under the Flemming principle, to give higher consideration to the national civil service among the retained employers, taking into account that the United Nations is a civil service organization. In addition, during the review of some surveys under the most recent round, members of the Commission had expressed the view that the selected national civil service employers could not be considered representative of the mainstream civil service. As a consequence, the Commission had requested the working group to examine the requirements for adequate representation of the national civil service.

41. In order to address both the request of the General Assembly and the concern of the Commission, the working group had proposed that under methodology I, a separate one-to-one comparison with the national civil service employer, as represented by the ministry of foreign affairs, be conducted and a weight of 5 per cent be assigned to the comparison in the overall survey result. The comparison with the remaining employers should then be conducted under the existing framework and

a weight of 95 per cent assigned to the comparison. Under methodology II, it was proposed that for some duty stations under category I, the retention of the national civil service should be a requirement and the requirement to increase the public sector representation when the national civil service could not be retained should be strengthened for all others.

42. Several members noted that the proposed weight of 5 per cent corresponded to the notional weight that one employer would be expected to have in an overall sample of 20 employers. While some members were of the opinion that the weight should be between 15 and 25 per cent, most agreed that a weight of 10 per cent would clearly demonstrate a higher consideration of the national civil service since it would represent roughly the notional weight of two employers in a sample of 20.

43. The Commission also considered a proposal by FICSA to give higher consideration to the national civil service by including the ministry of foreign affairs as an additional employer. The Commission did not agree that the approach would respond to the Assembly's request since the notional weight of one employer in a sample of 21 would lower the weight of the national civil service in the surveys.

44. The Commission decided that:

a) The Ministry of Foreign Affairs, or its equivalent, should be used as the employer representing the national civil service;
b) under methodology I:
    - where it is not possible to include the ministry of foreign affairs, the Chair of the Commission will select an appropriately representative alternate civil service employer in consultation with the Local Salary Survey Committee;
    - a separate comparison of the United Nations against the national civil service employer should be made on a job-by-job basis. This comparison should be assigned a weight of 10 per cent in the calculation of the survey results based on the surveyed employers with the remaining employers receiving 90 per cent of the weight;
c) under methodology II:
    - where it is not possible to include the ministry of foreign affairs, the responsible agency will select an appropriately representative alternate civil service employer after consultation with the Chair of the Commission and the Local Salary Survey Committee;
    - the absolute number of employers corresponding to the 25 or 33 per cent minimum representation from the public/non-profit sector, corresponding to whether the national civil service is retained or not, and the 25 per cent maximum representation from each private sub-sector, should be clearly specified in the methodology;
    - for those duty stations where the national civil service is not retained because it does not meet the criteria, the number of employers from the public sector should be increased by at least one additional employer over the absolute number of employers specified in accordance with the above.

45. Under methodology II, the Commission also approved the list of duty stations in category I, requiring the retention of 15 employers where the retention of the national civil service would be required and which would be annexed to the methodology.

46. The Commission approved the revised methodologies I and II and further decided that the revised methodologies would come into effect as of 1 January 2012.

47. The Commission also approved the proposed schedule for the seventh round of comprehensive salary surveys in duty stations covered under methodology I. In this respect, the the salary survey for Rome has been scheduled to take place in April 2012.

CONDITIONS OF SERVICE IN THE FIELD

Harmonization of the conditions of service for staff serving in non-family duty stations in the common system

Rest and recuperation framework

48. Having approved in 2010 the main elements of the rest and recuperation framework as proposed by the ICSC, the General Assembly, by its resolution 65/248, decided that the framework should be regulated by the Commission. The effective date of the assumption of this regulatory role was set to coincide with the effective date of the approved framework, namely 1 July 2011. As the Commission had already determined the main factors of the rest and recuperation framework, it only remained for it to consider the criteria that would govern the frequency of rest and recuperation travel.

