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Summary record of the 26th meeting
Held at Headquarters, New York, on Friday, 10 November 2000, at 10 a.m.

Chairman: Mr. Park Hae-yun (Vice-Chairman) . . . . (Republic of Korea)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. Mselle

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00-73909 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 124: United Nations common system (*continued*) (A/54/483; A/55/30 and A/55/526)

Agenda item 125: United Nations pension system (A/55/9 and A/55/481; A/C.5/55/3)

1. **Mr. Bel Hadj Amor** (Chairman of the International Civil Service Commission), introducing the report of the International Civil Service Commission (ICSC) for the year 2000 (A/55/30), said that the Commission's recommendations could have far-reaching effects on the future of the international civil service. Referring to the centrepiece of the report, the integrated Framework for Human Resources Management, which was the result of two years of work by the Working Group established in that regard, he said that the Framework identified the elements of a modern and integrated plan for the management of human resources, described the linkages between the different elements and stated the principles which should govern their implementation. The Commission intended to study each area and provide policy guidance thereon.

2. In response to the need expressed by the common system organizations, the Commission had made the issue of pay and benefits its highest priority. In order to ensure that the remuneration system would be competitive and flexible enough to reflect changes in the mandates of the organizations and new requirements in the area of competencies, a comprehensive review was needed. The Commission had met with representatives of the organizations and the staff in July 2000 and would continue its consultations with staff representatives before the end of the year at each of the three headquarters duty stations, thus embarking on a process which would last at least two years.

3. With regard to standards of conduct for the international civil service, he explained that since the organizations had requested further time for consultations, the Commission had not been able to prepare a final version of the standards of conduct, which had not been updated since 1954. The final draft standards would be presented in 2001, following receipt of final comments from the organizations.

4. In 2000, the Commission had undertaken its regular five-year review of grade equivalencies between the United Nations system and the United States federal civil service. As a result, the margin for the year 2000 had been calculated to be 113.3. Given that imbalance, it had been suggested that there should be a real increase in the base/floor salary scale. He pointed out, however, that since the comparator civil service was reviewing possible salary increases for its highest-level officials, it might be appropriate to consider how that increase should be reflected in the relevant net remuneration margin calculations. That issue would be addressed in the context of the review of the pay and benefits system.

5. He recalled that place-to-place surveys on post adjustment matters were under way at headquarters duty stations, in line with the recommendations of the Advisory Committee on Post Adjustment Questions (ACPAQ) relating to simplification of the methodology. The Commission's report contained the results of two surveys on conditions of service and recommended salary scales for the General Service category, one for Montreal, the other for New York. In that context, he referred the Committee to the decision of the International Labour Organization Administrative Tribunal, noted in the Commission's report regarding a complaint brought against it by staff at Vienna. The complaint involved the phasing out of the language factor in cases where the local language was not one of the working languages of the Organization; the Administrative Tribunal had dismissed that and similar complaints.

6. The Commission had reported in 2000, rather than in 2003 as originally planned, on the discontinuation of the language allowance and the language incentive and their replacement by other modalities which would be addressed in the larger context of the review of the pay and benefits system. The Commission had also scheduled its regular review of the amount of the education grant but had decided that the purpose, scope and application of the grant would best be considered in the context of the review of the pay and benefits system. The Commission had also reaffirmed the principle that the children's and secondary dependant's allowances were a social benefit and had included the financial implications of that decision in its report.

7. **Mr. Scherzer** (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board (A/55/9), referred to the tripartite nature of the Board. In accordance with long-standing practice, matters

requiring action by the General Assembly had been included in the draft resolution contained in annex XVI to the report. Annex II contained the financial statements for the biennium 1998-1999 and the audit opinion. Annex III contained the report of the Board of Auditors, whose comments were set out in paragraphs 105 to 116 of the report. He stressed the complex nature of the operations of a pension fund responsible for paying out more than $1 billion in 27 different currencies to 115,000 beneficiaries living in 191 countries.

