



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and Fifteenth Session

Rome, 25 – 29 September 2006

Recommendations and Decisions of the ICSC and UN Joint Staff Pension Board to the General Assembly and Change in Salary Scales and Allowances

Note to the Finance Committee

This document is submitted for discussion to the Finance Committee.

The Secretariat invites members of the Finance Committee who may have questions of a technical nature with regard to this document to contact the FAO staff focal points indicated below, preferably well in advance of the Committee's meeting.

Assistant Director-General, *a.i.* Administration and Finance Department (AF) Mr Khalid Mehboob

tel: 06- 57054966

Director, Human Resources Management Division (AFH)

Mr Julio Camarena-Villaseñor

tel: 06-57056649

Executive Summary

1. 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 and general service categories.

2. The attention of the Committee is drawn particularly to Section I(B)(2)(a) regarding the result of the general service salary survey carried out in Rome by the International Civil Service Commission (ICSC) in November 2005. The recommendations of the ICSC regarding the new

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.

Most FAO meeting documents are available on Internet at www.fao.org

salary scale (reflecting a 12.16% increase effective 1 November 2005) are submitted to the Committee for its consideration and transmittal to the Council for approval.

Draft Decision

3. The Finance Committee reviewed the findings of the ICSC regarding the outcome of the general service salary survey carried out in Rome in November 2005 and endorsed the relevant ICSC recommendations for transmittal to Council for approval.

I. International Civil Service Commission (ICSC)

A. UNITED NATIONS COMMON SYSTEM

1) Conditions of service of the Professional and higher categories

a) Report of the Advisory Committee on Post Adjustment Questions (CCAQ) on its twenty-eight session

1. The Commission reviewed and endorsed the report of the Advisory Committee on Post Adjustment Questions (CCAQ) which included, *inter alia*, the result of the place-to-place surveys conducted at Geneva, London, Madrid, Montreal, Paris, Rome, Vienna and Washington, D.C..

2. The table below summarizes the result of the 2005 cost-of-living comparisons between New York and the above mentioned duty stations.

TABLE 1

Duty Station	Month of survey (2005)	Exchange rate	Existing PAI*	Exis-ting Multiplier	New PAI	PAI change %	Classi-fication change %
Geneva	Sept.	1.27	162.69	63.5	165.38	1.66	1.15
London	Sept.	0.56	155.02	52.3	165.71	6.89	8.8
Madrid	Sept.	0.82	144.13	39.7	141.89	-1.55	1.57
Montreal	Sept.	1.20	144.87	43.3	145.06	0.13	1.23
Paris	Sept.	0.82	150.84	46.1	154.77	2.6	5.93
Rome	Oct.	0.832	147.23	46.1	149.23	1.36	2.14
Vienna	Oct.	0.832	146.80	42.4	148.46	1.13	4.25
Washing- ton,D.C.	Sept.	1.00	142.21	38.3	146.75	3.19	6.11

* PAI, post adjustment index

b) Children's and secondary dependant's allowance

3. The levels of the children's and secondary dependants' allowances are determined on the basis of the value of tax abatements and social legislation payments in the countries of the eight headquarters duty stations and are reviewed every two years. The Commission had before it data on the changes in tax abatements and social legislation payments that had occurred in the eight headquarters duty stations since the previous review in 2004.

4. The ICSC secretariat proposed a modification to the methodology for the calculation of these allowances, necessitated by recent changes in Italian social legislation that created an anomalous situation using the current methodology. If the modified approach were to be adopted,

these allowances would remain at their current levels, whereas maintaining the current calculation would result in an 8.05% decrease.

5. The Commission did not accept its secretariat's recommendation and decided to apply the existing methodology, in spite of the discovered anomaly. This meant that allowances that would be received for the first time as of 1 January 2007 would be reduced from their current levels. Staff already in receipt of the allowance would continue to receive the same amount as before. On this basis the Commission decided to make the following recommendations to the General Assembly:

6. For staff who became eligible to receive the dependency allowances on or after 1 January 2007, the following amounts would be payable:

- i) Children's allowance – US\$1 780 per annum;
- ii) Disabled child allowance – US\$3 560 per annum;
- iii) Secondary dependant's allowance – US\$637 per annum;

7. For staff who were currently eligible to receive the dependency allowances, the current amounts will continue to be payable as follows:

- iv) Children's allowance – US\$1 936 per annum;
- v) Disabled child allowance - US\$3 872 per annum;
- vi) Secondary dependant's allowance – US\$693 per annum;

8. The dependency allowances should be reduced by the amount of any direct payment received by staff from a government in respect of dependants.

