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SUMMARY RECORD OF THE 44th MEETING

Chairman: Mr. TOMMO MONTHE (Cameroon)

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

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The meeting was called to order at 3.30 p.m.

AGENDA ITEM 124: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued) (A/40/30 and A/40/653 and Add.1; A/C.5/40/26, A/C.5/40/41, A/C.5/40/44 and A/C.5/40/45 and Corr.1)

AGENDA ITEM 125: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued) (A/40/9 and A/40/848; A/C.5/40/24 and A/C.5/40/41)

1. Mr. OMURA (Japan) said that measures to improve the actuarial imbalance of the United Nations Joint Staff Pension Fund always provoked heated discussion. A lasting solution, therefore, required an objective and impartial approach. In particular, it had to be decided whether the outflow from the Pension Fund was being adequately managed, for even if a constant inflow of income was obtained by securing a healthy return on investments and by raising the rate of contribution, the Fund could not be sustained over a long period unless proper control was exercised over pension benefits.

2. In view of the technical nature of the questions involved, it would be advisable for the General Assembly to respect, as far as possible, the recommendations of the Pension Board and ICSC concerning the scale of pensionable remuneration, the method for calculating the lump-sum commutation of benefits, the imposition of ceilings on the highest levels of pensions and the two-track adjustment system. The basic issue, on which decisions regarding those matters depended and on which no consensus had been reached, was what constituted an adequate and desirable level of pension benefits.

3. It was natural that pension benefits should be fixed at a lower level than final salary before retirement. Generally speaking, the purpose of a pension scheme was to provide financial security in old age, whereas a salary, from which taxes and social security contributions were deducted, was intended to support the worker, together with any dependants, during the period of active life. In those terms, the United Nations pension scheme was for the most part too generous and in some respects superfluous. Staff members who retired after 35 years of contributory service at the Under-Secretary-General level, for example, received pension benefits approximately equivalent to their final salary before retirement. Moreover, the current system particularly favoured higher-level staff members. It should be asked whether such was the case in the comparator service.

4. There was a need for serious discussion - and not a mere exchange of opinions - on what constituted an adequate or necessary level of pension benefits. Such a discussion must not be permitted to degenerate into the usual partisan wrangle, but should be based on facts. To that end, his delegation suggested that ICSC and UNJSPB carry out a comparative study of the levels of pension benefits and the ratios of pensions to salaries under the United Nations pension scheme and in the comparator service. Such a study could be undertaken in conjunction with the ongoing effort to develop a new methodology for determining pensionable remuneration.

(Mr. Omura, Japan)

5. A unique feature of the United Nations scheme was that staff members were eligible to receive pension entitlements after only five years of contributory service. How staff members with relatively short contributory service should be treated was another important question that must be reviewed. Moreover, existing pension benefits were neither progressive nor retrogressive. It should be possible to devise a scheme under which benefits grew slowly after the average length of service, i.e. 20 to 25 years.
6. The recommendations of UNJSPB on pension ceilings, lump-sum commutations and the two-track adjustment system would have to be re-examined if such a fundamental study was carried out. Accordingly, a final decision on those questions should be deferred until that study had been completed and the underlying issues had been resolved. It would be advisable, moreover, to await information on the new pension scheme proposed for the United States federal civil service, since all the questions now under discussion were closely related.
7. Another problem was that of compensatory or interim measures applicable to participants whose pensionable remuneration had been lowered as at 1 January 1985. His delegation felt that equal burden-sharing among past, present and future participants, and also within each of those groups, was of importance in the management of the pension scheme. Under the measures recommended by UNJSPB, the new pensionable remuneration scale was applied only prospectively, and participants in service prior to 1 January 1985 could collect higher pension benefits despite paying a lower rate of contributions. On the other hand, in the future, retirees beginning their service after 1985 would receive lower pension benefits, even though they were obliged to contribute at a higher rate.
8. Moreover, two thirds of the Pension Fund was financed by Member States, many of which, because of serious financial constraints, were trying to streamline their public pension schemes. The need for compensatory or interim measures depended, as did other issues referred to above, on whether existing benefits could be considered adequate and reasonably close to levels outside the United Nations system.
9. The proposed increase in the contribution rate needed to be discussed in the context of the overall review of the United Nations pension scheme. His delegation was aware that UNJSPB had submitted a package of recommendations after conducting an in-depth review. Under the circumstances, the Fifth Committee could offer a tentative judgement on those recommendations, which would apply until such time as it received a more comprehensive report on the basic questions of adequate levels of pension benefits and desirable ratios of pension benefits to salaries. If the Committee chose to proceed in that manner, even though the Pension Board had not provided a technical basis for discussion, it would also be necessary to impose a reasonable ceiling on high lump-sum commutations, without reducing total benefits.
10. In conclusion, he referred to the recommendation to raise the mandatory age of separation to 62. His delegation wished to reiterate its position that that

