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SUMMARY RECORD OF THE 53rd MEETING

Chairman: Mr. TOMMO MONTHÉ (Cameroon)

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

CONTENTS

AGENDA ITEM 123: PERSONNEL QUESTIONS (continued)

- (a) COMPOSITION OF THE SECRETARIAT: REPORT OF THE SECRETARY-GENERAL
(continued)
- (b) RESPECT FOR THE PRIVILEGES AND IMMUNITIES OF OFFICIALS OF THE UNITED
NATIONS AND THE SPECIALIZED AGENCIES AND RELATED ORGANIZATIONS: REPORT
OF THE SECRETARY-GENERAL (continued)
- (c) OTHER PERSONNEL QUESTIONS: REPORTS OF THE SECRETARY-GENERAL (continued)

AGENDA ITEM 124: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL
SERVICE COMMISSION (continued)

AGENDA ITEM 125: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS
JOINT STAFF PENSION BOARD (continued)

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The meeting was called to order at 11.10 a.m.

AGENDA ITEM 123: PERSONNEL QUESTIONS (continued) (A/40/652 and A/40/673 and Corr.1 and Add.1; A/C.5/40/5 and Add.1, A/C.5/40/6 and Corr.1, A/C.5/40/25, 27, 30, 38, 39 and A/C.5/40/59 and Corr.1

- (a) COMPOSITION OF THE SECRETARIAT: REPORT OF THE SECRETARY-GENERAL (continued)
- (b) RESPECT FOR THE PRIVILEGES AND IMMUNITIES OF OFFICIALS OF THE UNITED NATIONS AND THE SPECIALIZED AGENCIES AND RELATED ORGANIZATIONS: REPORT OF THE SECRETARY-GENERAL (continued)
- (c) OTHER PERSONNEL QUESTIONS: REPORTS OF THE SECRETARY-GENERAL (continued)

1. Mrs. RODRIGUEZ (Venezuela) said that the smooth functioning of the United Nations largely depended on the efficiency of the staff. In that connection her delegation welcomed the efforts made to recruit candidates from unrepresented and underrepresented countries. Although encouraging progress had been made towards the goal of equitable geographical distribution, there was still an imbalance in the distribution of Professional posts. The need for equitable geographical distribution should be the primary consideration in recruiting staff.

2. Venezuela welcomed the release of a number of imprisoned staff members through the efforts of the Secretary-General and staff associations, but deeply regretted that some staff members were still in detention. Violation of the privileges and immunities of international officials not only endangered the individuals concerned but undermined the authority of the United Nations and its Charter.

3. Despite the efforts made to increase the proportion of women employed in the Secretariat, only 23.1 per cent of Professional posts subject to geographical distribution were held by women, and the percentage of women in senior posts was very small. Her delegation wondered how such an imbalance had arisen. The Organization should serve as a model in ending inequalities and should, in particular, ensure that men and women contributed equally to its work. Women were also essential to development, and the contribution they had to make could not be overlooked.

4. Accordingly, Venezuela welcomed the programme of action outlined in document A/C.5/40/30. In particular, her delegation supported action to seek sources of highly qualified women and the systematic identification and elimination of stereotyped views and other barriers which characterized management structures. Her delegation called for a commitment to increase the proportion of women in substantive posts as part of efforts to improve the geographical distribution of posts in the Secretariat.

5. Mr. OULD MALLOUM (Mauritania) said that the effectiveness and smooth functioning of the Organization depended entirely on the staff, in whose employment the paramount consideration should be the necessity of securing the highest standards of efficiency, competence, and integrity, with due regard to recruiting staff on as wide a geographical basis as possible.