49. The Commission decided to promulgate the following revised set of criteria for the granting of rest and recuperation travel, and the corresponding frequencies of travel, with an effective date of 1 January 2012:

- 4 weeks cycle – extreme emergency situations where danger pay is authorized by the Chairmain of the ICSC;
- 6 weeks cycle – exceptional and temporary situations in non-family/restricted duty stations (active conflict or natural disasters and other similar extreme situations);
- 8 weeks cycle – non-family/restricted duty stations (all duty stations declared by the Department of Safety and Security as restricted for all eligible dependants for security reasons or all duty stations designated as non-family by the Chairman of the ICSC); and
- 12 weeks cycle – duty stations with high levels of hardship (non-capital duty stations with a hardship classification of D or E or exceptional cases of category E capital cities).

50. The Commission also decided to recommend to the General Assembly that the period of authorized absence on rest and recuperation as stipulated in the approved rest and recuperation framework be amended from five consecutive working days to five consecutive calendar days, plus approved travel time.

Establishing unified special operations living allowance rates

51. As a first step towards achieving the harmonization of conditions of service in non-family duty stations, as recommended by the ICSC and subsequently endorsed by the General Assembly by its resolution 65/248, it was decided that location-specific special operations living allowance amounts would be harmonized by the Commission as a unified special operations living allowance rate for each location currently designated as place of duty, in consultation with the organizations and the staff federations. Such amounts would be promulgated by the Commission and take effect on 1 July 2012.

52. The agencies, funds and programmes that apply the special operations approach reviewed a proposal for unified special operations living allowance rates for each location where the rates were not harmonized, in consultation with the staff representatives. In line with the parameters set by the ICSC, the review was based on the following principles: (a) the new harmonized rates would not incur any increase in overall costs; and (b) there would be no increase in the special operations living allowance rate for any given location.

53. The Commission approved the proposed list of unified special operations living allowance rates for non-family duty stations, effective 1 July 2012. Furthermore, the Commission decided to (i) delegate the decision on the location-specific special operations living allowance amounts for new non-family duty stations and their promulgation to the Chairman of the ICSC during the transitional period (i.e., until 30 June 2016); and (ii) request organizations to consult the Chair on all policy issues relating to special operations living allowance rates.

Designation of non-family duty stations

54. At its seventy-third session, the Commission decided the Chair of the ICSC may designate a duty station as a non-family duty station for the purposes of the additional hardship allowance for service in non-family duty stations. This will apply to those duty stations where the United Nations Department of Safety and Security decides that for reasons of safety and security all eligible dependents are restricted from being present at the duty station for a period of six months or longer. The additional hardship allowance is payable to internationally recruited staff assigned to non-family duty stations.

55. The Commission also decided to delegate to the Chair of the ICSC the authority to decide when to declare a duty station non-family, after consultation with the ICSC Working Group on Conditions of Life and Work in Field Duty Stations.

UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)

56. The Governing Board of the United Nations Joint Staff Pension Fund (UNJSPF) held its 58th meeting at United Nations Office at Geneva, Switzerland in July 2011. Aside from the standard governance matters, the Board discussed several important issues relating to the Fund’s investments, actuarial situation and benefit provisions of the Fund. Some of the important issues discussed by the Board are:

Actuarial Valuation

57. Actuarial services are provided by Buck Consultants. A Committee of Actuaries, consisting of seven independent actuaries, is also appointed on the recommendation of the Board. The committee’s function is to advise the Board on actuarial questions arising out of the operations of the Regulations. It also reviews the work of the Consulting Actuary and evaluates its services to the Fund. Its members are selected from the five different regions of the world.

58. The Consulting Actuary performs an actuarial valuation of the Fund every two years, the most recent valuation being completed as of 31 December 2009. This valuation revealed a slight deficit, amounting to -0.38 per cent of pensionable remuneration. The -0.38 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2009 was 24.08 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent.

59. The Pension Board considered the report of the Committee of Actuaries (JSPB/58/R.6) which contained, inter alia, recommendations on the actuarial methodology and assumptions for the thirty-first actuarial valuation of the Fund as of 31 December 2011. The Board also had before it a note prepared by the Consulting Actuary (JSPB/58/R.5).

