

# C 2013/3 - Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15

## Information Note no. 3 – May 2013

### *Cost increase assumptions and estimates – Further Update*

*Summary:* Due to the impact of five recent decisions concerning staff salaries and benefits, the overall cost increase estimates are revised downwards by a further USD 4.0 million from USD 43.6 million to USD 39.6 million, and therefore the proposed net budgetary appropriation (with cost increases) for the 2014-15 biennium is revised downwards from USD 1,059.2 million to USD 1,055.2 million (at the 2012-13 budget rate of exchange).

### I. Introduction

1. Document C 2013/3 MTP 2014-17/PWB 2014-15 was published on 9 February 2013, nearly 11 months before the beginning of the 2014-15 biennium to which it applies. The PWB 2014-15 includes anticipated cost increases,<sup>1</sup> which form an integral part of the overall budget level. In the months following the publication of the document, trends and decisions that could impact the estimated cost increases for 2014-15 are being monitored by the Secretariat. Any significant changes to the cost increase assumptions and estimates arising from new information or decisions are reported to the governing bodies prior to the Conference, along with the impact on the proposed budget level. These updates are to be taken into consideration by Members in deliberating the PWB 2014-15.

2. One such set of information became available in March 2013: the final 2012 *Actuarial Valuation of Staff-Related Liabilities*.<sup>2</sup> This was reviewed by the 148<sup>th</sup> session of the Finance Committee along with additional information on anticipated cost increases. The information was provided to all Members in Information Note no. 1 – April 2013, showing that as a result of the final 2012 actuarial valuation, estimated cost increases were revised downwards by USD 10.8 million.

3. Section II below describes five recent decisions concerning staff salaries and benefits and their impact on the estimated staff cost increases for 2014-15, **resulting in a further downward revision of the estimated cost increases by USD 4 million**, all under biennialization.

4. As a result, **the estimated cost increases for the 2014-15 biennium are revised downwards:**

- i. by USD 10.8 million from USD 54.4 million to USD 43.6 million as outlined in Information Note no. 1; and,
- ii. **by USD 4.0 million from USD 43.6 million to USD 39.6 million** as outlined in this Information Note no. 3.

5. **The proposed net budgetary appropriation (with cost increases) for the 2014-15 biennium**, which was revised downwards from USD 1,070.1 million to USD 1,059.2 million in Information Note no. 1, **is revised further downwards to USD 1,055.2 million** (at the 2012-13 budget rate of exchange).

### II. Changes in staff cost elements with impact on estimated cost increases for 2014-15

6. Since the time Information Note no. 1 was prepared, the Organization has assessed the impact on staff costs of implementing recent decisions stemming from International Civil Service Commission (ICSC) recommendations and recent policy decisions of the Director-General. Four of the five reviewed areas result in actual staff cost adjustments in the current 2012-13 biennium and thus impact the *biennialization* component of the estimated 2014-15 cost increases. The relevant staff cost elements are summarized in Table 1 and described further below.

<sup>1</sup> C 2013/3 paragraphs 285 to 303

<sup>2</sup> FC 148/5



**Table 1: Overview of staff cost element changes and impact on 2014-15 cost increases (USD million)**

Staff cost element	Impact on Biennialization
1. Pensionable remuneration of staff in the professional and higher categories (ICSC)	(2.0)
2. Remuneration of staff in the professional and higher categories located in Rome (ICSC)	1.0
3. Medical insurance costs (BMIP) (FAO)	(1.5)
4. Discontinuation of service differentials (FAO)	(1.5)
5. Rental subsidy scheme in Rome (FAO)	-
<b>Total</b>	<b>(4.0)</b>

7. Pensionable remuneration of staff in the professional and higher categories: decrease of USD 2.0 million under biennialization due to lower-than-budgeted increase in 2013. In accordance with article 54(b) of the Regulations of the United Nations Joint Staff Pension Fund, the scale of pensionable remuneration for the professional and higher categories is revised when the net remuneration is adjusted in New York for staff in the aforementioned categories. Following the ICSC's announcement of an increase in the post adjustment in New York effective 1 February 2013 from 65.5 to 68.7, the revised scale of pensionable remuneration for staff in the professional and higher categories was promulgated. The across-the-board increase of the scale is 1.93 percent compared to 2.6 percent budgeted for 2012 and 2.4 percent for 2013 effective August.<sup>3</sup> The increase will now only take place once in the 2012-13 biennium, and at a lower percentage than anticipated.