(Mr. Ould Malloum, Mauritania)

6. His delegation welcomed the progress made in attaining equitable geographical distribution and encouraged the Secretary-General to continue to work towards the objectives established by the General Assembly. Mauritania was concerned, however, at the continuing imbalance in posts at the D-2 level and above owing to the fact that nationals of over-represented States were still being recruited. Further, no effort had been made to correct imbalances between countries which were within their desirable ranges. With regard to his own country, only one of the four Mauritanian nationals in Professional posts had a permanent contract, so that Mauritania would soon be underrepresented. His delegation wished to know what the Secretary-General intended to do to rectify that situation.

7. Mauritania had serious reservations about recruitment by competitive examination to the P-3 level, since practices which contravened General Assembly guidelines had been applied in recruitment by examination to vacancies at the P-1 and P-2 levels. Although the General Assembly had decided that 70 per cent of posts at those levels should be made available for external candidates, the Joint Inspection Unit had found that, in fact, most posts were reserved for internal candidates. His delegation wished to know what posts were available for recruitment by examination, since it was pointless to organize examinations unless posts were in fact available.

8. With respect to career development, a competent corps of career officials was essential to the international character of the Secretariat and the promotion of efficiency. Finally, his delegation had noted the JIU criticisms of the use of staff and financial resources. The Secretariat should take account of the Unit's comments.

AGENDA ITEM 124: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued) (A/40/7/Add.12, A/40/30, A/40/653 and Add.1; A/C.5/40/26, 41, 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 (A/40/9 and 848; A/C.5/40/24 and 41)

9. Mr. DE CLERCK (Belgium), speaking on behalf of the Ten member States of the European Community, said that the Ten endorsed the recommendations in paragraphs 162 to 164 of the ICSC report relating to the provision of after-service health insurance. Conditions for eligibility should be harmonized by the various organizations, but eligibility should be limited to those who had acquired pension rights. The Ten agreed that health insurance should be mandatory.

10. At the thirty-ninth session, ICSC had, with reservations, recommended the establishment of a long-service step for deserving staff members at the P-1 to P-5 levels. ICSC had noted that WHO and ILO already had such a step, and had apparently concurred with the staff associations that that fact alone justified extending the long-service step throughout the system, a point of view with which the Ten did not agree. Rather, the General Assembly should request the two organizations which had already instituted a long-service step to conform to the common practice.

(Mr. De Clerck, Belgium)

11. The Ten could approve the measures recommended by ICSC relating to dependent disabled children, and those relating to the education grant, generous though the latter was. The Ten did, however, question whether the new salary scales proposed for General Service staff at Geneva and London were justified. Details of the existing scales should be provided at the current session so that a comparison could be made.

12. The Ten supported the ICSC view on conditions of service in the field, particularly the measures relating to staff members working in Lebanon. The Ten had noted, in paragraph 193 of the ICSC report, that supplements to the daily subsistence allowance had, on occasion, been paid. The practice threatened to undermine the uniform character of the allowance, in view of which ICSC should consider the conditions governing payment of the daily subsistence allowance throughout the system.

13. With respect to staff matters dealt with in section VIII of the ICSC report, the Ten felt that it was useful for the Commission to consider the problem of access by General Service staff to the Professional category, a problem which affected all the organizations of the system. The Ten were concerned over the delay in implementing the career development system.

14. There was a tendency to blame the Secretariat for the unsatisfactory representation of women in the Secretariat, particularly in senior Professional posts. Yet one major reason was that many women in the Professional category had begun as General Service staff members, and thus had not had sufficient time as Professionals to work up to the higher levels. The Secretariat could remedy that situation by recruiting more external candidates. It was difficult for the Secretariat to ensure the Organization possessed staff members with the highest standards of efficiency, competence and integrity, while at the same time taking into account geographical distribution and providing women with an equal opportunity to serve the international community at all levels of responsibility. The difficulties were compounded by the fact that most candidates were from countries which were already within range. Recruitment of women from unrepresented and underrepresented countries should thus be encouraged.

15. The essential point was not to establish a particular percentage for women, but to have more women with a high level of competence and integrity. The Secretariat would not attain that aim without assistance from Member States, particularly those which employed few women in their national civil services. The Ten had noted the interest of ICSC in diversifying sources of recruitment, and supported the Commission's recommendations on examinations. Recruitment by examination should be extended to other organizations in the common system.

