



SUMMARY RECORD OF THE 29th MEETING

Chairman: Mr. TOMMO MONTHE (Cameroon)

Chairman of the Advisory Committee on Administrative and
Budgetary Questions: Mr. MSELLE

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ADDRESS BY THE SECRETARY-GENERAL

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The meeting was called to order at 10.55 a.m.

AGENDA ITEM 124: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (A/40/30 and 653; A/C.5/40/26 and 44)

1. Mr. AKWEI (Chairman of the International Civil Service Commission) said that the Commission had once again endeavoured to submit a report which was succinct but without sacrificing substance and which, following traditional practice, included brief summaries of the views of organizations and staff as well as the discussions in the Commission.
2. Regarding the remuneration of staff in the Professional and higher categories, in response to General Assembly resolution 39/27 the Commission had taken a number of decisions and made recommendations which could be found in chapter II of its report (A/40/30). As a first step, the effective measures had been taken to suspend implementation of the increase in post adjustment for New York due in December 1984 and to equalize purchasing power between New York and other duty stations on the basis of existing rules.
3. The Commission had also re-examined the question of what would constitute a desirable margin between net remuneration of United Nations staff in New York and that of the comparator civil service, and had recommended a margin range of between 110 and 120. It had considered that the mid-point of around 115 would constitute a desirable level around which the net remuneration margin should be maintained. The Commission, in consultation with the Advisory Committee on Post Adjustment Questions (ACPAQ), had considered the operation of the post adjustment system with that additional parameter and had recommended the procedure outlined in paragraphs 120 to 125 of its report. Use of that procedure would ensure that the net remuneration margin was maintained within a range approved by the General Assembly and at a level closer to the desirable mid-point of that range, and it would also enable the Commission to establish equivalence of purchasing power between remuneration in New York and that in other duty stations. If the Commission was mandated to operate the post adjustment system using that procedure, it would be required to submit appropriate recommendations to the General Assembly if the remuneration level was about to fall below the margin range, or, on the other hand, to freeze the post adjustment classification in New York and consequently at other duty stations whenever the remuneration level was about to exceed the range. That action would be binding on all organizations of the common system.
4. The Commission had provided in annex I of its report a summary of the methodology currently used in calculating the net remuneration margin. It would keep that methodology under review and report to the General Assembly on any further developments.
5. In close consultation with ACPAQ, the Commission had considered other important matters relating to the post adjustment system (paras. 140-142 of its report). While the Commission had approved the establishment of separate rental deduction thresholds for the rental subsidy scheme, it had decided that further studies by ACPAQ were required on other issues.

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6. The Commission continued its consideration of various aspects of the methodology for the comparison of total compensation of United Nations staff with that of the comparator civil service on the basis of non-expatriate elements applicable on both sides (paras. 64 to 67). In previous reports on the total compensation comparisons, the Commission had taken into account career length differences between United Nations and United States officials. However, in view of the continuing controversy over that matter, it had decided to exclude that aspect from its future calculations. Furthermore, with regard to paragraph 2 (b) of resolution 39/27, the Commission had decided, owing to the difficulties of including annual leave in its total compensation comparisons (para. 65), to report to the General Assembly two sets of total compensation margin figures: one figure of 117.6, which excluded differences in annual leave, and another of 119.8, in which differences in annual leave were taken into account.
7. The Commission had also examined information on the special rate programme and other pay systems of the United States federal civil service and had instructed its secretariat to undertake further studies (para. 79). A progress report would be submitted to the General Assembly at a later date.
8. The Commission's review of the Joint Inspection Unit (JIU) report on staff costs and some aspects of utilization of human and financial resources in the United Nations Secretariat (A/39/522 and Corr.1) was summarized in paragraphs 80 to 97 of its report. In that connection, he wished to draw the Committee's attention to several important considerations. First, it was the responsibility of ICSC to make the relevant recommendations and decisions on conditions of service for the United Nations common system. Secondly, in view of previous misunderstandings on the respective roles of the Commission and JIU and subsequent efforts at co-ordination, it was to be regretted that the two inspectors who had produced the report had not fully observed the consultation procedures set out in article 11 (e) of JIU's own statute, let alone those mandated by the General Assembly in resolution 37/126. Thirdly, the Commission worked on a continuing basis as a collegial body, unlike individual inspectors who might advocate different views in conflicting reports, as had occurred in the past. Fourthly, there were some unfortunate factual errors and misinterpretations of data in the JIU report.
9. He noted that the same inspectors had submitted a follow-up report (A/40/653), again without observing the common system procedures established by the General Assembly itself, and leaving the Commission no opportunity to consider and convey its views on that second report. The procedure followed by JIU, based as it was on a lack of consultation, could only lead to unjustified conclusions and thus could hardly result in the efficiency which it sought from administrations and staff.
10. The General Assembly, in resolution 39/246, section II, paragraph 6, had requested a report on pensionable remuneration for the Professional and higher categories. However, as would be noted from the Commission's annual report, the pension scheme for employees in the United States federal civil service, the present comparator under the Noblemaire principle, was in a state of flux. Only