8. The actuarial valuation of the Fund as of 31 December 1999 showed an actuarial surplus of 4.25 per cent of pensionable remuneration, as a result of excellent returns on the Fund's investments, the strengthening of the dollar and low inflation rates. Given those results, the Committee of Actuaries recommended that, should a decision be made to increase benefits and/or reduce contributions, it would be prudent to allocate a portion of the surplus equivalent to between 2 and 2.25 per cent of pensionable remuneration (paras. 35-37 and annexes IV and V). The Board, for its part, had decided to confirm two conditional decisions taken in 1998: first, to decrease to 6 per cent the interest rate used for lump-sum commutations of periodic benefits with respect to contributory service performed as from 1 January 2001, and, second, to reduce to 2 per cent the threshold for cost-of-living adjustments of pensions, effective from 1 April 2001 (paras. 48-56). The Board had also decided to establish a tripartite working group to undertake a fundamental review of the benefit provisions of the Fund, in particular the three measures recommended by the Chief Executive Officer (CEO) of the Fund concerning cost-of-living adjustments to deferred pensions, the right to restore prior service, and the interest rate applicable to withdrawal settlements, as well as a possible reduction in the current contribution rate as requested in General Assembly resolution 53/210.

9. With respect to the administrative expenses charged directly to the Fund (paras. 117-154), he recalled that the General Assembly had approved a budget totalling $62.3 million for the biennium 2000-2001. The CEO of the Fund had presented a two-phase strategic plan for improving productivity through the re-engineering of the Fund's computer systems and establishment of automated interfaces between the Fund's computer systems and those of its member organizations, and by making data available to beneficiaries over the World Wide Web. Phase I would involve project planning and preparation of requests for proposals. The level of commitment of member organizations, in particular the United Nations, which currently employed 65 per cent of the Fund's active participants, would be critical, and would require an undertaking to provide the requisite administrative and financial resources. The Advisory Committee on Administrative and Budgetary Questions (ACABQ) had strongly urged the United Nations to participate in that initiative (A/55/481, para. 17). Phase II would involve implementation. Phase I was currently under way within the limits of existing resources; any additional resources needed would be reassessed by the Standing Committee in 2001.

10. With regard to an enhanced role for the Fund's Geneva office, he said that the CEO had provided the Board with information on staff redeployments and Geneva's portion of the Fund's budget; more information relating to cost-effectiveness would be provided to the Standing Committee in the context of the budget estimates for the biennium 2002-2003. The CEO had also informed the Board that a Memorandum of Understanding had been concluded with United Nations Administration concerning the conditions of service of Fund staff, as well as an agreement concerning procedures for procurement of contractual services, equipment and supplies; efforts to secure additional space in New York were continuing and a report would be submitted to the Standing Committee in 2001.

11. The Board recommended that the following amendments should be made to the Regulations of the Fund (paras. 157-183): the extension of the provisions of article 35 (e) bis to cover divorced surviving spouses of former participants who had separated before 1 April 1999, the cost of which would be actuarially insignificant; the removal of the "remarriage penalty" for surviving spouses who had remarried before 1 April 1999; the modification of the application of the payment facility so as to no longer require a request from the current or former participant; and the amendment of article 30 to eliminate the partial commutation option for participants electing to receive a deferred retirement benefit.

12. It was with considerable regret that he reported that the Government of the Russian Federation had not approved the proposed agreement with the Board,

which was to have been implemented in 1997 (paras. 201-232). That agreement, which had been approved by the General Assembly in resolution 51/217, had been negotiated with high-level representatives of the Russian Federation. Following the decision by that Government to pursue alternative arrangements at the national level, to the great consternation of the members of the Association of Former International Civil Servants (AFICS) in Moscow (AFICS/Moscow), since that would involve minimal supplements to the national pension, Ms. Matvienko, Deputy Prime Minister, in a communication to the CEO of the Fund dated 13 October 2000, had stated that a legal instrument had been prepared according to which former staff of the United Nations system would receive additional monthly payments; she had also pointed out that the persons concerned, under the transfer agreement which had entered into force in 1981, had chosen to transfer their accrued pension rights in the Fund to the Social Security Fund of the former Union of Soviet Socialist Republics. He recalled that negotiations on a draft agreement between the Fund and the Government of the Russian Federation had been initiated as a result of the many claims made by former international civil servants from the former Soviet Union, who maintained that the provisions of the transfer agreement had not been respected and that their pension rights had been “confiscated”. It would be most unfortunate if nine years of efforts to find a reasonable way of redressing the legitimate grievances of those concerned were to end in failure.