16. Mr. AKWEI (Chairman of the International Civil Service Commission) said that he had been encouraged by the support shown for the vital work of the Commission in promoting the common system. With respect to Professional remuneration, it should be noted that not only had the post adjustment increase due for New York on 1 December 1984 been suspended, but that a second increase, due on 1 December 1985, had not been implemented either. Consequently, the post adjustment classes due to all the other duty stations affected by the increase for New York for the period in question had also been frozen. The action would result in a saving of almost

(Mr. Akwei)

\$29 million over the biennium for the United Nations alone, and considerably more for the common system as a whole.

17. Regarding the methodology for calculating the net remuneration margin, the Commission was concerned at the sharp difference between the results of the average method and the other three, and therefore wanted to satisfy itself conclusively about the reasons for those differences before taking any decision. The ICSC secretariat had had extremely useful discussions with the appropriate United States authorities on various aspects relating to margin comparison, including the practice of the United States itself of using average salaries for comparison purposes.

18. Reference had been made to the importance of taking private sector salaries into consideration, and it should be borne in mind that, consistent with the Pay Comparability Act of 1970, United States federal civil service pay had on the whole reflected trends in private sector pay from 1970 to 1977. Since 1977, however, successive Presidents of the United States had availed themselves of a provision in the Act to set aside that operation because of economic problems in the United States. The relationship of United Nations pay to United States private sector pay which had existed before 1977 had therefore not been observed for the time being.

19. Some delegations had considered the cost-of-living differential as an acceptable factor in the calculation of the net remuneration margin, while others had not. The current methodology included that factor, which, along with others, was under review by the Commission. The General Assembly had not objected to that procedure since its adoption in 1976.

20. It would be appreciated that the more the Commission delved into the various pay schemes of the United States Government, the more complex the systems which had relevance to United Nations pay, and therefore to the margin, were. It was not just the General Schedule system on the comparator's side which related to United Nations pay. The merit and bonus awards and the pay of the Senior Executive Service had to be included in the comparison, because they, too, were part of the remuneration on the comparator's side. There were also "supplementary" or equalization payments, quite apart from vital tax rate changes which occurred from time to time. The Commission was also studying the relevance of the special rates. The best course of action, therefore, would be to wait for ICSC to complete its study of all aspects of the methodology and report thereon to the General Assembly.

21. Concerning the margin range, the large majority of speakers had favoured the alternative of 110 to 120 and all had agreed on a desirable mid-point for the range of around 115, as recommended by ICSC. Although the historical evolution of the level of the margin had been from 109.7 to 121.3 and there had been some inconsistency in making post adjustment changes, the Commission considered a range of 110 to 120 a neater formula than 109 to 121 and felt that it could still operate the post adjustment changes within the margin range by means of 5 per cent movements, but on variable effective dates, to arrive at a mid-point of around 115. Unforeseen action by the comparator service, such as increases or decreases in salary and tax reform, over which the Commission had no control, might well push the margin significantly above or below that mid-point from time to

(Mr. Akwei)

time. When that happened, the Commission would operate the post adjustment system to bring the margin to around 115.

22. Thus, if the Commission's recommendations were approved by the General Assembly, the following sequence of events could be anticipated. First, the Commission would keep frozen at its current level the post adjustment classification in New York until the margin was brought down to the desirable mid-point of the range. As a result, the post adjustment class due for New York on 1 December 1985 had also not been granted. Purchasing power of other duty stations would continue to be equalized with the remuneration currently in effect in New York. Second, the next class of post adjustment due in New York would not be granted irrespective of the rate of inflation in New York, until the Commission was satisfied that the resulting total remuneration when compared with net remuneration in the United States federal civil service produced a margin of around 115. Third, on the basis of the available information, it appeared that the next class of post adjustment could be implemented in New York only in the second half of 1987 or early 1988. That gave further opportunity for the Commission to study developments with respect to the movement of salaries and taxes in the comparator service and to submit additional information to the General Assembly at its forty-first session.