(Mr. Omura, Japan)

question should be discussed in the context of overall personnel management, and not simply as a pension issue. Important personnel policy measures such as the improvement of staff representation in the Secretariat and career development were currently being implemented and it was still premature, therefore, to raise the mandatory age of separation, which might adversely affect progress towards balanced geographical distribution and career development, for example through internal promotion.

11. Mr. ZACHAROV (Union of Soviet Socialist Republics) said that the further increase recommended in the rate of contribution of Member States to the Pension Fund was the fundamental issue of principle to be addressed at the present session in connection with the report of the UNJSPB. The proper functioning of the pension system depended on maintaining a strict balance between the interests of international civil servants, the financial resources of the Pension Fund and the commitments of Member States. Since the early 1970s, that balance had been shifting exclusively in favour of staff members and the Pension Board had systematically introduced proposals for comprehensive liberalization of the system. As a result, United Nations pension amounts had more than tripled over the past 10 years whereas those of the comparator service had only doubled. Quite apart from being contrary to the Noblemaire principle, that unjustified rise had created an imbalance between the Fund's income and its liabilities to participants. The introduction of the two-track system and cost-of-living differentials under the so-called Washington formula had had particularly negative effects. The Fund's actuarial imbalance had assumed a chronic character.

12. In its resolutions 38/233 and 39/246, the General Assembly had given clear instructions with a view to remedying the Fund's actuarial situation. Yet the Pension Board had consistently chosen another path and was proposing to eliminate the imbalance at the expense of Member States and future pensioners. Present retirees, however, whose excessively high pensions had worsened the Fund's situation, were taking no part whatsoever in efforts to improve matters. Furthermore, Member States had been deliberately misled as to possible financial implications, yet had to cover approximately two thirds of a deficit for which they bore no responsibility. The Pension Board's new recommendation would, if implemented, place an even greater burden on them.

13. His delegation had not, to be frank, anticipated any other approach on the part of the Pension Board. The problem was that two thirds of the members of that body had a direct interest in the liberalization of the pension system and could hardly be expected to agree voluntarily to a reduction or even limitation on the further growth of their pensions.

14. In accordance with article 49 of the regulations of the Pension Fund, the General Assembly had initiated a process of consultations with UNJSPB to examine ways of changing its composition in the light of the views expressed in the Fifth Committee concerning equitable representation on the Board. Not surprisingly, the Pension Board had ignored the Assembly's request to submit its views on that subject. He therefore suggested that the consultation process should be regarded

(Mr. Zacharov, USSR)

as having been concluded and that the General Assembly now had the right to amend as it deemed necessary articles 5 and 6 of the Regulations relating to membership of the Board. His delegation was ready to participate in consultations on that question in the Fifth Committee.

15. Until further measures to reduce the Fund's actuarial imbalance had been considered by a reorganized Pension Board, the question of a second increase in the contributions of Member States to the Fund must remain open. In conclusion, his delegation felt bound to state that, if a decision on the Board's unjust and unwarranted proposal to effect another increase in the contributions of Member States was eventually imposed on the General Assembly, the Soviet Union might reconsider its financial participation in the implementation of such a decision.

16. Ms. YIN Shichang (China) said the report of ICSC showed that the Commission had made great efforts over the past year to implement General Assembly resolutions 39/27 and 39/69 and that those efforts had yielded results. Considering the special nature of their work and their international recruitment, United Nations staff members should enjoy relatively substantial benefits to enable them to serve the Organization with dedication in realizing the noble objectives set forth in the Charter. At the same time, benefits as well as staff costs should be kept within reasonable limits.

17. The Commission proposed a range of 110 to 120 for the net remuneration margin between the United Nations system and the comparator service, considering that the mid-point of approximately 115 would constitute a desirable level around which that margin should be maintained over a period of time. That proposal was consistent with the Noblemaire principle and took into account the views expressed by the General Assembly. However, in order not to overburden Member States, it was important to keep that margin strictly at the mid-point level. Regardless of what final decision was taken on the margin, her delegation also supported the recommendation of ICSC that no change in the post adjustment classification for New York should be made in 1986.