13. The Board had considered the review by the International Civil Service Commission of the common scale of staff assessment for pensionable remuneration purposes (paras. 233-240) and recommended approval of the transfer agreement with the World Trade Organization (paras. 61-64 and annex VII) as well as of various amendments to the Regulations of the Fund (paras. 253-262 and annex XIV). Those amendments would set the term of office of members of the United Nations Staff Pension Committee at four years (article 6 (b)); provide for an audit of the accounts of the Fund every two years (article 14 (b)); and impose penalties in cases of fraud by fund participants or beneficiaries (article 43). Two amendments would also be made to the United Nations Joint Staff Pension Fund pension adjustment system so as to provide clarification on the application of certain features of the two-track adjustment system to deferred benefits in view of a recent judgement of the United Nations Administrative Tribunal (paras. 270 and 271).

14. **Mr. Mselle** (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committees report on the United Nations pension system (A/55/481), said that the Advisory Committee, subject to the observations contained in paragraph 6 of its report, endorsed the conclusion of the Committee of Actuaries that the current contribution rate of 23.7 per cent of pensionable remuneration should be retained. In addition, the Advisory Committee endorsed the recommendations of the United Nations Joint Staff Pension Board that the interest rates applicable to lump-sum commutations of periodic benefits should be changed from 6.5 to 6 per cent with respect to contributory service performed as from 1 January 2001 and that the threshold for effecting cost-of-living adjustments of pensions in award should be reduced from 3 to 2 per cent (A/55/481, para. 7).

15. As noted in paragraph 8 of its report, the Advisory Committee felt that the terms of reference of the tripartite Working Group established by the Pension Board were too broad, and trusted that the Group would nonetheless be able to make precise recommendations. In addressing the possible use of any surplus, the Group should consider not only options for an increase in benefits or a decrease in contributions, but also the possibility of directing part of it to the re-engineering of the Fund’s operations.

16. Paragraphs 12 to 14 of the report concerned the audit services provided to the Fund. After considering the report of the Board of Auditors on the internal audit of the Fund’s activities (A/55/9, annex III), the Advisory Committee had recommended that the Office of Internal Oversight Services should redouble its efforts to complete its work programme in a timely manner and, if necessary, request staffing resources commensurate with the responsibilities to be carried out.

17. With respect to longer-term administrative arrangements of the Fund (A/55/481, paras. 15-19), the Advisory Committee felt that it was important to improve the exchange of information and the transfer of data between the Fund and its member organizations. Since the United Nations and its funds and programmes currently employed 65 per cent of the active participants, the Organization must build suitable

interfaces between its system and those of the Fund and the member organizations. The Advisory Committee strongly urged the United Nations to take the necessary measures to that end.

18. **Mr. Connor** (Under-Secretary-General for Administration and Management), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund for the period 1 April 1998 to 31 March 2000 (A/C.5/55/3), reviewed the performance of the Fund's investments, including the total investment return as well as return by asset class (paras. 18-25).

19. The equity portfolio (particularly in the United States, Japan and the United Kingdom) had enjoyed the highest return, with real estate the second-best performing asset class. Selection of securities had had a positive effect on total return. Performance had, however, been negatively affected by bonds, which had had a negative return for the last 12 months of the period in question. The Fund had also been negatively affected by the persistent decline of the euro since its introduction in January 1999. He pointed out that Tables 2 and 3 (pp. 11 and 13) contained data on the Fund's annual total rate of return for the preceding 40 years and said that short-term results, which were heavily influenced by the daily volatility of the markets, had little meaning. Management of the Fund focused on maintaining a careful balance between expected risks and rewards over the medium- to long-term, rather than taking the risk inherent in seeking very high short-term returns.