23. In order to explain what would happen over the period 1985-1991, the members of the Committee had been provided with an informal table showing what the scenario would be under certain assumptions. A similar table would be provided by the Commission to the General Assembly at its forty-first session, which would include the latest information on hand at the time of the Commission's July session. From that table, it could be seen that ICSC would operate the post adjustment to keep the margin over that five to six year period relatively close to the mid-point of 115. When making appropriate recommendations in that regard, the Commission would have to take into consideration any post adjustment due to New York and any salary changes forecast by the United States Government for the following financial year. Any recommended change in the range, however, would be a major decision and would be studied closely with other parties in the common system. Also, the Commission would review the effects that a post adjustment system, within a defined margin range, might have in field locations with a very low post adjustment, so as to ensure that developing countries would continue to have access to expertise from all parts of the world through multilateral channels.

24. The representative of Belgium, referring to annex VI of the Commission's 1980 report (A/35/30), had drawn conclusions which misinterpreted the post adjustment system. If paragraphs 5 and 8 of that annex were carefully studied, it would be seen that the post adjustment system could not be compared with the cost-of-living adjustment generally used in a national salary system. The purpose of those paragraphs was not to deny the application of the post adjustment system to New York but rather to show that, unlike the cost-of-living adjustment in a national salary system, the post adjustment was a permanent and regular feature of the United Nations salary system. It was wrong to conclude that, for the base of the system, the application of post adjustment was not justified. The Commission, moreover, had not changed the system described in annex VI of its 1980 report, and had indeed applied the system in the framework of the Noblemaire principle.

(Mr. Akwei)

25. The difference now was that the General Assembly was moving to a determined range for the margin. That, however, did not mean that the post adjustment system was becoming irrelevant. On the contrary, as the table circulated informally explained, the post adjustment would be a very useful tool not only to achieve parity around the 115 mid-point but also to ensure purchasing power equivalence with other duty stations. To change the post adjustment system at the present stage, for example by fixing New York salary once a year, would not only fail to make the system responsive enough to unforeseen changes in United States salary policy, but would also have radical consequences on other operations of the post adjustment system for other duty stations as well as for the adjustment of pensionable remuneration. Those changes would require an amendment of the ICSC statute, which would be both unpredictable and time-consuming, since it would involve common system negotiations. In that regard, he drew the Committee's attention to paragraphs 126 and 127 of the ICSC report (A/40/30) and suggested that, as a practical measure, the General Assembly could decide to observe on an experimental basis how the Commission operated the margin range for the coming few years and then, on the basis of its annual reports, to consider whether any change in the operation of the system was indeed necessary.

26. Concerning remuneration outside the base city, one delegation had proposed giving consideration to remuneration of staff in field duty stations rather than "ratcheting up" remuneration at headquarters locations. In that regard, it should be recalled that no United States officials posted overseas received less remuneration than at the base, Washington, D.C. In fact, many received Washington pay plus supplementary payments. On the other hand, the majority of the United Nations staff received much less than at New York in dollar terms through the post adjustment system, which adjusted for purchasing power differences. The introduction of a post differential system in the United Nations comparable to that of the United States federal civil service would cost Member States some \$200 million to \$300 million more every year.

27. On the subject of pensionable remuneration, the representative of Belgium had expressed surprise at the reaffirmation by ICSC that the adjustment procedure for pensionable remuneration between comprehensive reviews should be maintained. Since the related methodology for the determination of pensionable remuneration was expected to undergo a change in 1986, the recommendation for a new interim adjustment procedure put forward by the Commission in 1984 had, indeed, been reiterated. That would not have any impact on the amounts of pensionable remuneration as the Commission had recommended that those amounts should remain frozen.

