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FINANCE COMMITTEE

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**Recommendations and Decisions of the International Civil Service
Commission and the 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 Committee noted the recent developments in the activities of the International Civil Service Commission (ICSC) and the United Nations Joint Staff Pension Board (UNJSPB).**

Conditions of service applicable to both categories of staff

Review of pensionable remuneration

1. At its 87th session, the Commission reviewed the results of a comparability study of the pension schemes of the United Nations and the United States federal civil service. Based on the outcome of the study, the Commission decided to recommend to the General Assembly that pensionable remuneration for all categories should be based on the single rates of the common scale of staff assessment, which should be revised.
2. The scale of pensionable remuneration and pay protection points for staff in the Professional and higher categories should also be revised.

End-of-service grant

3. In its resolution 71/264, the Assembly requested the Commission to undertake a comprehensive analysis of the effect of the adoption of its recommendation on the establishment of end-of-service severance pay for staff serving under a fixed-term contract and separating from the Organization upon the expiration of that contract after 10 or more years of continuous service.
4. The financial implications of introducing end-of-service severance pay were estimated at USD 10.9 million per annum, system-wide. It was noted that this cost was estimated on the basis of an atypical number of separations owing to the closing of multiple United Nations missions and was likely to be lower in subsequent years. In 2016, the system-wide financial implications were estimated at USD 1.64 million. Based on available data at that time, for FAO the financial implications were estimated to be minimal.
5. The Commission decided to recommend to the UNGA that end-of-service severance pay be introduced for fixed-term staff separating from the organization upon the expiration of contract after five or more years of continuous service.

Conditions of service of the Professional and higher categories

Base/floor salary scale

6. The Commission decided to recommend to the General Assembly that the current base/floor salary scale for the Professional and higher categories be increased by 1.83 percent through the standard consolidation procedure, namely, by increasing the base salary and commensurately decreasing post adjustment levels, with effect from 1 January 2019.

Evolution of the margin

7. Under a standing mandate, the Commission reports annually to the 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 the international civil service and the United States federal civil service.

8. The Commission decided to report to the UNGA that the estimated margin for the calendar year 2018 amounted to 114.4.

Children's and secondary dependant's allowances: Review of the level

9. The dependant children's allowance is established based on the values of tax abatements and payments made under social legislation at a reference income corresponding to the P-4/VI level at the eight headquarters locations. The secondary dependant's allowance is set at 35 percent of the children's allowance.

10. The Commission decided to recommend to the General Assembly that, as of 1 January 2019 the children's allowance be set at USD 3,666 per annum and the allowance for children with disabilities at USD 7,332 per annum.

11. It was also decided by the Commission that the secondary dependant's allowance be set at USD 1,283 per annum.

12. The Commission decided to revisit the methodology for establishing the children's allowance prior to the next review of its level.

Post adjustment issues

13. The Advisory Committee on Post Adjustment Questions' fortieth session report included recommendations of the Committee with regard to the review of the post adjustment system by an external independent consultant. The Commission decided to endorse the recommendations contained in the independent consultant's report with respect to areas of possible improvement of the methodology.

14. The Commission also considered a status report on the review of the post adjustment system, as well as a project management plan for a comprehensive review of the methodology. As a major step in the implementation of the plan, the Commission decided to conduct a review of the operational rules governing the determination of post adjustment multipliers, establishing a working group for that purpose. The goal of the review was to revise the post adjustment system methodology and operational rules to enhance the accuracy, stability and predictability of salary adjustments.

Conditions of service of the General Service and other locally recruited categories: Review of salary survey methodologies

15. The Commission has decided to establish a working group, which would be requested to analyse and explore issues identified during the seventh round of salary surveys and review ways of obtaining the required data, including the possibility of purchasing data from external sources. The working group will also be requested to study the adequate representation of the national civil service and also examine and propose revisions to both methodologies.

Conditions of service in the field: Duty stations with extreme hardship conditions

16. During past ICSC sessions, the issue of duty stations with a hardship classification of D or E that were not designated as non-family duty stations has been discussed. A working group was established, which submitted various options.

17. The Commission decided that the option of whether to install eligible dependants in duty stations classified at hardship levels D or E that were not designated as non-family duty stations should be left to the staff member.

18. The need expressed by organizations and staff federations should be addressed by providing a reduced amount of the non-family service allowance, in the amount of USD 15,000 per year, for staff members with eligible dependants to help to defray the costs of maintaining those dependants elsewhere.

United Nations Joint Staff Pension Board (UNJSPB)

19. The Sixty-Fifth session of the United Nations Joint Staff Pension Board was held at the Food and Agriculture Organization (FAO) in Rome, Italy, from 26 July to 3 August 2018.

20. Mr John Levins, WFP Finance Officer, who was part of the FAO/WFP Staff Pension Committee official delegation, was elected Chair of the UNJSPF Board.

21. During its 2018 session, the Board considered a range of matters and made the following decisions.

Investment management, actuarial balance, and audit matters

22. The Secretary-General has appointed a full-time Representative for the Secretary-General (RSG), a position established with effect from 1 January 2015, to oversee the Investments of the Assets of the UNJSPF. The Board welcomed the appointment of the second full-time RSG effective 1 January 2018 and noted the Secretary-General's decision to rename the Investment Management Division (IMD) the Office of Investment Management (OIM), consistent with the level of the post of the RSG.

23. At 31 December 2017, investments of the Fund managed by the Fund's Office of Investment Management (previously IMD) were valued at USD 64.1 billion (2016: USD 54.5 billion). On the back of strong markets, the portfolio achieved a nominal investment return of 18.6 percent, compared to the Board's 18.1 percent policy benchmark.

24. The actuarial valuation as of 31 December 2017 indicated a small actuarial deficit of 0.05 percent of pensionable remuneration. As noted by the pro-bono Committee of Actuaries, this is the second consecutive actuarial valuation (31 December 2015: 0.16 percent surplus) in which the Fund remains very close to actuarial balance. Given margins of error and assumptions in actuarial valuations, these results are substantively in balance. The Board's Assets and Liabilities Monitoring Committee confirmed that the Fund continues to be well funded.

25. On audit, in the view of concerns held by the majority of the Board over the methodology of the OIOS audit, the Board decided to refer the matter to the General Assembly's Independent Audit Advisory Committee (IAAC), which is the body charged with evaluating the effectiveness of OIOS interventions.

Administrative and governance matters

26. Due to the challenge of the extended absence of Chief Executive Officer (CEO) and impending retirement of Deputy CEO (DCEO), the Board decided to recommend to the Secretary-General the appointment of the current DCEO as Acting CEO up to 31 December 2018. The Secretary-General accepted the recommendation. The Board also formed a Succession Planning Committee and requested that it identify a suitable candidate for appointment by the Secretary-General as Acting Chief Executive Officer from 1 January 2019 for as long as required.