60. The Pension Board agreed with the recommendation of the Committee of Actuaries to the following changes to the demographic and other related assumptions for purposes of the valuation as of 31 December 2011, noting that these changes in assumptions would increase the required contribution rate in the order of 0.43 per cent of pensionable remuneration:

(a) Modify the demographic assumptions to better align with actual experience; and

(b) Modify the assumptions regarding utilization of the commutation option and retiree marital status.

61. The Pension Board agreed to the recommendation of the Committee of Actuaries to retain the long-term inflation assumption of 4 per cent per annum for purposes of the Regular valuation basis for the 31 December 2011 actuarial valuation. The Pension Board also agreed with the recommendations of the Committee of Actuaries that the 31 December 2011 actuarial valuation should include three sets of economic assumptions, and that one of these sets would include an inflation assumption of 2.5 percent per annum.

62. With regard to the real rate of return on investments, the Pension Board agreed to the recommendations of the Committee of Actuaries that, based on the Fund’s historical longer-term investment performance, the recommendation of the Investments Committee, as well as the

conclusions of the ALM study, the 3.5 per cent real rate of return assumption used for the Regular valuation basis for the 31 December 2009 actuarial valuation should continue to be used in the upcoming actuarial valuation. Consistent with the 4.0 per cent inflation assumption described earlier, the nominal rate of return on investment to be used as the Regular basis for the 31 December 2011 actuarial valuation would be 7.5 per cent per annum.

63. The Pension Board agreed to the recommendations of the Committee of Actuaries that the two additional sets of economic assumptions to be used for the 31 December 2011 actuarial valuation should be based on 2.5 per cent and 4.5 per cent real rates of return.

64. The 4.0 per cent current inflation assumption would be combined with the additional 2.5 per cent real investment assumption, resulting in a nominal investment return assumption of 6.5 per cent per annum. The 2.5 per cent additional inflation assumption would be combined with the additional 4.5 per cent real investment assumption, resulting in a nominal investment return assumption of 7.0 per cent per annum.

65. Regarding growth in the future number of active participants, the Pension Board agreed to the recommendation of the Committee of Actuaries that the 31 December 2011 actuarial valuation should be conducted with three sets of assumptions for growth in the number of participants, as follows:

(a) Positive growth of 0.5 per cent per annum for 10 years, followed by zero growth thereafter,

(b) Positive growth of 1.0 per cent per annum for 10 years, followed by zero growth thereafter,

(c) Negative growth of (1.0) per cent per annum for 10 years, followed by zero growth thereafter.

66. The Pension Board further agreed to the recommendation of the Committee of Actuaries that no other changes should be made to the actuarial assumptions to be used for the thirty-first actuarial valuation of the Fund as of 31 December 2011, including those regarding the cost of the two-track adjustment system.

67. The Pension Board took note that the Committee of Actuaries had decided to retain the present asset valuation methodology for purposes of the upcoming valuation, but that it was the Committee’s intention to study the technical merit of the alternative asset valuation methodology for purposes of the valuation to be completed as of 31 December 2013. The Pension Board took note that the Committee had agreed that the Regular basis results of the 31 December 2011 valuation, using the alternative asset methodology, should be shown in the 2011 valuation report, for information purposes.

68. The Pension Board considered the report of the Committee of Actuaries (JSPB/58/R.6) which contained recommendations on the actuarial methodology and assumptions for the thirty first actuarial valuation of the Fund to be carried out as of 31 December 2011, as well as comments and observations on the Asset Liability Management Study. The Committee had reviewed the notes prepared by the Consulting Actuary on these topics, as presented to the Board.

Investment of the Fund

69. The Representative of the Secretary-General (RSG) for the investments of the United Nations Joint Staff Pension Fund introduced the report on the management of investments of UNJSPF summarizing the economic and financial environment from 1 April 2010 through 31 March 2011, as well as investment decisions taken and the performance of the Fund.