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incomplete details concerning the various new pension schemes before the United States Congress had, to date, been received. When further details were available, the Commission would be able to continue its studies as requested by the General Assembly.

11. Regarding the procedure used for determining pensionable remuneration, summaries of the Commission's preliminary consideration of the issues were provided in its report. The Commission would undertake a full review of the methodology used, taking into account the views expressed in the Fifth Committee, and would report on the matter at the forty-first session. In the meantime, attention should be drawn to the implications for pensionable remuneration of the Commission's separate recommendations on the margin range and the operation of the post adjustment system within that range. If approved, remuneration of Professional and higher category staff would most likely remain frozen at least through 1986. Moreover, in view of the present relationship between net remuneration and pensionable remuneration, the Commission had recommended that during the period in which the remuneration of Professional and higher category staff was frozen, pensionable remuneration amounts should also remain frozen.

12. The Commission would not be in a position to deal with the question of the interim adjustment procedure until it had the opportunity to review the procedure used for the determination of pensionable remuneration amounts. It would nevertheless take up the matter in 1986, whether or not the United States Congress had completed its consideration of the new civil service retirement scheme, and would make specific recommendations to the General Assembly at its forty-first session. In the meantime, the modified interim adjustment procedure recommended at the previous session still applied, although, in the light of the observations made above, the Commission realized that that procedure would be inoperative during the period in which pensionable remuneration was frozen.

13. The Commission had reported that it would study a special index for pensioners in two phases (para. 143). Recommendations on the first phase of the study had been submitted at the thirty-eighth session, and the second phase, i.e. that relating to the development of a comprehensive special index for pensioners, had now been completed, after in-depth studies by ACPAQ, providing solutions that could be used henceforth.

14. With regard to long-service steps, the Commission had, in accordance with General Assembly resolution 39/69, reviewed ways in which uniformity could be established within the common system and had taken the matter up further with ILO, WHO and UPU, which already had long-service schemes. The Commission reiterated its recommendation that one long-service step should be introduced for the common system.

15. Concerning remuneration of the General Service and related categories, the Commission had conducted surveys of best prevailing conditions of service in Geneva and London in 1985. Recommendations on salary scales, dependency allowances and other conditions of employment had been made to the executive heads of the organizations concerned in accordance with established procedures, together with specific recommendations on compensation for overtime and shift work.