28. As to the same representative's remarks with regard to the freezing, proposed in 1980, of the procedure for adjustment based on the weighted average of post adjustment, which had not been implemented allegedly under the pressure of "interested parties", he wished to set the record straight: first, the proposal to freeze the operation of the WAPA mechanism had been made by the full Commission on the basis of consensus, and that proposal had subsequently been rejected by the General Assembly in favour of a contrary recommendation by the Pension Board; and, secondly, the dual adjustment procedure involving the use of WAPA and CPI as well as the Washington Compact had been recommended by both ICSC and the Pension Board and had been approved by the General Assembly. The dual adjustment procedure was,

(Mr. Akwei)

therefore, not a scheme hatched by "interested parties" but a joint exercise of responsibility by the Commission, the Board and the General Assembly within their respective spheres of competence.

29. The Commission was aware of some of the inherent difficulties in comparing the United Nations and United States federal civil service retirement schemes. If the United Nations pension system was made into a carbon copy of the United States scheme, it would also take over its anomalies. Under that system, for instance, a United States senior civil servant could take early retirement and receive a pension that was higher than the salaries of others who stayed in the service but whose salaries were capped, due to the disparity between their respective cost-of-living adjustment mechanisms.

30. The representative of Belgium had also suggested that United Nations officials' pensions were as much as 50 to 110 per cent higher than those of their United States counterparts at the higher grades. In that regard, it should not be forgotten that a revised benefit accumulation formula had been approved by the General Assembly in 1983 which was identical to the accumulation formula applicable on the United States side. If a comparison of currently applicable pensionable remuneration amounts in both services was made using the grade equivalencies approved by the General Assembly, the pensionable remuneration amounts and consequently pension benefits for United Nations officials in grades P-1 through D-2 were between 24 and 37 per cent higher than those of their United States counterparts. There were not as yet established grade equivalencies for Assistant Secretary-General and Under-Secretary-General on the United States side, but a comparison of current pensionable amounts for that relatively small category with those of the Senior Executive Service grade 6 of the comparator service yielded ratios of 44 and 60 per cent, not the 50 to 110 per cent claimed by the representative of Belgium. That was not to defend higher pensions and pensionable remuneration of the United Nations, which in any case were currently under review, but rather to indicate the need to analyse data impartially with a view to arriving at correct and not alarming conclusions.

31. A fundamental issue had not yet been resolved regarding the application of the Noblemaire principle: was that principle to be applied to all individual elements in the conditions of employment between the United Nations and the United States separately or in a general manner by way of total compensation? If the former, then all that was required was to copy every feature of the United States federal civil service. That, however, was not what the General Assembly had enjoined on all salary review committees in the past as well as on the Commission, which had been requested to respect the essential differences between a national and an international civil service.

32. Concerning the report of the Joint Inspection Unit, some comments had been made by Inspector Efimov about the calculations of annual leave and the use of data for annual leave values in the total compensation comparison between United Nations Professional remuneration and that of comparable officials in the United States federal civil service. The representative of Bulgaria, moreover, had observed that the Commission had now accepted the JIU position that annual leave was not an

(Mr. Akwei)

expatriate benefit. The Commission had never accepted that view. At the last session of ICSC, several members had felt that a part of annual leave, i.e., home leave, was an expatriate benefit and therefore should not feature in the current total compensation comparison which the Commission was undertaking based on expatriate benefits. That had been fully explained in the Commission's annual report, which offered two sets of total compensation margin calculations, one based on the above view and the other on annual leave applicable on both sides after full adjustment for the differences in the two figures. That had been explained several times to Mr. Efimov, but to no avail.

33. The Bulgarian representative had also stated that the ICSC secretariat had been collecting its own data on prices, disregarding those of the United States Bureau of Labor Statistics. It was not that the Commission was disregarding the Bureau's prices, but simply that those prices were not available, a point which had been made in various ICSC reports in the past. It should be noted that, in adopting a system of price collection in New York consistent with the practice followed at all other duty stations for more than 25 years, the Commission had corrected anomalies in the measurement of cost-of-living relativities which would represent savings for Member States of more than \$50 million for the next biennium for the whole common system.

