



Secretariat

ST/IC/1994/15
19 April 1994

INFORMATION CIRCULAR

To: Members of the staff

From: The Director of Personnel

Subject: PENSIONABLE REMUNERATION OF STAFF IN THE
GENERAL SERVICE AND RELATED CATEGORIES*

1. The purpose of the present circular is to advise staff members of the revised methodology applicable for determining the pensionable remuneration for staff in the General Service and related categories, effective as from 1 April 1994.
2. The revised methodology for determining the pensionable remuneration of staff in the General Service and related categories derives from the approval by the General Assembly, in section I, paragraph 1, of its resolution 48/225 of 23 December 1993, of the recommendation made by the International Civil Service Commission (ICSC), in full cooperation with the United Nations Joint Staff Pension Board (UNJSPB). In accordance with this recommendation, the pensionable remuneration for staff in the General Service and related categories is to be determined by application of the income replacement approach. Under this approach, pensionable remuneration is derived by applying a method similar to that in effect for determining the pensionable remuneration for staff in the Professional and higher categories.
3. The pensionable remuneration for staff in the Professional and higher categories is established, for each grade and step, at a level that would yield a pension in United States dollar terms whose proportional relationship to the corresponding level of net remuneration in New York (i.e. the income replacement ratio) is comparable to the ratio of pension to net remuneration for their counterparts in the comparator service (the United States federal civil service). Those comparisons are based on the use of 25 years of contributory service, which corresponds to a benefit accumulation rate of 46.25 per cent.

* Personnel Manual index No. 3125.

4. In accordance with the revised methodology for determining the pensionable remuneration for staff in the General Service and related categories, the benefit accumulation rate used will be 66.25 per cent of the net pensionable salary, corresponding to the maximum accruable contributory service of 35 years. The revised methodology will be implemented on the occasion of the first adjustment of the salary scale on or after 1 April 1994, subject to the transitional measures applied on the occasion of the introduction of the 1992 staff assessment scale.

5. In the annex to the present circular, more detailed information is provided on the background leading to the revised methodology and on future developments.

Revised methodology

6. As indicated in paragraph 4 above, effective 1 April 1994, the gross pensionable salary for staff in the General Service and related categories shall be determined using the revised methodology as follows:

(a) 66.25 per cent of the net pensionable salary, determined in accordance with the procedure approved by ICSC, is calculated at each grade and step;

(b) The amounts in (a) above are grossed up, using the applicable staff assessment rates;

(c) The amounts in (b) above, divided by 0.6625 and expressed in local currency, constitute the gross pensionable salary.

Transitional measures

7. The General Assembly, in its resolution 46/191 of 20 December 1990, approved a revised scale of staff assessment rates for the General Service and related categories. All revisions to local salary scales occurring in 1992 reflected the application of the revised rates. As a result, the gross salaries for certain levels and steps of staff in the General Service and related categories at a number of duty stations yielded lower gross amounts than the corresponding previous gross salaries.

8. For such cases, and in line with the modalities approved by the General Assembly with respect to the implementation of the revised rates of staff assessment, the former gross salaries were retained for the purpose of computing pension contributions and benefits for those staff members who entered on duty prior to the effective date of the revised salary schedule. This transitional measure remained in effect until the retained gross salaries were overtaken as a result of subsequent revisions to the salary scales. However, for the purpose of computing separation payments, the revised gross salaries applied to all staff members concerned.

9. The same transitional measures will be applied on the occasion of the implementation of the revised methodology for determining gross pensionable salaries at those levels and steps where the revised gross salaries are lower than those under the previous salary scale.

/...

Annex

BACKGROUND ON THE REVISED METHODOLOGY FOR DETERMINING THE PENSIONABLE REMUNERATION OF STAFF IN THE GENERAL SERVICE AND RELATED CATEGORIES AND ON FUTURE DEVELOPMENTS

Background

1. The comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories began in 1991, pursuant to the request made by the General Assembly, in section III of its resolution 45/242 of 21 December 1990, that the International Civil Service Commission (ICSC) undertake such a review, in full cooperation with the United Nations Joint Staff Pension Board.

2. For staff in the General Service and related categories, gross salary, hence pensionable remuneration, is derived from net salaries through application of staff assessment to net pensionable salaries. Prior to the adoption of the revised methodology for determining gross pensionable salaries, dollar-based staff assessment rates for staff in the General Service and related categories were derived from the average of tax rates at the single rate in some 25 countries. In addition, staff assessment rates corresponding to 100 per cent of the net pensionable salaries were used in the grossing-up process.

3. As a result of the differences in the grossing-up process used for staff in the Professional and higher categories and staff in the General Service and related categories, the "tax element" added to the net remuneration of a General Service staff member had become significantly higher than that for a Professional staff member with the same, or an even higher, net remuneration. This has led to what has been referred to as the "income inversion" anomaly.

4. The need for a comprehensive review stemmed mainly from the income inversion problem attributable to the differences which had come about in the tax element used for determining the pensionable remuneration of the two categories of staff. During the course of the review, a number of approaches were considered by ICSC and the Pension Board. It was agreed that a common staff assessment scale should be developed, namely, a single set of staff assessment rates for use in arriving at pensionable remuneration from net remuneration for all categories of staff.

Future developments

5. ICSC, therefore, recommended, and the General Assembly approved, in section I, paragraph 5 of its resolution 48/225 of 23 December 1993, that in 1996, as part of the comprehensive review of the methodology to determine the pensionable remuneration and consequent pensions of staff in the Professional and higher categories, a common staff assessment scale should be developed for the determination of the pensionable remuneration of all staff, using the procedure outlined in paragraph 44 of its report a/ and reflecting the latest available tax rates.

/...

6. The General Assembly, in section I, paragraph 6 of its resolution 48/225, requested that ICSC recommend to the General Assembly at its fifty-first session in 1996, a common staff assessment scale, together with the effective date and modalities for its implementation, including appropriate transitional measures as required. In the meantime, the current staff assessment rates applicable to staff in the General Service and related categories will be used under the revised income replacement methodology.

7. For further explanations and illustrations of the revised methodology, see the letter of January 1994 from the Secretary of the United Nations Joint Staff Pension Fund to participants and beneficiaries.

Notes

a/ Official Records of the General Assembly, Forty-eighth Session, Supplement No. 30 and corrigendum (A/48/30 and Corr.1).
