United Nations
GENERAL ASSEMBLY
THIRTY-FIFTH SESSION
Official Records *

FIFTH COMMITTEE
53rd meeting
held on
Wednesday, 10 December 1980
at 3 p.m.
New York

SUMMARY RECORD OF THE 53rd MEETING

Chairman: Mr. BUJ-FLORES (Mexico)

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

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Distr. GENERAL
A/C.5/35/SR.53
15 December 1980

ORIGINAL: ENGLISH

80-58132

The meeting was called to order at 3.15 p.m.

AGENDA ITEM 100: UNITED NATIONS PENSION SYSTEM (A/35/9 and Add.1, A/35/30 and Corr.1, chap. III, A/35/720; A/C.5/35/37, 41 and Corr.1, 63; A/C.5/35/L.39)

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

(b) REPORT OF THE SECRETARY-GENERAL

1. The CHAIRMAN drew attention to the report of the Advisory Committee on Administrative and Budgetary Questions (A/35/720) and said that the Chairman of the Advisory Committee had nothing to add orally. The recapitulation in paragraph 64 of that report indicated the various recommendations made by the Advisory Committee and in particular the recommendation in paragraph 60, which amended section VI of the draft resolution recommended by the Pension Board in annex VI to the Board's report (A/35/9 and Add.1).

2. Mr. STEVENSON (Chairman, United Nations Joint Staff Pension Board) said that the consensus in the views of the Pension Board and the International Civil Service Commission (ICSC), which had also been joined by the Advisory Committee, was the result of a very clear mandate received from the Fifth Committee itself, which had spelt out the parameters within which the Pension Board had been expected to work. In particular, the Board and ICSC had been asked to find a common solution, i.e. a practical and pragmatic solution acceptable to all concerned. Other parameters included equal treatment for Professional and General Service staff, equity for existing pensioners, no increase in the contributions of member Governments, and the desirability of assisting those with smaller pensions more than those with higher levels of pensions.

3. The proposal currently submitted to the General Assembly applied to the Professional and higher categories of staff and was aimed at augmenting the present universal system of pensionable remuneration by a selective system applicable to high-cost areas. Cost-of-living differentials would be applied to the final average remuneration for the purpose of computing the local currency track pension. An adjustment would be made in those countries where the post adjustment was four or more classes above that of New York. The adjustment would be calculated by using a progressive scale of cost-of-living differential factors, varying by classes of post adjustment, but falling short of the full 5 per cent differential for each class. The new measures would be applied only to a limited extent, namely to increase the pensionable remuneration up to the level at grade P-2, step XI. The application of similar principles to General Service staff would be justified only when such staff members retired in a country other than their duty station. In such cases, General Service personnel should be treated in the same way as Professionals, with supplementary payments being limited to a ceiling equal to the pensionable remuneration of a P-2, step XI.

4. There had been some aspects of the proposal on which reservations had been expressed. The representatives of the participants of the United Nations had not favoured the use of the post adjustment system. The original ICSC

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recommendations had included a special index for pensioners but the difficulty of establishing such an index in the time available had soon been recognized. It had been decided not to delay the implementation of the proposal because of the lack of the index, in the expectation that every attempt would be made to devise the special index soon. He noted that the Advisory Committee, in paragraph 33 of its report (A/35/720), recommended that the General Assembly request ICSC to give high priority to the elaboration of the special index, including the impact of national taxation. The General Assembly would no doubt wish to ask that the elaboration be carried out by both ICSC and the Board in the fullest co-operation, as had been done successfully with the proposal on pensionable remuneration currently before the Fifth Committee.

5. There had also been reservations about the use of the weighted average of post adjustments (WAPA) for contribution purposes and of the United States consumer price index (CPI) for benefits. That had, however, been recognized as being a vital part of the over-all scheme. The United Nations participants had felt that a 10 per cent limit should be placed on the margin between pensionable remuneration for contribution and for benefit purposes, if the Board's proposals were accepted. The Board, however, believed that it would be preferable to arrange instead for constant review by ICSC and the Pension Board of the relationship between the two, a view which the Advisory Committee had endorsed in paragraph 12 of its report.

6. He stressed that the ICSC recommendations for revisions in the staff assessment of General Service staff (a subject which fell entirely within the purview of the Commission) were in no way related to the present joint proposals on pensionable remuneration and had in no way been designed to foster the acceptance of the proposals on pensionable remuneration. While it was essential in setting salary levels to bear in mind resulting pension benefits, the pension system should not be used as a corrective for the salary system. Arbitrarily reducing or freezing pensions was not an adequate substitute for a clear policy on salaries.