70. The RSG described how the objectives and the investment strategy were applied against the background of the prevailing economic, political and financial conditions. The report showed the investment returns achieved and reviewed the financial accounts and administration of the investments.

71. The RSG reported that the Fund’s market value as of 31 March 2011 increased to USD 42.889 billion up from USD 38.348 billion the prior year and surpassed the Fund’s prior all time high of USD 42.550 billion in October 2007. The Fund returned 11.9 per cent, slightly under performing the 60/31 policy benchmark by 51 basis points. That was the result of conservatism and continued underweighting financial stocks, the largest sector underweight. The Fund witnessed various

geopolitical and natural disasters unfolding around the globe. The Investment Management Division (IMD) continued to focus on balancing risk and reward expectations by apportioning the Fund's assets according to allocation goals in line with its long term outlook. The RSG also highlighted that the 11.9 per cent return followed a 32.2 per cent return in fiscal year 2010 and a loss of 28.3 per cent in 2009.

72. Long-term opportunities for the Fund were in markets where government, consumers and industries were not overburdened with debt service. Moderate continued growth in Brazil, Russia, India and China (BRIC countries) was anticipated. Also, in adherence to the policy of diversification of the investments of the Fund in developing countries (GA Resolution 36/119), the Fund continued to increase its position in development related investments across the globe. In addition, the Investments Committee had two of its Committee meetings recently in BRIC countries; China and India.

73. The RSG pointed out that the internally managed Emerging Markets equity portfolio accounted for 14 per cent of the Fund's total internally managed equities as of 31 March 2011 and was valued at USD 3.9 billion, which represented an increase of 25 per cent from 31 March 2010. Investments in Africa, Latin America and the Middle East also increased in value and allocation. The Fund's position in the International Finance Corporation (IFC) - Africa Latin American and Caribbean (ALAC) Fund, a private equity raised by IFC, also represented diversification by asset class and broadened the geographic diversification of UNJSPF investments, increasing the allocation to emerging markets.

74. The RSG presented the Fund's performance in real returns by making the adjustments for inflation over the 50 year time frame. Over the long-term, the Fund was still exceeding the policy objective of 3.5% real rate of return (as adjusted by US CPI) for all six year and longer periods. The current Fund portfolio had a better risk return profile than the 60/31 benchmarks as indicated by a higher return and lower volatility.

75. Investment income received for the calendar year from the Fund's assets (interest earned, dividends, coupons, interest, etc) in 2010 increased to USD 1.24 billion. Total management expenses for the same period amounted to USD 24.1 million. These expenses include fees paid to the global investment advisers, custodian, independent master record keeper and the cost of the IMD.

76. The Fund continued to increase its development-related investments during the last biennium. Direct and indirect investments in developing countries amounted to USD 5.2 billion in the year to 31 March 2011, an increase from USD 4.4 billion at cost or 20.5 per cent. Details of the investments were provided in table of the annex to the Note. Development-related investments accounted for approximately 12 per cent of the Fund's total assets at book value.

77. The long term strategic asset allocation remained the same since May 2005: 60 per cent equities, 31 per cent bonds, 6 per cent real estate and 3 per cent cash and short term investments. The tactical asset allocation allowed for a + or – 10 percentage points from the Fund's strategic asset allocation to equities and a + or – 7 points for bonds and a range of + or -3 percentage points for real estate and short term investments. Consequently, the range for equities was expanded in May 2010.

78. The RSG mentioned that the Fund was currently in favorable status in terms of the liquidity and not facing liquidity constraints to meet the Fund's obligations. Liquidity was a relative concept and it was true that the private equity was relatively illiquid asset, but would provide superior returns. The Fund was mindful of the need to meet operating cash flow requirements, but at the same time, could benefit from allocating a small percentage of the Fund into private equity to enhance diversification and to seek improved return-risk characteristics.