20. Since the end of the reporting period, worldwide economic growth had remained strong, but inflation had become a real risk as oil prices had increased by more than 30 per cent. Interest rates had been increased several times by both the United States Federal Reserve Bank and the European Central Bank; that seemed to have had an effect, especially in the United States, where economic growth was slowing down. Markets had been extremely volatile since the beginning of the third quarter of 2000, the technology sector being the most volatile. The Fund, however, avoided investing in companies which did not meet the four criteria of safety, profitability, liquidity and convertibility.

21. The performance of the Fund during the preceding seven months showed that a long-term investment strategy was a sound one. The market value of the Fund's assets, which had been $26 billion as at 31 March 2000, had declined by $1.6 billion, or 6.2 per cent, since that date, to $24.8 billion as at 8 November 2000. However, during the same period, the major markets had declined by an average of 11 per cent. The Fund had slightly underperformed its benchmark (a combination of the Morgan Stanley Capital International World Index (60 per cent) and the Solomon Brothers World Government Bond Index (40 per cent)), during the year ending 31 March 1999, with a return of 11.3 per cent as against 11.8 per cent for the benchmark, but, for the year ended 31 March 2000, the Fund had strongly outperformed the benchmark, with a return of 18 per cent versus 12.8 per cent. Chart 1 (p. 14) showed the Fund's total cumulative returns compared to the benchmark over the previous 20 years; the main reason for the Fund's slight underperformance was its low weighting in equities in the earlier years of that period.

22. The report also indicated the Fund's risk return profile, compared to that of the benchmark, for the previous 20 years. The degree of risk in any portfolio was usually associated with the degree of uncertainty about the return. Chart 2 (p. 15) and Table 4 (p. 16) showed the long-term profitability of the Fund and indicated that the Fund's investments had a better risk return profile than the benchmark. That result could be attributed to a well-diversified portfolio which included all major asset classes, with major holdings concentrated in large multinational companies.

23. The Fund continued to rely on broad diversification in terms of currency, types of asset classes and geographical areas as the most reliable method of reducing risk and improving returns over the long term. Charts 3, 4 and 5 showed the diversification of the Fund's assets by types of investment, geography and currency. Since the Fund maintained its accounts in United States dollars, a stronger dollar had had a negative impact on the total return of investments denominated in other currencies. Normally, however, the movements of currencies against the United States dollar were not synchronized and geographical diversification enhanced return and reduced risk.

24. Changes had been made not only in the proportions of the various asset classes in the Fund's portfolio, but also within each asset class, in order to implement the Fund's investment strategy and take advantage of new trends in economic cycles and financial markets, as well as movements in currencies

and interest rates. Table 5 provided a detailed breakdown of the diversification by geography.

25. The Fund continued to rely on the services of four institutional investment advisers: Fiduciary Trust Company International for equity markets in North America, Latin America, Africa and the Middle East and global fixed income; Nikko Global Asset Management Limited for Asian equities; BNP Paribas Asset Management Inc. for European equities; and Pension Consulting Alliance for real estate. The advisers made recommendations on investment strategy and individual investments, conducted research and provided economic, market and security analyses for the Fund. By continuing to be guided by its four established criteria, the Fund should be able to protect itself against large losses despite the current volatility in the financial markets.

26. **Mr. Civili** (Assistant Secretary-General for Policy Coordination and Inter-Agency Affairs, Secretary of the Administrative Committee on Coordination), introducing the report of the Secretary-General on strengthening the international civil service (A/55/526), recalled that the Secretary-General, in his statement to the International Civil Service Commission (ICSC) at its July 2000 session, had focused on the new challenges facing the international civil service, the key role of human resources management in ensuring the success of the wide-ranging reforms under way throughout the system and the new demands on the Commission in that new context.

27. The Secretary-General had noted that the staff represented a unique asset for Member States but stressed that the Organization must be able to attract and retain the most capable individuals and for that it required the support of the Commission. The Commission's support was also crucial for successful implementation of the reforms. The recent work of the Commission in developing the integrated Framework for the management of human resources, in particular the tripartite approach adopted for the preparation of that Framework, was encouraging, and the executive heads looked forward to innovative proposals from the Commission. He had also recalled that the review of the Commission requested in his first reform proposal was one of many other reviews under way to strengthen the system, and he hoped that cooperation between the Commission and its partners (the organizations and the staff associations) would be reinforced so that the Commission might make a more tangible contribution to the reforms under way. That was the spirit in which the current report had been prepared.