9. The Commission also decided to review the methodology for the determination of the children's and secondary dependant's allowances at its sixty-fourth session, and requested its secretariat to develop proposals aimed at simplifying and improving the fairness of the system, including those relating to the local currency denomination scheme and the procedure for adjusting the levels of the allowances.

10. As no significant changes in dependency allowances would result from the ICSC recommendations to the General Assembly, no additional financial cost is estimated for the year 2007.

B. CHANGES IN SALARY SCALES AND ALLOWANCES

1. Professional and Higher Categories

a) Post adjustment matters – Rome place-to-place cost-of-living survey

11. The following levels for the Rome post adjustment classification, showing the fluctuations of the post adjustment multiplier relative to changes in the rate of exchange were announced by the International Civil Service Commission (ICSC) from July 2004 to June 2005.

TABLE 2

Cost-of-living		Post Adjustment (Applying 4-month waiting period)			
Month	Index ¹	Month	Euro/Dollar Exchange Rate	Index	Multiplier
March 2005	110.8	July 2005	0.829	146.6	46.6
April 2005	111.4	Aug. 2005	0.827	146.9	46.9
May 2005	111.6	Sep. 2005	0.820	148.0	48.0
June 2005	111.7	Oct. 2005	0.832	146.1	46.1
July 2005	111.6	Nov. 2005	0.855	142.6	42.6
Aug. 2005	111.6	Dec. 2005	0.850	143.3	43.3
Sep. 2005	112.2	Jan. 2006	0.845	144.1	44.1
Oct. 2005	112.5	Feb. 2006	0.827	146.9	46.9
Nov. 2005	112.1	Mar. 2006	0.844	144.2	44.2
Dec. 2005	99.6	Apr. 2006	0.827	149.2	49.2
Jan. 2006	99.9	May 2006	0.784	156.5	56.5
Feb. 2006	100.1	June 2006	0.778	157.6	57.6

12. In October 2005 the secretariat of the ICSC conducted a comprehensive place-to-place cost-of-living survey with a view to determining the cost-of-living relationship between the surveyed duty station and New York, which is the base of the post adjustment system.

13. The survey covered price data collection and index calculations for a basket of goods and services, including housing and domestic service costs. In addition to the price collection, international officials in grades P-1 to D-1 were requested to report on their housing and domestic service costs and household expenditures to establish expenditure weights.

14. The result of the comparison (average price of individual items found in Rome and New York) showed that the cost-of-living index for Rome in October 2005 was 91.71 compared to the base New York June 2005 = 100 at the exchange rate of Euro 0.832 to the United States dollar, i.e. the cost-of-living in Rome was 91.71% of that of New York. This cost-of-living index resulted in a revised post adjustment index for October 2005 of 149.23. This represented a post adjustment classification for Rome that would have been 2.14 percent higher than that actually paid in October 2005.

15. The relevant report prepared by the ICSC secretariat was reviewed and endorsed by the Advisory Committee on Post Adjustment Questions (ACPAQ) in January 2006 and subsequently submitted to the ICSC for approval. At its 62nd Session held in March 2006, the Commission reviewed the report and approved the result of the place-to-place survey for Rome as recommended by ACPAQ.

16. The result of place-to-place survey is normally implemented the month ensuing the date of its approval by the ICSC. In April, therefore, the ICSC announced that, as a result of the place-to-place survey, the post adjustment for that month was equal to 49,2 multiplier points at the rate of exchange of Euro 0.827 to US\$ 1.

¹ Index of cost-of-living for international officials in Rome. Please note that the index has been re-based effective 1 October 2000, date of the last cost-of-living survey

17. The financial impact of the implementation of the result of the place-to-place survey for FAO is estimated to be US\$1.3 million for the year 2006 (April to December 2006).

2. *General Service Category*

a) *The Rome salary survey, November 2005*

18. The International Civil Service Commission (ICSC), under article 12.1 of its statute, has undertaken surveys of best prevailing conditions of employment in Rome in 1979, 1984, 1989, 1994 and 2000. The Commission, in accordance with the schedule of the sixth round of General Service salary surveys at headquarters locations, decided that preparation for the next salary survey in Rome should be carried out in the spring of 2005. Data collection would take place in the autumn of 2005, followed by consideration of the survey results in the spring 2006.

In April 2005, a Local Salary Survey Committee (LSSC) was established comprising representatives of the administrations and staff of FAO, IFAD and WFP.

19. The LSSC developed a questionnaire and nineteen benchmark job descriptions to be used in collecting data for the survey and identified twenty of the best employers in the Rome labour market for comparison purposes.