34. The same representative had referred to concerted efforts by the Commission and the Pension Board allegedly to raise pension benefits "beyond acceptable limits". In 1984, the Commission had recommended amounts of pensionable remuneration resulting in a decrease in pension benefits and not an increase, and was now recommending that the amounts of pensionable remuneration should remain at their current level. It was hard to see how that could be construed as increasing pension benefits.

35. Inspector Efimov had cited the United Nations roster of United States applicants in support of his contention that there was no recruitment difficulty because of inadequate pay. However, available statistics indicated that it was harder for the specialized agencies in Europe than it was for the United Nations to recruit United States nationals and thus that United Nations pay might not be enough to attract applicants from that country to serve abroad. Corroborative evidence for that view could be found in the practice of the comparator service to compensate United States nationals in United Nations service with "equalization" or supplementary payments, and in the undesirable practice of some of the organizations affected to distort the master standard in order to be able to recruit United States nationals. Of interest, too, was the increasing use by the comparator service of special rates, whose top steps were higher by some 30 to 40 per cent than the General Schedule pay. The Commission had to undertake detailed technical studies of all relevant factors involved before making the proper recommendations to the General Assembly.

36. The reports of Inspectors Efimov and Kaddour, had inspired expectations of a much-needed cost-efficiency management study. It was unfortunate, therefore, that they had not gone to the heart of their subject - the most effective use of resources - but rather had digressed to discuss Professional remuneration. The

(Mr. Akwei)

inspectors had admitted to some errors and had welcomed being corrected on others. It would have been better to have a more accurate report. The Commission noted the general trend of opinion in the Fifth Committee that such JIU reports were perhaps an unnecessary duplication and complication of technical work for which JIU inspectors might not have adequate expertise. The Commission was ready to benefit from any suggestions, provided that they had technical credibility. Lastly, Inspector Efimov had virtually called into question the integrity of the Commission's secretariat, without being in a position to make such a judgement. The Commission was fortunate to have a secretariat which consistently displayed dedication, impartiality and competence. Would Mr. Efimov rather have Member States pay considerably higher fees to consulting firms to service the Commission?

37. Concerning merit and performance awards, the thoughtful comments made by the representative of Japan would certainly be given further consideration by the Commission when it took up questions of staff performance appraisal again in 1986.

38. Further information had been requested about the classification exercise in New York and the implementation of the Commission's decisions and recommendations in the context of the common system. In that regard, he had nothing to add to his introductory statement in respect of the wrong application by the three organizations in New York of the new seven-grade salary scale. As to the questionable procedures employed in implementing the grading standards promulgated by the Commission, he pointed out that the classification results produced by the professional classifiers had been subjected to the decisions of a classification review committee without the participation of the professional classifiers, at least for some time. That meant the degeneration of the exercise into a negotiating process between staff and management, resulting in possible wrong classifications of posts and therefore in unjustifiable expenditure.

39. The delay by the United Nations in implementing its classifications, thus holding up UNDP and UNICEF implementation indefinitely, was not a happy situation, and the United Nations was apparently unable to give any meaningful date as to when it would complete implementation. The Secretary-General's representative might wish to enlighten the Fifth Committee on those issues. The Commission, it should be recalled, had no statutory power to implement or enforce its decisions and recommendations, a power vested solely in the executive heads. However, ICSC would endeavour to provide more details in future on implementation on the basis of the reports which it received.

40. Mr. ALI (Chairman of the United Nations Joint Staff Pension Board) said that three themes had emerged during the Committee's discussion of the pension item. First, there was a belief, based on comparisons between United States Civil Service pensions and the United Nations pension scheme, that benefits under the latter were too high. He could only draw attention to the statement made by the representative of Pakistan that an international civil service, which drew its members from all over the world, could not adopt a system of benefits which was a carbon copy of the system in any one particular Member State.