79. The Chairman of the IC responded to a question asked by the representative of the Participants regarding the Asset Liability Management (ALM) Report presented by the consultant and mentioned that the IC had consistently recommended to increase the allocations in alternative assets classes, including private equity and commodities. The Fund was carefully implementing that strategy, which was essentially what the ALM study recommended. The Chairman touched on the issue of the illiquid nature of this asset class and noted that the Fund should not invest the entire portfolio in private equity, but a reasonable allocation would benefit the Fund by improving the risk-return profile.

80. Regarding a question from the representative of the Participants' Group concerning the United States dollar (USD), the Chairman of the IC mentioned that the dollar would continue to be subject to the US government debt limit debates. Without restructuring entitlements or taxes, the USA would face fiscal and economic challenges.

81. In response to a query on the budget for investments, the Director of IMD explained that the budget plan basically reflected the need to manage "key man" risks and trade execution quality. The Director of IMD explained that the IMD retained CEM Benchmarking Inc., a global investment benchmarking company, to measure the overall operating cost of managing the UNJSPF's investments, including staffing versus its holdings/performance and then compare the costs with other similar pension funds. The study showed the Fund's investment cost was 15.7 basis points, one of the lowest among the peer groups, compared with a range of 33 to 57 basis points provided as typical for a large global public pension fund. In those turbulent markets, reducing management costs could pose risks to the value of the portfolio.

82. The Chairman of the IC responded to a question asked by the representative of Governing Bodies regarding the IC's view on Leadership Funds which was a discretionary advisory service provider and had been added as a new item in the budget. The Chairman of the IC mentioned that the Fund return had been fabulous among the global pension funds in the difficult market conditions. The Chairman of the IC strongly recommended the Board to make sure to provide the IMD adequate resources, while understanding that there are some budget constraints. With insufficient analytical and trading resources, the Fund would have to take opportunity costs which could not easily be quantified. The IC was fully supportive of the idea of Leadership Funds which was a second priority and made sense from the economic point of view.

83. The representative of the Executive Heads expressed concern regarding restrictions on investments related to the tax issues. The RSG responded that current withholding taxes were not necessarily material compared with the asset value, however, amounts could build up if not monitored and prevented by the Fund. Avoiding the accumulation of withholding taxes and exclaiming amounts currently receivable were the reasons for the request for a tax consultant in the budget. The private equity was also a new item, and the Fund should make sure to protect the overall Fund's legal interests, including with respect to the privileges and immunities of the Organization.

84. The representative of the Executive Heads also expressed concerns regarding the slow process of procurement, by citing an example of the selection of the custodians which was still in process of negotiation. The IMD would not be able to have full accountability and perform the best value for the money without quick and timely implementation of those services. The current procurement procedure conducted by the Procurement Division was not necessarily the best option for investment activities. The procedures needed to be re-evaluated for certain types of advisory and other investment related services for the Fund. The representative of the Executive Heads requested to review the consultant's report on the modification of the processes.

85. The representative of the Participants' Group asked a question regarding the indexation of the North American portfolio. The RSG commented on the difference from the one proposed in the Board in 2006. In the original plan, the whole North American portfolio, worth 9 to 10 billion dollars, was to be managed passively against the benchmark index. Instead, a very small portion (about one per cent) was invested in index funds for the purpose of quick and effective implementation of the tactical asset allocation decisions.

86. The RSG also commented that the Fund's performance target of 3.5 per cent in the real term was not a short-term target. The Fund's investment strategy was set to exceed the return of the benchmark based on the strategic asset allocation rather than targeting an absolute number. However, the 3.5 per cent return target was appropriate from an actuarial and investment perspective for the Fund in the long term.