20. The large majority of employers surveyed were included in previous surveys and, in accordance with the Flemming Principle (which governs these surveys), represented a cross-section of the reputedly best local employers. This ensured that the methodological requirements were met for continuity between surveys and representativeness of the economic sectors (including the public sector with no individual sub-sector of the private sector being represented by more than 25 per cent of the total).

21. The principal data collection took place between November and December 2005. All data collected related to the reference month of November 2005. The ICSC reviewed the salary survey report submitted by the secretariat at its sixty-second session (March 2006).

22. The ICSC, after having heard the views of the representatives of the administration and the staff of the Rome-based organizations decided on the basis of the result of the survey:

- a) To use the data for all 20 surveyed employers and 19 surveyed jobs;
- b) To approve the treatment of the cash and non-cash benefits and allowances added to salary and benefits not quantified as proposed by the ICSC secretariat;
- c) To approve the procedure for netting down outside gross salaries;
- d) To recommend, as of 1 November 2005, a revised salary scale for the general service category of the Rome-based organizations reflecting a 12.16% increase (see attached);
- e) To recommend, as of 1 November 2005, the following revised levels of dependency allowances:
 - i) Dependent spouse allowance:
€791 per annum — for eligible staff on board and already in receipt of the allowance prior to 1 November 2005;
€646 per annum — for eligible staff on board on or after 1 November 2005;
 - ii) Dependent child allowance of €1 209 per annum;
 - iii) Secondary dependant allowance of €507 per annum.

23. The ICSC also decided to recommend that the current interim adjustment procedure, which was based on the wage index using the industrial and commerce sectors as reference points, be maintained.

24. The Commission noted that, in accordance with the methodology, an interim adjustment of 4.02 per cent due in November 2005 had not been granted and that the survey result justified a retroactive granting of that adjustment. As the recommended date for the introduction of the newly recommended scale coincided with the scheduled interim adjustment date, and, as the interim adjustment percentage was fully covered in the overall survey percentage, the Commission concluded that no additional action was required in that regard.

25. In accordance with the General Rules of the Organization (ref. G.R. XXVII.7(r) and XXXIX.2), the Director-General hereby refers the recommendations of the International Civil Service Commission, including implementation effective 1 November 2005 of the salary scale in Annex I, through the Finance Committee to the Council.

26. It is noted that, given the magnitude of the recommended salary increase, the financial and budgetary implications are presented in a separate document for consideration at the Joint Meeting of the Programme and Finance Committees.

II. UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)

27. The United Nations Joint Staff Pension Board (UNJSPB) held its 53rd session from 13 – 21 July 2006 in Nairobi, Kenya. Among the issues on the agenda of the Board were:

- a) Twenty-eighth actuarial valuation of the Fund as of 31 December 2006; and,
- b) Report by the Representative of the Secretary-General on Management of the Pension Fund investments.

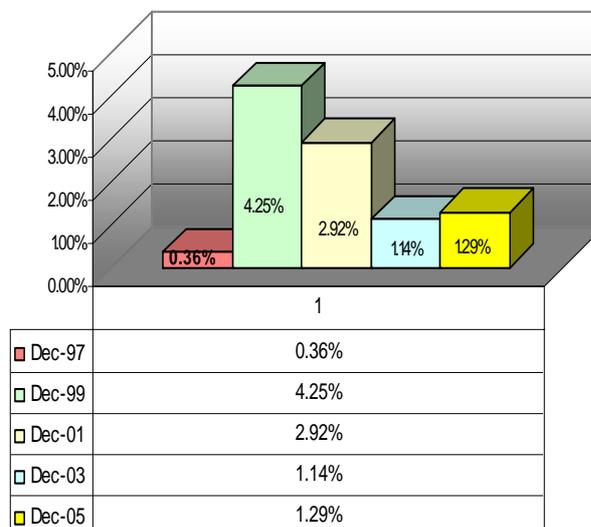
A. TWENTY-EIGHTH ACTUARIAL VALUATION

28. The Committee of Actuaries met in New York from 5 to 7 June 2006 to assess the regular valuation as of 31 December 2005.

29. Based on the assumptions approved last year, the indicated rate of contribution to achieve actuarial balance is 22.41% pensionable remuneration. With the current rate of contribution being 23.70%, the results reflect an actuarial surplus of 1.29% of pensionable remuneration.