28. The members of the Administrative Committee on Coordination had expressed support for the Secretary-General's proposal and the constructive spirit which had inspired it. The Director General of the International Atomic Energy Agency (IAEA) had stated to the General Assembly on 6 November that a review of the Commission deserved serious consideration because it would in the final analysis strengthen the international civil service and restore the competitiveness of the common system.

29. The purpose of the review was above all to determine the role the Commission might play in developing a more effective international civil service. That intention was clearly reflected in the title of the report, and the objectives set out in section III were clear: to strengthen the common system and its responsiveness to new requirements and to enhance its contribution to the success of the reforms under way, as well as to maximize the capacity of the Commission to further those objectives. Section IV of the report described previous review exercises and their outcomes, while section V described the issues to be addressed in the proposed review.

30. It was of course important to identify specific problems which needed to be addressed, be they the need to redefine the mission of the Commission to meet new requirements, the need to review the selection process for members of the Commission while fully preserving the prerogatives of the General Assembly and respecting the spirit of articles 3 and 4 of the Statute of the Commission concerning guarantees of the competence and confidence of its members, or the need to strengthen the advisory role of the Commission, in particular with regard to modern human resources management practices. The impetus for the review should not, however, be simply that there were concerns which needed to be addressed, but rather — and above all — because there was a need to address priority issues such as the future of the international civil service and to create an institutional framework conducive to effective results.

31. The Commission's independence, its decision-making authority and its Statute were not in question. On the contrary, the purpose of the review was to secure the most faithful application possible of the spirit and letter of the provisions of the Commission's

Statute, especially those which emphasized its members' independence and integrity, while adapting the modalities for the implementation of those provisions to new realities and requirements. It should also strive to maintain the cohesion of the common system, while at the same time affording an opportunity for an open and dispassionate examination of the support which the Commission could offer the General Assembly in its capacity as leader. The Executive Heads believed that greater flexibility had to be introduced into the functioning of the common system. But, as the Chairman of the Commission, Mr. Bel Hadj Amor, had pointed out in his statement on the Commission's future role, cohesion and flexibility could coexist. As noted in paragraph 24 of the report, the Commission's most recent initiatives were a sign that it was pursuing the same broad objectives that had moved the proposal for a review; with the Commission's cooperation, the review could achieve the desired results.

32. Lastly, he thought that the best way the Fifth Committee could signal that it considered the strengthening of the international civil service and the success of the reforms under way to be matters of priority, would be for it to consult Member States, the International Civil Service Commission, the members of the Administrative Committee on Coordination and other partners about arrangements for the review. The review would have the desired results only if the General Assembly took over the idea and provided momentum. That kind of initiative could be one of the Assembly's actions to mark the twenty-fifth anniversary of the Commission and reinforce its capacity.

33. **Ms. Madarshahi** (President of the Coordinating Committee for International Staff Unions and Associations of the United Nations Systems (CCISUA)) said that she particularly appreciated the opportunity she had been given to address the Fifth Committee because her presence was sometimes deemed to be pointless or undesirable, as had been the case when the Committee had celebrated the anniversary of ICSC. She therefore congratulated the Commission on its efforts to defend staff rights and win acceptance for equitable policies on the management of human resources throughout the world.

34. Since April 1999, CCISUA had resumed participation in the meetings of the Commission. It had taken part in the Working Group on the Framework for Human Resources Management, whose report it found satisfactory, and in the tripartite Working Group established by the Commission to review the 1954 text of the Standards of Conduct for international civil servants, whose report it found inadequate. Such a document should give expression to the principles, values and ideals which had to be accepted by all organizations applying the common system, rather than consist of a set of dry rules and prohibitions which did not even take precedence over the internal rules of those organizations.