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16. With regard to the comprehensive review of after-service health insurance, requested in resolution 38/232, the Commission had noted that, with the exception of staff members covered under appendix E to the United Nations Staff Rules, others had already been provided with after-service health care benefits. It had therefore recommended that that group of staff members be provided with health care benefits after retirement (para. 162). The Commission had also endorsed the view that the eligibility criteria for after-service health insurance should be uniform within the various schemes of the organizations, and had expressed the view that health insurance should be mandatory, but had left the exact application of that principle for the organizations to determine.
17. The Commission had studied the question of support for staff with disabled children. Details of its recommendation could be found in paragraph 180 of its report; if approved, they would result in the provision of assistance to staff with disabled children facing specific problems.
18. The Commission had reaffirmed its earlier position that there appeared to be no need to make any change in the criteria for application of the education grant at the present time. It also reaffirmed that the practice of recognizing post-secondary institutions outside the home country or the country of the duty station was still justified and reiterated its view that the education grant should continue to be a benefit granted only to those with expatriate status.
19. Over the past year, the Commission had continued its work on job classification. It had reviewed a report on the implementation of the Master Standard for the period 1981-1983 (para. 201), and had developed a supplement (para. 209) as the appropriate classification instrument to be applied in conjunction with the Master Standard to determine the job content level of project posts. The Commission had also promulgated job classification standards for the General Service and related categories for Addis Ababa, and work was under way to develop similar standards for the General Service at Vienna, Baghdad and Santiago. The development of a classification standard for General Service in small and medium-sized field offices was also in progress.
20. The Commission had reviewed the suggestions for action made by the organizations following two symposia held by the Commission in 1983 and 1984 on human resources planning for non-professional staff. Its recommendations on that subject were listed in paragraphs 239 and 240 of its report.
21. In 1985, the Commission had produced two more major studies in a series on recruitment policy. In its examination of special measures for the recruitment of women, the Commission recognized that there seemed to be a barrier to the advancement of women beyond the P-4 level; that two thirds of the Professional women worked in occupations that provided support services to the substantive programmes of the Organization; and that the vast majority of those women came from only three areas of the world. It was noted that many resolutions had been adopted by legislative organs but not implemented and that goals set had not been achieved. The emphasis should now be on action rather than legislation. The Commission also

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recognized the need for accountability in meeting targets set for the recruitment of women, and had stressed the need for inter-agency co-operation in goal setting and monitoring, given limited resources for recruitment and a greater similarity of jobs throughout the common system than had been generally recognized. Detailed recommendations on special recruitment measures for women were listed in paragraphs 245 and 246 of the ICSC report.

22. The Commission had also considered a study on the development of recruitment sources, including national recruitment Services (NRS), which gave particular attention to technical co-operation activities, and had made some recommendations. In the area of language proficiency testing, it had decided to request the organizations to co-ordinate and harmonize their language proficiency examinations for serving staff. Following a review of the experience of the United Nations with competitive examinations, the Commission had concluded that that recruitment method deserved the attention of other organizations and had recommended making a structured interview part of the examination process. It had also observed that too much weight was attached to such examinations as a means of redressing imbalances in geographical distribution.

23. On the subject of training, he drew attention to the recommendation in paragraph 268 that the needs assessment model should be adopted by all organizations as a general framework for determining training needs.

24. While action by organizations on the Commission's recommendations and decisions (chap. IX) had generally been satisfactory, the Commission had expressed concern at continuing problems in the implementation of the job classification exercise for the General Service and related categories. It would continue to monitor the situation carefully. The Commission had also made appropriate recommendations to the various organizations concerning the uniform application of allowances and other benefits.

25. Commenting on the job classification exercise in New York, he said that the Commission had promulgated standards for the General Service in the summer of 1982 and for other locally recruited categories in the spring of 1983. While UNDP and UNICEF had long since finished their reclassifications they were not implementing them because they were waiting for the United Nations to complete its own exercise. The United Nations had now announced an effective implementation date of 1 January 1985 and the Commission had advised UNDP and UNICEF not to wait further if the United Nations did not complete its exercise by 1 September 1985.

26. When transmitting the new salary scales to the executive heads in New York he had expressed concern about the possible application of the new seven-grade General Service salary scales to the present five-level structure, inter alia because it implied that some 10 per cent of staff in posts which had to be downgraded would receive unjustified salary increases. He had, however, proposed that adjustment be made for staff occupying such posts to retain their present salary. The United Nations had chosen to apply the first five levels of the new scale to the existing five-grade structure and had informed the Commission that it had made commitments

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to staff that those who were graded at a level below their personal level would retain their present salary and grade level and continue to receive step increments. UNDP and UNICEF had followed suit. Had the estimated 10 per cent in over-graded posts not received a salary increase as of February 1984 and the interim adjustment as of February 1985 there might have been an estimated savings of over \$1.5 million for the two years.

27. He could not give a complete assurance that the reclassifications were technically consistent with the standards promulgated by the Commission. He had heard that the recommendations of the classifiers in the United Nations conflicted in many instances with those of the classification review group. Meanwhile, expenditures had been incurred and a fait accompli established before the Commission had received the report on implementation from the Secretary-General and therefore before it could judge the objectivity of the reclassification.