87. A Board member congratulated IMD on the Fund's performance, however also expressed the concern on the high volatility. The Chairman of the IC mentioned that IC advises the Fund to invest more than 60 per cent in equities. IC advised not to switch to bonds and to continue investing in

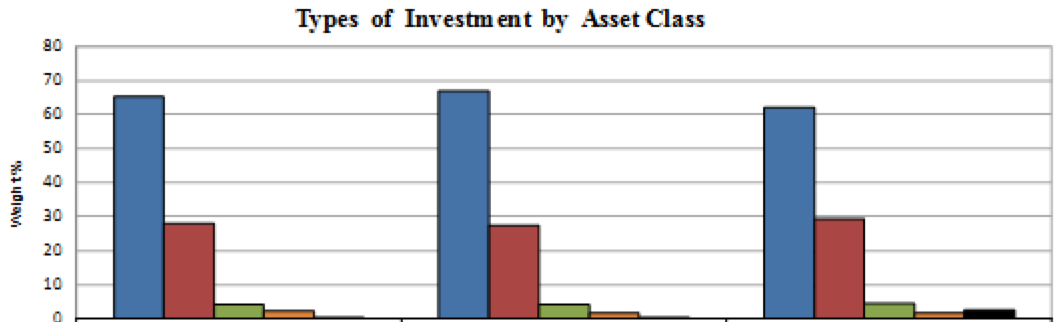
equities. The investment strategy should reflect best efforts to protect the long term interests of the Fund, despite challenges in current volatile markets.

88. The representative from the Participants' Group asked a question regarding the compliance with the Socially Responsible Investments (SRI); the Director of IMD mentioned that a budgetary request for resources was not approved for consulting services and staff. However, the SRI issues were an important component in the due diligence process for the investments included in the IFC-ALAC Fund which was a signatory of the Principles for Responsible Investment (PRI). The Fund was also investing in Green Bonds issued by the World Bank. That was a cost effective way for the Fund to implement the SRI issues.

89. As of 30 June 2011, the market value of the Fund's assets was USD 43,360 million. This represents an increase of USD 471 million or approximately 1.1 per cent, from 31 March 2011 when the Fund's asset value stood at USD 42,889 million. Market volatility remained relatively low in the second quarter, when compared to the first quarter, and spiked in the end of July as concerns grew over the US debt ceiling debate.

90. Through active management, for long-term periods, the Fund continues to outperform the policy benchmark with effective stock selection and periodic re-balancing of assets to maintain the Fund's long-term investment objectives. The management of the Fund's investments continues to focus on balancing the risk and reward expectations with broad diversification.

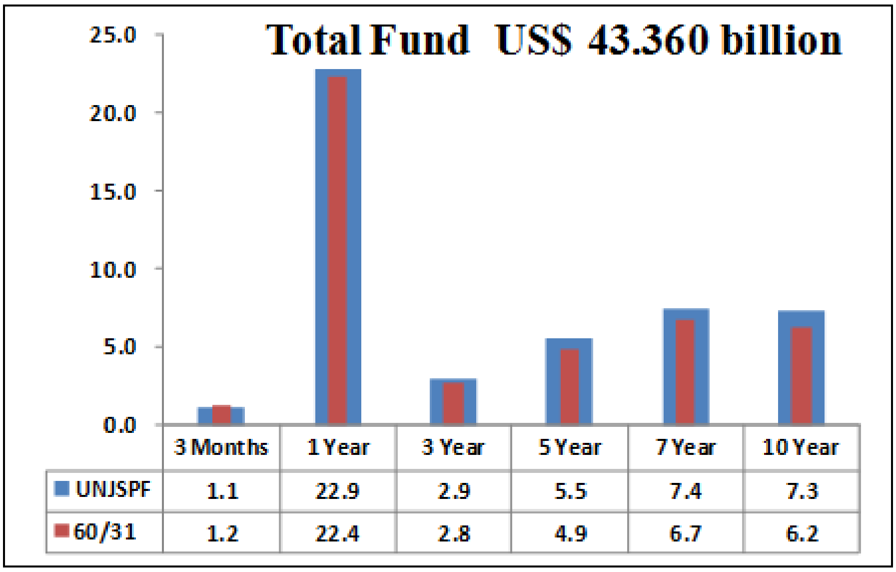
91. The asset allocation, in percent was as follows:



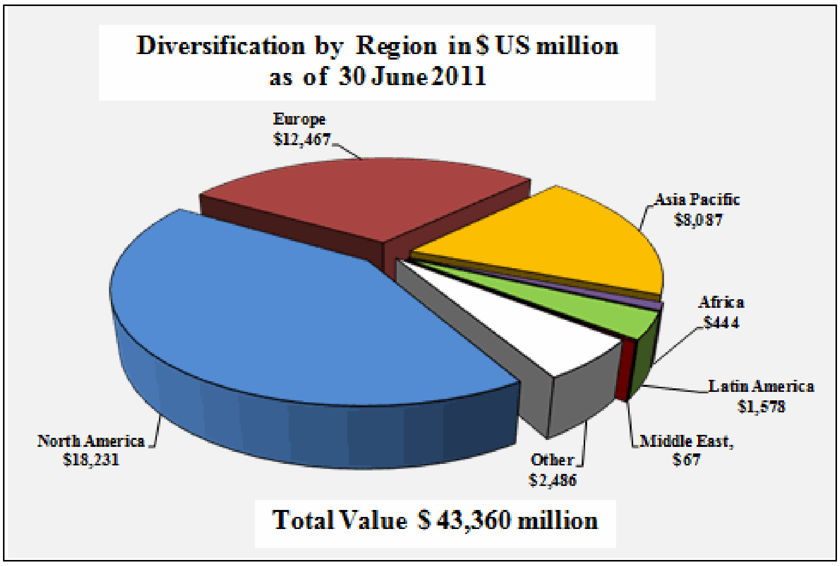
	UNJSPF- 30 Jun 2011	UNJSPF - 31 Mar 2011	6031 Benchmark
Equities	65.3	67.0	62.0
Bonds	27.8	27.2	29.3
Real Estate	4.3	4.1	4.5
Short Term	2.3	1.7	1.7
Alternatives	0.3	0.0	2.5

92. Investment in the three private equity funds - IFC ALAC Fund, Centerbridge Capital Partners II and Lexington Capital Partners VII has broadened the geographic diversification of the Fund's investments, further increasing the allocation to emerging markets.

93. The total return of the Fund for the quarter ending 30 June 2011 was 1.13 per cent underperforming the 60/31 policy benchmark preliminary return by 10 basis points (as shown in the table below). The Fund outperformed the 60/31 policy benchmark return in the one, three, five, seven and ten year periods.



94. As of 30 June 2011, the Fund had investments in 39 countries, 7 international/regional institutions and 22 currencies. The chart below indicates the US Dollar value of investments by region (in millions).



Review of the pensionable remuneration

95. At their 2010 session, the Pension Board supported the ICSC's planned review of Pensionable Remuneration (PR) and suggested a number of items to be included in the study. The review was completed jointly by the ICSC Secretariat and the Pension Fund Secretariat this spring and the results were presented to the ICSC at their session in March.

96. The study considered the common scale of staff assessment, the review and development of PR scales for professional and general service staff, income replacement ratios, costs comparison between the retirement program for US government employees and the UNJSPF, non-pensionable component and service differential, double taxation, the impact of steep devaluation of local currency and/or high inflation, and small pensions.

97. Following their consideration of the report, the ICSC suggested further study of the PR scales, including an analysis of the methodology used to establish the PR scales. Further, the Commission requested that additional study be completed on the methodology used to compare the UNJSPF with the US retirement scheme. The ICSC also proposed that the Pension Fund secretariat continue to work with the Commission's secretariat, as well as seek input from the US Office of Personnel Management, in order to complete the study. The updated PR study is scheduled to be considered by the ICSC at their spring 2012 session and be presented to the Pension Board in July 2012. As was done during the 2011 review, the Fund's Consulting Actuary will make an assessment of the financial effects of any change to the PR scale that the ICSC might consider in 2012.

98. FAFICS noted that the small pensions issue mostly affects retirees in developing countries with approximately 15 years of service and noted with concern that the special adjustment provided under the small pension section of the Pension Adjustment System and the methodology applied had not been reviewed since 1995. FAFICS welcomed the review that has been started by the Pension Fund jointly with the ICSC and looks forward to its outcome.