18. As to the comparison of pensionable remuneration and benefits of the United Nations system and the comparator service, further study was required so that a methodology acceptable to all parties could be devised to reflect the real situation and measure the margin more accurately.

19. Resolution 39/246 called for a review of the methodology for the determination of pensionable remuneration for the Professional and higher categories. Since the present methodology had been in use for only a year and was closely linked with the pension system of the United States federal civil service, which was currently under review, that methodology should be reconsidered when more information about the proposed changes in the system offered by the comparator service became available. The automatic adjustment of pensionable remuneration could also be reviewed in conjunction with the present methodology for determining pensionable remuneration, and, for the time being, the present scale should not be adjusted.

(Ms. Yin Shichang, China)

20. Her delegation supported the introduction of a long-service step for Professional grades P-1 to P-5 for staff members who had demonstrated excellent performance but who it had not been possible to promote for lengthy periods. Uniformity within the common system was desirable in that respect. Her delegation also agreed with ICSC that the education grant should be limited to internationally recruited staff members, as originally intended.

21. At the thirty-ninth and fortieth sessions, there had been controversy over staff costs and efficiency. Over the past 40 years the United Nations had done much to safeguard world peace and promote international co-operation, accomplishments which were the results of the efforts of Member States and the dedicated work of the staff of the Organization. There was, nevertheless, the potential for increased efficiency through the rational use of human, material and financial resources. China trusted that with efforts on the part of the staff members of the Secretariat progress would continue to be made.

22. Mrs. DEREGIBUS (Argentina) said that the report of the International Civil Service Commission (A/40/30) demonstrated a desire on the part of ICSC, in accordance with the concerns expressed by the Assembly, to contain cost increases. The proposed continuation of the studies on total compensation indicated an intent to ensure that heads of United Nations organs did not have difficulty in securing the best staff available. The Commission's other work reflected a desire to treat the staff fairly, despite the difficult circumstances.

23. Although her Government had not agreed with all of the provisions of General Assembly resolution 39/27, it had appreciated the suspension of the increase in post adjustment due in December 1984 and the measures taken to ensure equivalence of purchasing power at other duty stations. Her delegation was gratified that ICSC had not rejected the request by the staff for a technical study on the rationale underlying the margin between the remuneration of staff members and that of United States civil servants. Given current circumstances, the Commission's recommendation of a range of 110 to 120 for the net remuneration margin, with a mid-point of 115, was reasonable. With regard to the methodology used for calculating the margin based on net remuneration, her delegation agreed with the Administrative Committee on Co-ordination that it would have been preferable to have conducted a more detailed study of the various systems of remuneration employed by the comparator civil service. The methodology for defining the elements on which comparison was to be based required further refinement.

24. Although the margin recommended by ICSC was prudent, since its acceptance would affect the overall system of remuneration for the staff of the common system, her delegation urged the Commission to study the full spectrum of remuneration and benefits in both systems so as to arrive at a methodology for a comparison of total remuneration, including expatriate benefits and supplementary remuneration schemes for the General Schedule of the United States federal civil service, referred to in paragraph 68 of the report.

(Mrs. Deregibus, Argentina)

25. Her delegation was concerned by the situation in duty stations with negative or very low post adjustments. The way in which the post adjustment system was being applied in such duty stations was creating problems for developing countries, which were frequently deprived of access to technical co-operation from countries with high levels of remuneration, where there was no expectation that service abroad would result in negative adjustments. Bilateral access to such co-operation was not always possible or advisable. Accordingly, the Commission should study the question and formulate recommendations to ensure that developing countries could rely on access to the best specialists through multilateral channels.

26. Her delegation had noted with satisfaction that ICSC had devoted considerable attention to the status of women in the common system, and welcomed the recommendations designed to achieve balance, particularly at the senior and policy-making levels. In particular, her delegation agreed that the success of special recruitment measures would depend on the extent to which the institutional and attitudinal climate of organizations could be transformed. ICSC should monitor acceptance of its recommendations in that area. Her delegation also urged acceptance of the recommendations contained in paragraph 252 of the ICSC report.

27. Argentina agreed with ICSC that medical insurance should, in general, be compulsory, and that coverage should be available to retired staff members. The Commission's recommendations on assistance for staff members with disabled dependants were reasonable and should be adopted. The education grant should continue to be restricted to expatriate staff. Her delegation also agreed that a long-service step should be established throughout the common system.