(Mr. Ali)

41. Many figures had been mentioned during the discussion; it had been said that there was a 50 to 100 per cent difference between United Nations pensions and those of the United States and that the pension of an Under-Secretary-General was \$85,000 a year. Those figures were correct only if one ignored recent decisions taken by the General Assembly. In 1982, the Assembly had approved a new rate of accumulation proposed by the Board and, in 1984, it had approved a new scale of pensionable remuneration. If those decisions were taken into account the difference was between 20 and 30 per cent, going up in rare cases to a maximum of 39 per cent. An Under-Secretary-General's pension was about 20 per cent lower than the figure cited. The average pension of the 794 staff members in the Professional category who had retired in 1984 was around \$25,000 before tax.

42. Several delegations had complained that the figures were confusing to non-specialists while others had stressed the importance of leaving technical matters to technical bodies. Several had asked for a study which would clarify the confused situation and one delegation had asked the Board and ICSC to carry out a comparative study of the levels of pension benefits and the ratios of pensions to salaries. While the Board and ICSC would be happy to carry out such studies he doubted that a complex situation could be translated into a few simple figures.

43. The second theme was the context in which the Board's proposals had been submitted. While several delegations had referred to the economy measures already taken by the Board, others had claimed that the Board had done nothing to control increases and the representative of the Soviet Union had gone so far as to state that the Board was submitting proposals to make benefits even more generous in what he had termed a non-stop process of liberalization. He was somewhat puzzled by the misunderstandings which lay behind those assertions and failed to see how reductions and economy measures could be regarded as liberalization. After citing a number of the reductions and measures he said that while it was true that the full effect of some of those measures would not be felt for some years the fact was that measures had been taken.

44. The third theme related to the transitional measures and the protection of benefits acquired through contributory service. The General Assembly had been mindful of the legal aspects when it had considered the issue at the thirty-ninth session. However, as several delegations had pointed out - and as the Board wholeheartedly agreed - there was also a need to remove the uncertainty which currently clouded conditions of service and to ensure the protection of benefits acquired through contributory service. With respect to the two-track system - which the representative of Australia had suggested should be abolished - he pointed out that in a world of volatile fluctuations in exchange rates, it would be difficult to make sudden changes. The system had been worked out after years of effort and to abolish it because of temporary anomalies would be tantamount to throwing the baby out with the bath-water. However, as one delegation had pointed out, it was necessary to monitor the results of the cap of 20 per cent.

45. Turning to compensatory and interim measures, he pointed out that the Board had said that if its proposals of the previous year were not acceptable the final average remuneration reached in December 1984 should constitute a floor. The spokesman for the European Economic Community, while accepting the formula for the

(Mr. Ali)

grades D-1 and below, had suggested a variant for the higher grades. The drawback of that variant was that it would mean that increased years of contributory service would reduce an individual's pension instead of increasing it and it would thus constitute an incentive for senior officials to leave. Moreover, it would not affect the actuarial balance nor would it result in any savings to Member States.

46. Concerning the new discount rate for the commutation of benefits into a lump sum a number of delegations had suggested that the new rate should be applied to all service as from 1 April 1986 instead of prospectively only as had always been done in the past. If a uniform rate were applied, there would be a sudden change in the lump sum. That would constitute an even greater incentive for senior officials to leave and would disrupt the management of the organization. Moreover, it would affect all staff across the board. Consideration should also be given to what would happen when the rate went down. Would lump sums be suddenly increased? As the representative of Austria had pointed out, the lump sum was advantageous to the Fund. If the discount rate was so high as to discourage people from taking their lump sum, the Fund's actuarial imbalance would be increased. Before deciding to abandon the use of a composite rate the Committee should examine the legal aspects of that issue.