99. The Pension Board agreed that the Pension Fund secretariat continue participation in the PR study, including the study on small pensions, in coordination with the ICSC secretariat. The Board confirmed that the officers of the Board will continue in their role as the contact group with the ICSC on this matter.

Non-pensionable component and the service differential

100. The non-pensionable component relates solely to the General Service and locally recruited categories in the context of local salary surveys. The non-pensionable component is a net compensation element derived from the remuneration practices of survey employers whereby certain fringe/cash benefits are considered to be non-pensionable. During the last review of the pensionable remuneration, the Commission was of the view that more attention should be given to the issue and in 1997 decided that a working group would be formed for that purpose. At the conclusion of its meeting, the working group recommended and the Commission decided that:

a) the main criteria for the determination of pensionability should be the regularity, recurrence and predictability of benefits and allowances paid to employees in cash and that, on that basis, the remuneration elements should be considered pensionable;
b) The ceiling for the non-pensionable component should be reduced to 20 per cent of the net salary from the current amount of 25 per cent;
c) The threshold for the establishment of the non-pensionable component should be the same for both headquarters and non-headquarters duty stations, namely, 10 per cent of net salary, with no established minimum;
d) Transitional measures would apply.

101. In 1998, the General Assembly in its resolution 52/216 took note of the review carried out by the working group and endorsed the modifications decided by the Commission regarding the various aspects of the non-pensionable component as well as transitional measures as outlined in its annual report. This meant that only cash benefits exceeding 10 per cent of the net salary would make up the non-pensionable component; the first 10 per cent would be included as part of pensionable remuneration of the General Service and locally recruited staff.

102. Mention should be made of the fact that at the end of each round of salary surveys at headquarters locations, the current methodology calls for its review; therefore, at the end of the sixth round of surveys, a working group was formed for this purpose. The group is reporting on its findings at the seventy-second session of the Commission, including the issue of non-pensionable component.

103. While the non-pensionable component is being addressed during the review of the salary survey methodologies, another issue which was brought to the attention of the United Nations Joint Staff Pension Fund was the items included in the pensionable remuneration of the General Service staff in the Rome-based organizations. Article 54 of the Pension Fund's Regulations and Rules, which was approved by the General Assembly, states that:

"(a) In the case of participants in the General Service and related categories, pensionable remuneration shall be the equivalent in dollars of the sum of:

(i) The participant's gross pensionable salary, as determined on the occasion of comprehensive salary surveys and subsequently adjusted between such salary surveys, in accordance with the methodology approved by the General Assembly and set out in appendix A to these Regulations;

(ii) Any language allowance payable; and

(iii) In the case of a participant who became entitled to a pensionable non-resident's allowance prior to 1 September 1983, and for as long as he or she continues to be entitled thereto, the amount of such allowance."

104. The above definition has been followed by the majority of common system organizations. The Commission has on two occasions, in 1983 and 1985, reviewed the issue of overtime and shift differentials and concluded that these payments should not be pensionable so as, inter alia, to ensure a uniform pension scheme. Service differential, as provided for in Staff Rule 302.3.72 of the FAO Staff Rules, while similar in nature to overtime and shift differential, has never been brought to the attention of the Commission nor has the Commission discussed the subject or its pensionability.

105. The secretariat received information from the organizations in the common system regarding the payment of service differentials. While some organizations did confirm that they pay a night/shift/overtime differential, they also confirmed that those differentials were non-pensionable and that they were in adherence with article 54 of the Pension Fund Regulations and Rules. FAO, as the other Rome-based agencies, has recently modified its Staff Rules making service differentials non-pensionable at the request of the UNJSPF that considered that service differential should not be pensionable, in line with of article 54 of the Pension Fund Regulations and Rules.

106. However, it should be noted that the ICSC reviewed this matter during its last session and concluded that service differential should remain non-pensionable pending the further examination of this question during the next comprehensive salary survey in Rome in Spring of 2012.