35. The financial crisis in which the Organization had been mired for over ten years had brought about such a deterioration in conditions of employment that since 1997 more people had left the Organization than had been recruited. That brain drain showed that the United Nations was experiencing great difficulty in attracting and keeping individuals of the high standard prescribed by the Charter. The reformers, faced with that situation, were prepared to try anything and call everything into question. For example, focus groups were to meet in Vienna, Geneva and New York in order to contribute to a report on a new pay and benefits system which ICSC would be considering at its session in June 2001. One of the ideas floated — one that was supported by a number of Administration representatives — was broad banding, which consisted in bracketing several jobs together and offering a pay system based on the market value of the work. That system, which had far from proved its worth, conflicted with certain Fundamental principles of the existing remuneration system which it was likely to upset.

36. At the fifty-second session of ICSC the Chairman of the Consultative Committee on Administrative Questions (CCAQ) had stated that the current pay system was no longer valid and that, in particular, permanent appointments no longer met the needs of all organizations. That was not a reason to adopt a new system merely based on promises and assumptions, the advantages of which had not yet been ascertained even by the private sector, and which would be even less geared to the requirements of a complex and demanding multilateral organization in a multicultural setting. The United Nations was unlike any company; in following the path of the private sector before knowing where it led, it would jeopardize practices which had stood the test of time.

37. The Organization should not emulate the private sector just because it was going through a financial

crisis. It deserved better than purely market-based solutions and it had to apply the basic principles of labour law and guarantee the fundamental rights of its officials.

38. That did not mean that there was no need to revise the pay system, for example by linking pay and promotion to performance and merits, provided that the process of change was a deliberate one and not an abrupt shift. As CCISUA had indicated in the concept paper it had presented to ICSC at its session in April 2000, the existing system did have a number of deficiencies which not only impeded recruitment but also contributed to low staff morale and productivity.

39. CCISUA welcomed the fact that ICSC had accepted that language knowledge was recognized as an acquired right and had decided not to institute a dual system of pay, even on a provisional basis. It considered that the General Service staff were as much entitled to the education grant as other officials and advocated the streamlining of procedures, provided that that did not create inequalities between duty stations or among staff at the same duty station. Moreover the Commission had been right in deciding to continue to apply the current common scale of staff assessment and to examine how its calculation could take into account the tax deductions applicable to retirees. As to the salary surveys for local staff, CCISUA welcomed the cooperative spirit in which the Commission had considered their results and hoped that the current method would be reviewed and, if possible, simplified and adjusted before the next round of surveys.

40. The widening of the margin between the net remuneration of the United States civil service and that of the United Nations continued to be of concern to CCISUA. The Organization had lost its edge with regard to posts at mid-career and senior levels. The comparator had regularly increased its base salaries (another increase of 5 per cent was forecast for January 2001), and the pay increase proposed by the Commission would not restore the margin to a satisfactory level. The methodology applied by the Commission for the calculation of the margin was far from adequate, and the new pay system proposals would not solve the problem. Withdrawing certain social benefits from Peter to offer a merit bonus to Paul would undermine the principle of equal pay for equal work and possibly that of equitable geographical distribution.

41. In conclusion, it was of paramount importance to offer good conditions of service so as to attract and retain the best qualified individuals. The Organization must therefore maintain an edge, not only in its noble mission but also in the way it determined its total compensation packages and salary structure.

42. **Mr. Grandjean** (Federation of International Civil Servants' Associations (FICSA)) said that the drafting of the Commission's report in the usual fashion, with sections headed "Views of the staff representatives", was misleading. The only views that had been presented were those of CCISUA, the Federation having maintained its long-standing policy of non-participation in the sessions of the Commission. The main reason was that, as could be seen from a careful reading of the report, the staff's views were not really taken into account. FICSA therefore preferred to stay away rather than to lend its support to the practice of listening but not hearing. The current report showed in fact that there was no real dialogue with either the staff representatives or the representatives of the organizations.

43. FICSA welcomed the Framework for Human Resources Management presented in annex II to the Commission's report inasmuch as it provided a description of the various factors and linkages, and an allotment of responsibilities between the common system organs and the organizations. Any future revision of the document, however, should place the staff, rather than the human resources strategy, at the centre of the mechanism, define the legal basis of employment in an international organization and take account of the latest developments in staff-management relations.