28. Argentina agreed with the comments by ICSC on the first of the two JIU reports on staff costs. The JIU report confused questions which fell within the competence of ICSC with those lying within the domain of the Secretary-General, for example, staff associations. The Inspectors' recommendation for the establishment of an intergovernmental committee to supervise ICSC was astonishing, and would result in a misuse of resources. The recommendation could only have been made out of ignorance of the nature of ICSC and the situation obtaining before its establishment. Her delegation regretted the lack of co-ordination evidenced in the JIU report, and proposed that the Assembly should reaffirm the recommendation it had made in resolution 37/126 for all bodies to co-ordinate with ICSC before making proposals on personnel matters. JIU should concentrate on its specific activities, rather than setting itself up as a rival to the organ responsible for questions of remuneration.

29. Mr. ALI KHAN (Pakistan) said that it was gratifying that ICSC had been successful in translating the provisions of resolution 39/27 into a set of recommendations which met the concerns of all the parties. In view of the difficulties inherent in determining a desirable range for the margin, the Commission's recommendations appeared realistic. Nevertheless, definition of the margin should not be finalized until all doubts regarding elements of comparison had been removed. For the time being, the Commission should continue with the current methodology, but should study the possible use of average remuneration for

(Mr. Ali Khan, Pakistan)

each grade as the basis for the use of the cost-of-living differential factor between Washington and New York.

30. With regard to pensionable remuneration, it should be noted that in the United States federal civil service, gross salaries and pensionable remuneration were reviewed annually. United Nations gross salaries had been reviewed every four to five years until 1975, but had not been changed since that date, with the exception of occasional consolidations of elements of post adjustment. The post adjustment mechanism had served to adjust United Nations remuneration in between salary reviews. Length of service was also an important factor which showed that an international civil service could not adopt a system of benefits which copied that of any one particular Member State. Average length of service in the United States federal civil service was 27 years, compared to only 20 years in the United Nations, and it was, therefore, appropriate that the shorter period of service should be compensated for in calculating the scale of pensionable remuneration. If decisions were taken to change benefits, the rights acquired through contributory service should be respected. It was only fair for staff members who had been in service prior to the implementation of changes to be protected by transitional measures so that they did not lose acquired entitlements.

31. During the debate on the item, rhetoric had been more in evidence than reason. It was regrettable that JIU had once again submitted a report (A/40/653) to the General Assembly without observing proper procedures. His delegation failed to understand why the Inspectors had thought it proper to comment on issues outside the Unit's competence. Pakistan agreed with the Secretary-General that such attempts could only undermine the authority of ICSC and introduce confusion into the common system. ICSC worked under a clear mandate and deserved the Committee's support, so that it could work without external pressures from any quarter. The Inspectors' proposal to establish a body to supervise ICSC was a non-starter.

32. The Staff Regulations and Rules clearly enshrined the right of staff members to form associations, to be represented in advisory bodies and to appeal against administrative decisions. There were thus no grounds for questioning the propriety of appeals by staff members against decisions which they considered prejudicial to their interests. The Inspectors had attempted, in a derogatory manner, to compare staff associations with trade unions, claiming that they were mostly financed by Member States. His delegation would like to verify the veracity of that comment. The Inspectors had also suggested that judgements of the Administrative Tribunal were not final, a view which was certainly not in accord with the opinion of the International Court of Justice. Once ICSC had considered the JIU report, his delegation would like to be apprised of the range of factual and technical errors it contained.

33. Mr. SINGH (Fiji) said his delegation accepted that new programmes required personnel to implement them and that the constant criticism to the effect that 80 per cent of the budget was attributable to staff costs was not entirely fair. Nevertheless, Fiji was concerned at the escalation in staff costs, particularly with reference to upgradings. Greater control was required.



(Mr. Singh, Fiji)

34. Fiji was not convinced that all areas of expenditure were as urgent today as when originally authorized. New priorities should replace less important ones, and not merely be added on, so that the budget could be contained within acceptable limits.

35. In the face of current economic difficulties, most countries had imposed restraints on salary increases. His delegation could not therefore sit idly by in the face of ever-increasing staff costs. Remuneration had escalated beyond reasonable limits. In particular, United Nations pensions exceeded those available in the United States federal civil service. It must surely be possible to keep staff costs within reasonable limits without affecting programmes.

The meeting rose at 4.45 p.m.