



General Assembly

Distr.
GENERAL

A/C.5/41/22
16 October 1986

ORIGINAL: ENGLISH

Forty-first session
FIFTH COMMITTEE
Agenda items 110 and 118

PROGRAMME BUDGET FOR THE BIENNIUM 1986-1987

UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL
SERVICE COMMISSION

Administrative and financial implications of the recommendations
and decisions contained in the report of the International Civil
Service Commission (A/41/30)

Statement submitted by the Secretary-General in accordance with
rule 153 of the rules of procedure of the General Assembly

1. The twelfth annual report of the International Civil Service Commission (ICSC) (A/41/30) contains a certain number of decisions and recommendations which would result in additional expenditures or savings for the biennium 1986-1987.
2. The decisions and recommendations which have financial implications relate to the following items:
 - (a) Pensionable remuneration for the Professional and higher categories (paras. 44 (e) and 45);
 - (b) Staff assessments;
 - (i) Professional and higher categories (paras. 44 (d), 46 and 47);
 - (ii) General Service and related categories (paras. 138-140);
 - (c) Separation payments (para. 108);

- (d) Post adjustment questions:
 - (i) Duty stations with extreme post adjustment levels (paras. 123-124);
 - (ii) Separation of the effect of inflation and currency fluctuation in the post adjustment system (paras. 125-127).

A. Pensionable remuneration for the Professional and higher categories

3. The Commission has recommended a revised scale of pensionable remuneration for staff in the Professional and higher categories for both benefit and contribution purposes for implementation with effect from 1 April 1987. This scale reflects a revised scale of staff assessment which the Commission has recommended for implementation as of the same date (see para. 5 below).

4. In its report, ICSC indicates that the revised scale of pensionable remuneration would result in a reduction of costs of some \$11,830,000 per annum for all organizations in the common system and for all sources of funds. The savings to the United Nations regular budget for 1987 are estimated at \$2,004,000.

B. Staff assessment

1. Professional and higher categories

5. The revised scale of staff assessment recommended by the Commission in conjunction with its review of and recommendation on pensionable remuneration is on average 12 per cent lower than the scale currently in effect. As a consequence the Commission determined revised gross salaries by reverse application of the proposed staff assessment rates to net base salaries. Since the revised scale of base salaries recommended by the Commission does not increase net remuneration, the financial implications relate only to a reduction of approximately \$21,370,000 in Staff assessment Section 31, and a corresponding decrease of the same amount in Income Section 1.

2. General Service and related categories

6. The Commission also recommended a revised scale of staff assessment for staff in the General Service and related categories to be implemented with effect from 1 January 1987 and that the revised scale be used to determine gross salaries at each duty station as of the date of the first revision to the salary scales applicable to the staff concerned. The Commission recommended further that transitional measures be applied under which existing gross salaries, and therefore rates of pensionable remuneration, would be maintained if the application of the revised rates of staff assessment were to produce lower gross salaries.

7. The Commission indicates that the budgetary implications of the revised rates would not be significant in the short run because of the transitional measures but that, over the long haul, they would lead to a reduction estimated at \$500,000 per annum in the contributions of the organizations participating in the United Nations Joint Staff Pension Fund (UNJSPF).

8. The revised staff assessment rates are, on average, only slightly lower than the present rates. However, at the higher dollar income brackets which would apply at certain duty stations, e.g. New York, Geneva and Vienna, the revised rates are some 4 per cent lower. Therefore, the cost implications for the United Nations of the revised rates in connection with projected increases in salary scales in 1987 are estimated as follows:

(a) There would be a reduction of some \$220,000 in the anticipated expenses of the Organization for its contribution to the UNJSPF over what would have arisen under the current rates;

(b) There would be a decrease of some \$1,530,000 under staff assessment Section 31 with a corresponding decrease in the same amount under Income Section 1.

C. Separation payments

9. In pursuance of General Assembly decision 36/459 and General Assembly resolution 39/69, the Commission promulgated a revised scale of separation payments with effect from 1 April 1986. The additional cost was estimated at \$1,600,000 per annum for all the organizations in the common system and for all sources of funds. The United Nations will apply the revised scale as promulgated but, in the light of the current financial crisis, the actual payments will not be effected until 1987. The cost to the United Nations regular budget is estimated at \$610,000 for the biennium 1986-1987.

D. Post adjustment question

1. Duty stations with extreme post adjustment levels

10. The Commission decided that, with effect from 1 January 1987, the pension contribution factor should be treated as a separate component in the computation of the post adjustment index (PAI) and that 5 per cent of net salary should be added to the out-of-area component to account for out-of-area non-consumption expenditures. The Commission estimated that this would result in an immediate additional cost of \$200,000 per annum in the system-wide operation of the post adjustment system but that, in the long run, the modifications were expected to be cost-neutral. The impact of the measures on the United Nations regular budget is estimated at \$7,000 for 1987.

2. Separation of the effect of inflation and currency fluctuations in the post adjustment system

11. The Commission decided to introduce, on an interim basis and with effect from 1 September 1986, a procedure to minimize the variations of take home pay expressed in local currency resulting from fluctuations in the value of local currencies in relation to the United States dollar. Under this procedure a remuneration correction factor (RCF) is established for a given duty station, which adds or subtracts multiplier points to the post adjustment classification otherwise applicable to provide greater stability in pay in local currency terms. This interim procedure would, at this stage, be applied at the six headquarters locations other than New York, in European countries with fully convertible currencies and in Japan.

12. On the basis of the June 1986 exchange rates in effect in those countries where the RCF would apply, the Commission estimated that the annual cost for the common system would be \$1,800,000. Using the same exchange rates the related cost for the United Nations regular budget is estimated at \$203,000 for 1986 and \$610,000 for 1987. Further weakening of the dollar vis-à-vis some of the European currencies, notably the Swiss franc, Austrian schilling and Netherlands guilder has taken place since June 1986. Based on the exchange rates applicable in October 1986, the additional cost for the United Nations regular budget is now estimated at \$490,000 for 1986 and \$1,470,000 for 1987.

13. In view of the current financial crisis and consistent with other economy measures taken, it is intended to apply the RCF arrangements introduced by the Commission at Geneva and Vienna only from 1 January 1987. Consequently, the additional cost for the regular budget for the biennium 1986-1987, at October 1986 exchange rates, is estimated at \$1,470,000.

14. The impact on the regular budget for the biennium 1986-1987 of the decisions and recommendations of the Commission are therefore as follows:

	Biennium 1986-1987 costs (savings) \$
(a) Pensionable remuneration	(2 004 000)
(b) Separation payments	610 000
(c) Post adjustment	
(i) Duty stations with extreme post adjustment levels	7 000
(ii) Separation of the effect inflation and currency fluctuation	1 470 000
(d) Staff assessment for the General Service and related categories	(220 000)
Total	<u>(137 000)</u>

15. In addition, as indicated in paragraphs 5 and 8 (b) above there will be an estimated decrease of \$22,900,000 under Staff assessment Section 31, to be offset by a reduction in an equal amount under Income Section 1. This will have implications on the Tax Equalization Fund and will require that action be taken at the earliest opportunity to consolidate an appropriate number of points of post adjustment into the net base salary of staff in the Professional and higher categories. It is the intention of the Secretariat to present the relevant information to ICSC at its forthcoming session (March 1987) for the Commission's review and recommendations.

16. In accordance with existing practice, it would be the intention to reflect the impact of the decisions and recommendations of ICSC as indicated in paragraphs 14 and 15 above in the first programme budget performance report for the biennium 1986-1987.