7. With regard to transitional measures for existing pensioners, he noted that, although changes in the remuneration of serving staff in the United Nations system, including changes in pensionable remuneration, were not normally reflected in the pensions of former staff members, the Board had been mindful of concern expressed in the Fifth Committee that no measures had been envisaged for staff members who had retired before 1980. The Board had therefore carefully examined in what manner and to what extent changes proposed in the pensionable remuneration of serving staff could be applied to the pensions of retired staff, bearing in mind the distinction previously made between the adjustment of pensions and changes in the conditions of serving staff. The transitional measures described in paragraphs 62 to 65 of the Pension Board's report were intended to bridge the gap between those pensioners whose pension had been kept at a level deemed appropriate as the result of the application of the adjustment system which had been in effect since their retirement and those more recent pensioners who, because of the loss in value of their pensionable remuneration, had started with an initial pension currently deemed too low and insufficiently corrected by

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subsequent adjustment measures. The Board's proposals in that connexion were based on careful examination of the demands of equity in the light of reality and there had been complete unanimity among all groups, including those representing retired staff at the Board's sessions.

8. In connexion with the transfer agreements referred to in paragraphs 75 to 81 of its report, the cardinal principle had been that transfer agreements were designed for the protection of the rights of the individual staff member and for no other purpose. It followed therefore that the staff member alone must have the sole and exclusive right to determine whether or not he wished to avail himself of the provisions of such a transfer agreement. If he decided not to do so, he remained entitled to get benefits from the two separate schemes with which he had been linked and neither scheme had the right to penalize him for not having exercised his choice.

9. The Emergency Fund had amply justified its existence. Expenditures during 1980 aimed at relieving cases of hardship among pensioners, especially those caused by illness or the infirmities of age, had been considerably higher than in any previous year and as of 31 October had already reached the halfway mark of the amount allocated. As a result of the Board's general desire to disseminate knowledge of the Fund's existence and because of the widening of the applicable guidelines, expenditures would no doubt soon approximate the total amount available.

10. Turning to the administrative costs of the Fund, he pointed out that the revision of the system of adjustment of benefits approved by the General Assembly for implementation as of 1 January 1979 had caused a backlog, which had in turn resulted in numerous appeals by existing pensioners to expedite their claims. If the Committee approved the latest proposals, which would then be implemented as of 1 January 1981, there would no doubt be further major delays, unless provision were made for the necessary staff. Pensioners were very sensitive to any delays in the receipt of approved benefits. It would indeed be a paradox to approve improvements in benefits and not to facilitate their implementation. The Board had always recognized the desirability of keeping administrative costs to a minimum by streamlining procedures and making use of technological advances. He therefore welcomed the suggestion in paragraph 56 of the Advisory Committee's report that the Board should use what was hoped would be a period of stability to examine the possibilities of improving the operations of the Fund through increased mechanization and computerization. The Board would of course undertake such a survey but that did not remove the need, prior to its completion, to find the necessary resources to cope with the additional demands resulting from the implementation of the new scheme. He therefore appealed to the Committee to approve the two temporary assistance posts, namely that of a P-3 statistician and a G-5 principal accounting clerk, required for the implementation of the new system.

11. Mr. AKWEI (Acting Chairman, International Civil Service Commission) said that he and members of the secretariat of the International Civil Service Commission had worked closely with the Chairman and other officials of the Joint Staff Pension Board on the question of pensionable remuneration. Throughout the year,

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there had been a continuous exchange of information between the secretariats of the two bodies. The solution which they had jointly devised would require changes in the rates of pensionable remuneration and in the mechanism used to index the rates for staff in the Professional and higher categories, as well as changes in the pension adjustment system to provide for the application of cost-of-living differential factors when computing the initial pension of a staff member retiring in a high-cost country. ICSC had unanimously endorsed the proposed revisions to the pension adjustment system. One aspect of those proposals, however, would require further study by the Commission with, of course, the assistance of the Joint Staff Pension Board: the index which would be used to measure the cost-of-living differences in the countries of residence of pensioners. There had been considerable discussion on that point throughout the Commission's and the Board's deliberations. Some believed that the index should reflect the expenditure pattern of retired staff, most of whom were subject to income tax, rather than that of serving staff, who were exempt from such tax. The Commission had recognized that the issue would require an in-depth study of all the implications, both technical and financial, of using a special index for pensioners and that the study should be based on a clear formulation of the objectives and principles to guide the experts in the design of such an index. In the meantime, and in order to fulfil the mandate of the General Assembly to develop a solution which could be implemented as from 1 January 1981, the Commission had agreed with the Board that the post adjustment system would have to be used initially for the retiring staff members from the Professional and higher categories.