30. The December 2005 actuarial valuation is the fifth consecutive surplus.

Actuarial Value as % of pensionable remuneration



B. REPORT BY THE REPRESENTATIVE OF THE SECRETARY-GENERAL ON MANAGEMENT OF THE PENSION FUND INVESTMENTS

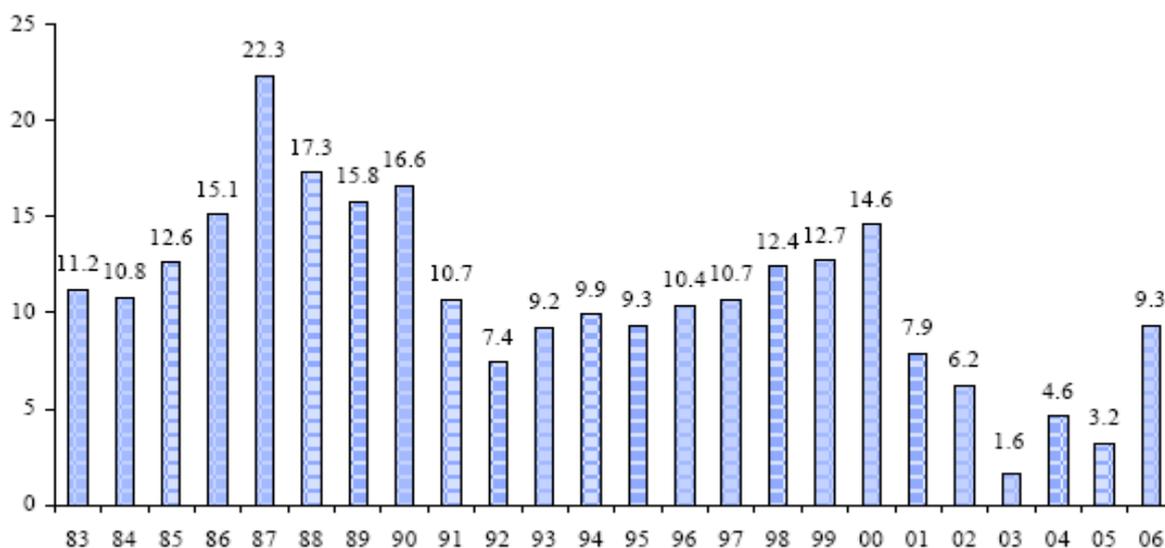
31. The Pension Board reviewed a report by the Representative of the UN Secretary-General titled Management of the Investments. The report, prepared for the information of the Board, summarized the economic and financial environment and investment return of the Fund during the period between 1 April 2005 and 31 March 2006.

32. The market value of the assets of the Fund increased to US\$33 118 million on 31 March 2006 from US\$29 253 million one year earlier, an increase of US\$3 865 million, or 13.3 per cent. The real rate of return, based on US consumer price index was 4.3 per cent.

33. The Fund's investments are allocated into four categories (bonds, equities, real estate and short-term investments). The rates of return of the four categories for the reported year ending 31 March 2006 were as follows:

<u>Category</u>	<u>Return rate</u>
Bonds	(2.8)%
Equities	21.3%
Real Estate	30.5%
Short-term investments	2.9%
Total Fund	13.3%

34. The report stated that the management of the investments of the Fund has over the years applied strategy and tactical moves geared to achieving good returns over the longer periods of at least five years. The bar graph below shows the moving cumulative rate of returns ending 31 March 2006.



Recommended net salary scale for the General Service staff of the Rome-based United Nations system organizations (as of 1 November 2005)
(Euros per annum)

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
G-1	26,439	27,222	28,005	28,788	29,571	30,354	31,137	31,920	32,703	33,486	34,269	35,052	35,835	36,618	37,401
G-2	28,024	28,977	29,930	30,883	31,836	32,789	33,742	34,695	35,648	36,601	37,554	38,507	39,460	40,413	41,366
G-3	29,988	31,131	32,274	33,417	34,560	35,703	36,846	37,989	39,132	40,275	41,418	42,561	43,704	44,847	45,990
G-4	32,688	34,025	35,362	36,699	38,036	39,373	40,710	42,047	43,384	44,721	46,058	47,395	48,732	50,069	51,406
G-5	36,277	37,816	39,355	40,894	42,433	43,972	45,511	47,050	48,589	50,128	51,667	53,206	54,745	56,284	57,823
G-6	41,721	43,473	45,225	46,977	48,729	50,481	52,233	53,985	55,737	57,489	59,241	60,993	62,745	64,497	66,249
G-7	47,976	50,001	52,026	54,051	56,076	58,101	60,126	62,151	64,176	66,201	68,226	70,251			