8. Remuneration of staff in the professional and higher categories located in Rome: increase of USD 1 million under biennialization arising from the change in the post adjustment. In accordance with the methodology established by the ICSC and approved by the UNGA at its forty-fifth session, an increased post adjustment has been granted effective 1 April 2013 to staff in the professional and higher categories located in Rome. The increase reflects the application of the 12-month rule, i.e. the comparison of the movement in the cost-of-living indices of Rome and New York during the year 2012. The resulting average increase in net remuneration over the previous month is equal to 2.48 percent compared to the budgeted increase of 2.0 percent.<sup>4</sup>

9. Medical insurance costs: decrease of USD 1.5 million under biennialization arising from the anticipated continuation of the current premium rates for the Basic Medical Insurance Plan (BMIP), based on the latest information available on the overall situation of the medical plan. It is thus no longer necessary to include the 5.0 percent increase budgeted for 2013.<sup>5</sup>

10. Discontinuation of service differentials budgeted under general service net salary: decrease of USD 1.5 million under biennialization. In the context of the Rome 2012 general service salary survey, the ICSC reviewed the service differential modality and recommended that it be discontinued. In line with this recommendation, the Director-General has decided to discontinue the service differential with effect from 1 March 2013. Any additional overtime costs resulting from the discontinuation of service differentials are expected to be absorbed within the approved net appropriations, mainly under the Security Expenditure Facility, since they relate primarily to security services.

11. Rental subsidy scheme in Rome: impact of recent policy change. Following a review of the rental subsidy scheme, the Director-General has promulgated a change in policy. The reasonable maximum rent levels, for calculation of rental subsidies, were revised to reflect family size rather than the grades of the staff members in the previous scheme. The measurement effective 1 March 2013 was to harmonize with the practice in the UN Common System. The revised levels will apply to staff recruited or transferred to Rome on or after 1 March 2013 or eligible to rental subsidy under the Force Majeure on or after 1 March 2013. The financial impact is expected to be insignificant in the period 2013-15.

<sup>3</sup> C 2013/3 paragraph 294 e) and C 2011/3 paragraph 230 d)

<sup>4</sup> C 2013/3 paragraph 294 c)

<sup>5</sup> C 2013/3 paragraph 294 f)

12. Table 2 below reproduces the cost increase table presented in the PWB document (Table 7) and Information Note no. 1, with the updated figures based on the information provided above. The aggregate impact of **USD 4.0 million** has brought biennialization for the personnel services down to **USD 1.0 million** as shown in row 2 column (b) and the total cost increases to **USD 39.6 million**.

**Table 2: Summary of revised cost increases under the Net Appropriation in 2014-15 at 2012-13 budget rate of exchange (revision to Table 7 in C 2013/3 and Table 3 in Information Note no. 1)**

(USD millions)						
	PWB 2014-15 Proposed Net Appropriation at 2012-13 costs a	Biennialization b	Inflation c	Cost increases for 2014-15 d = b + c	Percent cost increase (biennial) e = d / a	Percent of cost increase attributable to each cost component f
<b>1. Personnel Services</b>						
2. Salaries, Pension Fund Contributions and Allowances	715.5	<b>1.0</b>	21.0	<b>22.0</b>	<b>3.1%</b>	<b>55%</b>
3. After-service Benefits	52.6	9.8	-	<b>9.8</b>	<b>18.6%</b>	<b>25%</b>
<b>4. Total Personnel Services</b>	<b>768.1</b>	<b>10.8</b>	<b>21.0</b>	<b>31.8</b>	<b>4.1%</b>	<b>80%</b>
<b>5. Total Goods and Services</b>	<b>247.5</b>	<b>-</b>	<b>7.8</b>	<b>7.8</b>	<b>3.2%</b>	<b>20%</b>
<b>6. Budget level for Net Appropriation and additional requirements</b>	<b>1,015.6</b>	<b>10.8</b>	<b>28.8</b>	<b>39.6</b>	<b>3.9%</b>	<b>100%</b>

13. In summary, due to the impact of five recent decisions concerning staff salaries and benefits:
- **overall cost increase estimates are revised downwards by a further USD 4.0 million from USD 43.6 million to USD 39.6 million and are restated in Table 2;**
  - **the proposed net budgetary appropriation (with cost increases) for the 2014-15 biennium is revised downwards from USD 1,059.2 million to USD 1,055.2 million (at the 2012-13 budget rate of exchange).**