12. The other part of the solution was more directly in the Commission's domain: the establishment of rates of pensionable remuneration to become effective from 1 January 1981. Because of the inherent differences in the salary systems of staff in the General Service category and staff in the Professional and higher categories, it was necessary to examine each category separately.

13. With regard to the Professional and higher categories, because the system of cost-of-living differential factors which would be a part of the pension adjustment system would provide some compensation for those pensioners who retired in a country where the cost of living was higher than at the base, i.e. New York, it followed that the pensionable remuneration for Professional staff should be set at a level which would be reasonable at the base. In considering that question, the Commission had been mindful of the fact that the present rates of pensionable remuneration for that category of staff were a function of the rates of gross remuneration last revised on the recommendation of the Commission on 1 January 1977, increased by the movement of WAPA since that date.

14. Because WAPA was affected not only by the rates of inflation in the various duty stations but also by the changes in the currency exchange rates in relation to the United States dollar, the Commission had first examined whether the application of WAPA through September 1980 would in fact overstate the rates of pensionable remuneration at the base, i.e. in New York. It was known that, from 1 January 1977 to September 1980, WAPA had moved from 100 to 150. During the same period, the United States CPI had moved from 100 to 145. That meant that the

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use of the United States CPI instead of WAPA from 1 January 1977 would have resulted in just about the same rates of pensionable remuneration on 1 January 1981 as would the application of the WAPA system.

15. The Commission had therefore decided to recommend that the rates of pensionable remuneration for 1 January 1981 should be established at the level reached by the application of the present WAPA system through September 1980, i.e. 150 per cent of the 1 January 1977 rates of gross remuneration. As he had mentioned in his earlier statement, the Commission had also recommended the consolidation, as of 1 January 1981, of 30 points of post adjustment into base salary, on the principle that that should represent neither a loss nor a gain to staff members in terms of total net remuneration and pensionable remuneration. The rates of pensionable remuneration on 1 January 1981 would therefore have to be expressed as a function of the new rates of gross remuneration after consolidation. Bearing in mind the no gain/no loss principle, pensionable remuneration would be the result of multiplying new gross by the post-consolidation WAPA index, which for the purpose of that exercise had been set at 117.86. The resulting pensionable remuneration table was contained in annex V of document A/35/30.

16. Because the rates of gross remuneration were fixed for a number of years, the Commission had recognized that a mechanism would be needed to index the rates of pensionable remuneration so as to reflect changing levels of inflation. It had decided that, for the purpose of computing the basic dollar benefits under the Pension Fund Regulations, the pensionable remuneration should be indexed in relation to the United States CPI. In that manner, the rates of pensionable remuneration would produce a basic dollar benefit which would be adequate at the base of the system, i.e. in New York.

17. At the same time, the Commission had recognized that the WAPA index would have to be retained for purposes of adjusting the rates of pensionable remuneration used to determine the contributions to the Pension Fund. That was required in order to ensure that the Fund would have the necessary resources to pay for the cost-of-living differential factors which would be used when computing the local currency entitlements of Professional staff members who retired in a country where the post adjustment classification was four or more classes above that of New York.

18. With regard to the General Service category, the Commission had noted that their pensionable remuneration had been derived by the process of grossing-up their net remuneration through the reverse application of a staff assessment scale. The current scale of staff assessment for the General Service category had been in effect since 1 January 1966 and was derived from an averaging of the income tax rates in effect in 1964 in the seven headquarters countries. The same scale of staff assessment had also applied to staff in the Professional and higher categories until 1 January 1977, when it had been replaced by a revised two-tier scale of assessment based on the income tax rates in effect at that time in the seven headquarters countries. A further downward revision had been approved by the Fifth Committee in those rates just a few days previously as a consequence of the consolidation of 30 points of post adjustment into the base salary.