AGENDA ITEM 125: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (A/40/9 and 848; A/C.5/40/24)

28. Mr. ALI (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the Board (A/40/9), said that for several years the Board had been preoccupied by the actuarial imbalance of the Fund, but that the valuation as at 31 December 1984 had shown the beneficial effect of the measures taken over the past four years in reducing the deficit to 3.01 per cent of pensionable remuneration. The measures adopted since 1982 included a reduction in the accumulation rate, a reduction in the cost-of-living adjustment, a higher discount rate for the calculation of the lump sum and an increased reduction for early retirement. In 1983 the Board had further proposed that the contribution rate should be raised from 21 per cent to 24 per cent in four stages. The first increase of 0.75 per cent had been approved by the Fifth Committee, which was now called upon to approve the second, also of 0.75 per cent. The Board considered it vital to approve the measure, which had also been recommended by ACC and ACABQ. At the thirty-ninth session the Committee had deferred a decision on raising the mandatory age of separation to 62 and should give serious consideration to the matter at the current session.

29. Under resolution 39/246, the General Assembly had requested the Board to carry out a series of reviews and studies. Two issues had been of particular importance: the question of compensatory and interim measures relating to the introduction of the new scale of pensionable remuneration, and the imposition of a ceiling on the highest levels of pensions.

30. When the Fifth Committee had adopted the new scale of pensionable remuneration, it had not accepted the transitional measures proposed by the Board and ICSC. The 14 other organizations which were members of the Fund had been perturbed by the United Nations decision, which had caused them legal and administrative difficulties. The transitional measures recommended by the Board at the thirty-ninth session remained the fairest and most reasonable solution. Since, however, they had been rejected by the Fifth Committee, the Board had worked out an

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alternative interim proposal, which seemed to be the least unfair of the several it had studied. It provided a floor for the highest level of final average remuneration reached in 1984 or 1985. If that alternative was accepted, no additional contributions would be required. It should be noted that eight members of the Board had formally rejected the alternative, believing that the original proposal should be resubmitted.

31. The General Assembly had asked the Board to consider the question of imposing a ceiling on pensions within the context of measures needed to restore an actuarial balance. Although the Board had pointed out that such a ceiling would have no actuarial impact, given that only about a dozen officials, out of more than 50,000 in the system, would be affected under the proposed criteria, the Assembly had insisted, in view of which the Board was proposing a limit of 60 per cent in the case of Assistant Secretaries-General and Under-Secretaries-General appointed after 1 April 1986.

32. The Board had also been asked to consider a ceiling on the lump sum. It should be noted that the ceiling on pension benefits automatically imposed such a ceiling, while the measures taken to reduce benefits also reduced the lump sum. In that connection the Board wished to stress that the lump sum was not a handout, but an integral part of the retirement benefit that a staff member had earned by his service and contributions, and that it served to reduce periodic benefits.

33. The Fifth Committee had asked the Board to review its composition, a question which also arose since UNIDO was about to join as an independent member. Members of the Board felt strongly that the tripartite nature of the membership, namely representatives of governing bodies, executive heads and participants, should be preserved. The views of all member organizations were being sought, and the Board would report on the matter to the General Assembly at the forty-first session.

34. The Board felt that the system of adjusting pensionable remuneration was of the utmost importance and would continue to co-operate fully with ICSC in devising an appropriate methodology.

35. The Board had been through a difficult period. Rapid inflation and wildly fluctuating exchange rates had made the management of an international pension fund difficult, while the question of the actuarial imbalance had been of concern for several years. Those factors had created differences between the Fifth Committee and the Board, which hoped, however, that a more stable period was now dawning in which it would not be felt necessary to reconsider the basic premises of the Fund. The Board trusted that the sentiments which had attended the fortieth anniversary of the United Nations would be reflected in the relationship between the Committee and the Board, which could then perform its proper role as the Committee's technical, consultative organ.

36. Mr. FORAN (Controller), introducing the report of the Secretary-General on investments of the United Nations Joint Staff Pension Fund (A/C.5/40/24), said that the period under review, April 1984 to March 1985, had been characterized by

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moderating economic growth rates in the United States, continued recovery in other industrialized countries, low inflation, declining interest rates and a strong United State dollar. The nominal return on investments for the year had been 8.1 per cent and the real return 4.4 per cent. Over the past five years, the average real rate of return had been 6.8 per cent per annum, although the average real rate of return over the past 25 years had been only 1.6 per cent, owing to accelerating inflation in the late 1960s and 1970s.