47. Concerning a ceiling on pensions, he said that while the Board was opposed to arbitrary ceilings, it had proposed that a maximum accumulation of 60 per cent of final average remuneration would be reasonable (A/40/9, para. 51) at the level of Assistant Secretary-General and above. During the discussion it had been suggested that there should be a fixed ceiling at the D-2 level. In dollar terms there was not much difference between the two proposals. In any event the measure would affect only a handful of participants. However, in imposing any ceiling care must be taken to respect benefits acquired through contributory service and to provide for a smooth transition.

48. The Board's proposal to increase the contribution rate by 0.75 per cent was not part of the "package" currently before the Committee; it had been part of the "package" submitted to the Committee in 1983 and 1984 the other parts being the reduction measures which had already been approved. It should be borne in mind that of the 0.75 per cent, 0.50 per cent was payable by Governments. Accordingly, the cost for the United Nations system as a whole would be about \$8.8 million. The longer the increase was postponed the larger the deficit. Even if the General Assembly were to lower the scale of pensionable remuneration the rate of contribution would have to be increased, for that rate was independent of pensionable remuneration.

49. Replying to the representative of Algeria who had asked him to comment on the application of article 26 of the regulations of the Pension Fund, he said that the United Nations Administrative Tribunal had recently ruled that article 26 did not prohibit the amendment of the Regulations for the purpose of putting the Fund on a sounder actuarial basis for the future.

50. In conclusion, he said that the Board had taken a series of economy measures which reduced benefits. The costs borne by present and future pensioners amounted to 4.5 per cent of pensionable remuneration while those borne by Governments

(Mr. Ali)

amounted to 1 per cent. The proposed increase in the contribution rate had been part of a package which included various reductions in benefits and was not linked to the other three proposals in the Board's report. All the proposals had been prepared by the Board after detailed technical study and after consultation with all the 15 organizations which were members of the Fund.

51. Mr. RUEDAS (Under-Secretary-General for Administration and Management) said it should be borne in mind that the pension scheme was also the social security scheme of staff members, most of whom were not covered by their national plans. Some 75,000 individuals were covered by the scheme (53,000 staff members, including 19,000 in the Professional and higher categories, and 22,000 beneficiaries). Thus the matters under discussion affected a large number of people.

52. The Secretary-General and his colleagues in the Administrative Committee on Co-ordination had stressed that if changes were contemplated the Committee should draw on the experience reflected in past decisions of the General Assembly and on the practices followed by national Governments when introducing changes in their pension and social security schemes. Apart from the need to respect acquired rights it was necessary to ensure an orderly and fair transition from one set of arrangements to another. The recommendations of the Pension Board - an organ representing Member States, executive heads and participants of all organizations - should not be discarded lightly.

53. Replying to a question raised earlier by the representative of Brazil, he said that the Office of Legal Affairs had informed him that the transitional measures proposed by the Board did respect the acquired rights of staff members.

54. The Secretary-General believed that the second increase in the rate of contribution of 0.75 per cent should be approved as of 1 January 1986 as the essential next step in the process to eliminate the actuarial imbalance of the Fund. The measures approved by the General Assembly at its last three sessions had already reduced that imbalance from more than 8 per cent to 3.01 per cent. Implementation of the proposed increase would reduce it further to 2.26 per cent. Any delay in rectifying the imbalance would lead to an even greater imbalance. If the contribution rate was not increased by 0.75 per cent that year an increase of 0.82 per cent would be required the next year or 0.90 per cent the year after that.

55. The suggestion that an increase in the contribution rate might prove unnecessary in the light of the results of the ICSC study on pensionable remuneration or because of ongoing discussions on transitional measures, a ceiling on highest pensions or the question of the lump-sum commutation did not stand up to close examination. Moreover, he pointed out that while the United States civil service had a lower scale of pensionable remuneration than the United Nations it required a much higher contribution rate than the 22.5 per cent which the Committee was being asked to accept. Accordingly, the increase in the contribution rate should be approved at the current session.

The meeting rose at 1.10 p.m.