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19. It should be recalled that, when the Commission had recommended the revised staff assessment rate for Professional staff in 1976, which had become effective on 1 January 1977, it had also indicated that the existing rates of staff assessment for General Service should be continued as a temporary measure, pending the results of a further study of their remuneration (A/31/30, para. 344). As part of that study, the Commission had, over the past few years, considered three basic approaches: (a) whether the scale of staff assessment should be derived separately for each duty station on the basis of the local tax rates in effect in that country; (b) whether a uniform global scale of staff assessment should be retained for all staff in that category; or (c) whether the pensionable remuneration for General Service staff could be derived by use of a formula related to whatever changes might be made in the pensionable remuneration system for Professional and higher categories. It had been evident to the Commission during the current year that the changes proposed for Professional staff could not serve as a guide for a new formula for the General Service staff; the possibilities had therefore narrowed to either the use of local taxes or continuation of a global staff assessment scale. The essence of the Commission's views in regard to those two options was contained in paragraphs 81 to 84 of its sixth annual report (A/35/30). The Commission had also heard the views of CCAQ and FICSA on the matter.

20. In its representation before the Commission, CCAQ, on behalf of ACC, had stated that it favoured the retention of a global scale revised periodically to take account of the evolution of tax rates in seven headquarters countries and 10 countries where regional offices were located, i.e. where the majority of General Service staff served. FICSA had stated that any revision should be in conjunction with that for the Professional and higher categories and that its aim should be to re-establish a uniform scale of staff assessment for all categories of staff.

21. In that connexion, the Commission had already indicated in its last report why it could not recommend application of the Professional scale of staff assessment to the General Service staff. The reason was related to the basic characteristics of the salary and post-adjustment system of Professional staff and the distinction made in the remuneration of staff with or without dependents. In view of the technical issues involved, he would not dwell further on the subject at that time. He was aware of the representations made by FICSA and individual staff organizations to the effect that the proposed revision in the scale of staff assessment represented an injustice to the General Service staff; at the same time, he pointed out that no new information or arguments had been presented which would justify the continuation for another year or two, pending further study, of the existing rates which were clearly too high in relation to the average tax rates of those locations where the majority of the General Service staff were serving.

22. The Commission, in arriving at its decision, had not shared the views expressed by FICSA to which he had just referred. Rather, it had recognized the need to update the staff assessment rates for the General Service category. The Commission had also wished to provide for greater stability in the level of

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pensionable remuneration, particularly in view of current monetary fluctuations, by recommending the use of a 36-month average exchange rate rather than the spot rate. Lastly, the Commission had taken cognizance of the need for more frequent reviews and revisions of the staff assessment rates, if found necessary and warranted.

23. Keeping in mind the universal nature of the United Nations pension system, as well as the administrative complexities involved in keeping track of local income tax rates in more than 150 countries, the Commission had concluded that the global scale concept should be retained. That scale would have to reflect the most recent tax rates in at least those countries where the majority of General Service staff were serving, i.e. the seven headquarters countries and the 10 countries where regional offices were located.

24. The Commission had recognized that the immediate application of the new scale of staff assessment would have resulted in a reduction in the rates of pensionable remuneration. It had been to avoid that effect that the Commission had recommended that the new scale should be applied in a given duty station only at the time of the next revison in salary scales for that duty station. The effect, therefore, was that there was no immediate reduction as a consequence of the Commission's recommendations. Furthermore, if the new staff assessment rates, applying to the revised net salaries, were to produce gross salaries lower than the existing ones, the latter would be maintained until surpassed as a result of subsequent further revisions to the salary scales.

25. The procedure which the Commission had recommended for the implementation of the new scale guaranteed at least that no reduction would be applied. To perpetuate a scale of staff assessment which reflected the 1964 tax rates would be unfair to all Member States which must provide two thirds of the contributions to the Pension Fund, while at the same time it would not answer the concern of the staff in the General Service and related categories, because staff assessment rates would have to be updated sooner or later anyway. The Commission felt that enough time had passed and that to continue a scale of staff assessment based on 1964 tax rates into the 1980s could not be justified in any circumstances.

26. The proposals which the Commission was putting forward were the results of long and extensive labour in which everyone's concern had been to achieve a solution which would meet the wishes of the General Assembly.

27. The CHAIRMAN announced that the list of speakers on agenda item 100 would be closed on Thursday, 11 December at 6 p.m. instead of on Friday, 12 December as had been previously announced.

The meeting rose at 4.05 p.m.