37. The Fund's portfolio reflected the policy of diversification in terms of type of asset, geography and currency. Since 1976, there had been a policy of screening all investments to ensure that the entities concerned did not invest in South Africa, while the Fund had divested itself of holdings in companies which invested in that country. Total divestiture of such holdings had been achieved in August 1985. The Fund was one of the most diversified pension funds in the world, with holdings in 45 countries and 23 currencies. Over the past two years there had been an adverse impact on returns owing to the strength of the United States dollar, in that returns from non-United States dollar investments had been substantially reduced when converted into dollars. With the recent decline in the value of the dollar, the opposite effect might now be experienced.

38. In the year ended 30 June 1985 development-related investments had increased 17 per cent; the combined development-related assets currently accounted for about 20 per cent of the total book value of the Fund. Direct investments in developing countries had increased by some 19 per cent. The circumstances affecting investment opportunities in the developing countries were outlined in paragraph 16 of the Secretary-General's report (A/C.5/40/24). The United Nations had participated in developing the recent proposal of the International Finance Corporation to establish a fund to provide institutional investors such as the Joint Staff Pension Fund with access to markets in developing countries that currently restricted access by non-residents. However, that venture would not provide large-scale investment opportunities in the short term; thus efforts to increase such investments would depend on the assistance of the Permanent Missions in New York and, particularly, on that of the responsible officials in the relevant ministries. The most crucial element was the willingness of Governments to provide the necessary legislative structure to permit investments in their markets by the Fund. As indicated in paragraph 17 of the report, investment returns had been good in both nominal and real terms and the primary objective of preserving the assets of the Fund continued to be met.

ADDRESS BY THE SECRETARY-GENERAL

39. The SECRETARY-GENERAL, emphasizing some of the concerns and views reflected in the statement adopted by the Administrative Committee on Co-ordination (ACC) (A/C.5/40/41), said that a foremost concern of the executive heads was to ensure increased efficiency on the part of their staff. If the organizations were to be able to cope with the increasing number and complexity of substantive problems it was essential to maintain and enhance the calibre and morale of the staff. That required not only vision and commitment but also fair and stable conditions of service.

(The Secretary-General)

40. The decisions taken by the General Assembly on common system matters affected the secretariats of all the organizations in the system. It was therefore of the utmost importance to utilize fully the relevant common system machinery, namely, the International Civil Service Commission and the Joint Staff Pension Board, which were not only technical bodies established to advise the General Assembly but also consultative mechanisms in which all parties concerned could fully participate in a careful examination of the issues.

41. The executive heads strongly believed that, if the General Assembly could not agree with a decision or recommendation of ICSC or of the Pension Board, it should refer the matter back to the body concerned for further consideration in the light of the Assembly's views. Such an arrangement provided the opportunity for a thorough and proper review of the technical and administrative consequences of alternative measures. It could also avert anomalies which might invite litigation or require retroactive correction, and allowed for the views and concerns of all interested parties to be taken into account, thereby helping to preserve and strengthening the common system.

42. A second issue was the follow-up report of the Joint Inspection Unit on staff costs in the United Nations Secretariat (A/40/653). While he appreciated the contribution of JIU to the United Nations over the years, that report presented difficulties. It dealt for the most part with the remuneration of staff in the Professional and higher categories, and he noted that it had been submitted directly to the General Assembly rather than following the procedures for consultations with the affected organizations laid down in article 11 (e) of the statute of JIU.

43. The legislative organs of the organizations which had adhered to the ICSC statute had entrusted to the Commission the central role in the regulation and co-ordination of conditions of service of the common system. When other bodies took it upon themselves to advise the Assembly and, directly or indirectly, the other legislative bodies on matters within the province of the Commission, it could undermine the latter's authority and introduce elements of uncertainty and confusion into the common system.

44. The report raised issues which had, to a large extent, already been dealt with by ICSC or were included in the report of the Commission to the current session of the General Assembly. Accordingly, no action needed to be taken on those recommendations which related to salary matters; should the Assembly wish any other such issues to be examined further, they should be referred to ICSC.

45. The inspectors also commented on the right of staff to contest decisions affecting their conditions of service and on the jurisdiction of the Administrative Tribunal. He and his colleagues disagreed with the inspectors' harsh criticism of the role and activities of staff representative bodies in the recent reviews of the conditions of service of the staff.

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46. The duties and obligations of the staff were clearly set out in the Staff Regulations established by the General Assembly in accordance with Articles 100 and 101 of the Charter. The Staff Regulations also provided for certain rights, including those relating to staff representation in joint advisory bodies and to appeal against administrative decisions. There were therefore no grounds for questioning the propriety of appeals against decisions considered to be prejudicial to the interests of a staff member. While he would have welcomed any initiative designed to resolve difficulties and misunderstanding, questioning the motivation of staff representatives was not conducive to that objective.
47. The inspectors seemed on the one hand to question the jurisdiction of the Tribunal in respect of the post adjustment issue, while, on the other, suggesting that the Tribunal might wish to take their views into account when considering the appeals. The Administrative Tribunal had been recognized by the International Court of Justice to be a fully judicial organ. As provided in its Statute, the Tribunal was the judge of its competence. It would not be proper for any individual or organ to attempt to address the Tribunal in respect of pending cases except in accordance with the provisions for formally submitting positions pursuant to the Rules of the Tribunal.
48. Moreover, the suggestion that Tribunal judgements could be reviewed by the General Assembly was not in accord with the advisory opinion given by the International Court of Justice in 1954. The General Assembly had noted and complied with their opinion in resolution 888 (IX) of 17 December 1954.
49. More detailed comments on certain aspects of the JIU report would be presented in a separate note to be circulated shortly. His objective was only to avoid the intrusion of unnecessary elements of discord in the common system in general and in the United Nations Secretariat in particular, and, at the same time, to enhance the efficiency and effectiveness of the international civil service.
50. Some of the specific recommendations contained in the reports of ICSC and the Pension Board were also addressed in the ACC statement. The executive heads appreciated the wish of the General Assembly to establish a range for the margin between United Nations remuneration and that of the United States civil service. However, the methodology for defining the elements to be compared needed to be further developed and accepted. The executive heads, like some Member States, had questions about precisely what was, or should be, compared. Even if the Assembly accepted the proposed range for the margin, the definition of the margin should not be finalized until those doubts had been removed. Consequently, the Commission should be requested to elaborate without delay a methodology for the objective definition and practical application of the proposed margin range under varying circumstances.
51. The executive heads felt strongly that the integrity of the pension system must be maintained. As part of the efforts to eliminate the actuarial imbalance of the Pension Fund, it was essential that the rate of contributions be increased gradually to 24 per cent of pensionable remuneration - 16 per cent from the

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Organization and 8 per cent from the participants. The second increase of 0.75 per cent should be approved and implemented as of 1 January 1986, as recommended by the Pension Board.

52. Current pension benefits, were, on the whole, fair. However, should the Assembly consider that any changes were required, the rights acquired through contributory service should be respected. For staff in service prior to implementation of any changes, adequate transitional measures should be adopted so that they were not subject to any net loss in their acquired entitlements. That applied, all the more, to the establishment of transitional arrangements in respect of those adversely affected by the new scale of pensionable remuneration recently adopted by the Assembly. A system for the adjustment of pensionable remuneration should be instituted, not only to avoid undue erosion of benefits but also to ensure a continued adequate income for the Fund.

53. Various other subjects would be discussed at a later stage, under the item entitled "Personnel questions". The report outlining an action plan for the improvement of the status of women in the Secretariat would be available the following week. The executive heads had agreed to take the necessary measures, within the framework of their individual legislative mandates, to increase the participation of women in decision-making and substantive programme areas.

54. The reports of ICSC and the Pension Board reflected conscientious efforts to address the concerns expressed by Member States. He sincerely hoped that the decisions taken at the current session would serve to moderate, if not fully eliminate, the highly contentious nature of the debates on the conditions of service which had taken place over the past few years and which were not conducive to improving performance and morale. It was time for a period of stability.

The meeting rose at 1 p.m.