44. In April 1999, the representatives of the administrations and CCISUA had so strongly criticized the draft standards of conduct submitted by the Commission that the latter had set up two working groups to build consensus on a fresh draft. FICSA had participated in the meetings of the first working group. Progress had been made towards a compromise acceptable to all parties up until the last day, when a representative of the United Nations who had been sent from New York had come and rolled back some essential provisions. For example, staff-management relations had been reduced to matters affecting staff, on which staff representatives were merely allowed to "actively contribute to decisions"; and, with respect to security and safety, international civil servants had

merely been endowed with a right to expect that they would not be subject to undue risk and that measures would be adopted to protect them and their family members. Out of respect for deceased colleagues, he did not wish to dwell on that subject.

45. The second working group had never been convened. The text prepared by the first group had been submitted to the Commission at its April 2000 session, but in a misleading form that had led to confusion about the different versions of the proposal. It was in those circumstances that a final text for submission to the General Assembly and the organizations of the common system had been adopted. Subsequently, however, several organizations had submitted or reiterated their comments and aired their grievances. One had spoken of a mockery of the transparency of the process, and the International Labour Organization (ILO) had announced that it was working on the development of standards of its own, on the basis of the working group's draft. The decision set out in paragraph 31 of the Commission's report was a thin cover for the fact that organizations and staff objected to the Commission's draft text. The Commission should be instructed either to work from the draft prepared by the working group or to leave the matter to the administrations and the staff.

46. The Commission had embarked on a review of the pay and benefits system to which FICSA did not object, except that it considered the two-year time frame unrealistic, unless the results were "pre-cooked". It also wondered whether the exercise was not an excuse for not addressing, within the same period, the issue of a salary increase and the non-existence of margins at the Director levels. It had been over a decade since the General Assembly had acknowledged that the United Nations was no longer a competitive employer. The review being carried out by the Commission would be of no use if it was limited to defining a new way of dividing up the cake. The Advisory Committee had come to the same conclusion, and FICSA considered that the Commission should be instructed to make proposals on the salary levels as a matter of urgency.

47. FICSA would have willingly supported the recommendations made by the Commission in 1998 concerning the recognition of language knowledge, except for the proposal that the corresponding bonus should not be pensionable. The bonus was not a concession made to staff for the sake of multilingualism, but compensation for a competency that was vital to the organizations. In any event, it was regrettable that earlier recommendations were swept aside under the pretext that the pay system was to be reviewed.

48. It was regrettable that the review of the common scale of staff assessment had been postponed to 2004. That showed both disregard for the organizations, the Member States and the staff and a lack of commitment on the part of the Commission. The Commission should be instructed to make proposals for a real salary increase in order to restore the competitiveness of the United Nations system in the labour market. In addition, he noted that the proposed adjustments to the level of the education grant and the dependant's allowances proceeded from the strict application of the existing methodologies.

49. With regard to the non-participation of FICSA in the sessions of the Commission, he explained that the matter was reviewed each year to take into account the current situation. Comments on the deficiencies of the complex consultative process and previous criticism from FICSA should not be taken as personal attacks. The Chairman of the Commission had tried his best to meet the needs of both the administrations and the staff with regard to the draft revised standards of conduct.

50. Returning to the question of the review of the pay and benefits system, he expressed concern that the so-called focus groups would not be conducive to a discussion between the interested parties; that was why both FICSA and CCISUA had refused to participate. It was therefore wrong to state in the report (A/55/526, para. 23) that "the organizations and staff representatives have welcomed these developments". That might suggest that the allegations of an attempt at manipulation were not unfounded. Both FICSA and CCISUA had drawn the attention of members of the Commission to the points which needed to be addressed and it was to be hoped that common sense would prevail. The staff representatives would not be content with just a folding seat at a card game where all the trumps would be dealt to the other players. Accordingly, the Chairman of the Commission should be urged to amend the modalities of the focus groups so as to allow for a meaningful consultation.

51. The Federation looked forward to the review of the important issue of the mandate, membership and functioning of the Commission. The previous year discussions on that issue had become quite personal,

with the result that the General Assembly had requested a justification for the review that would in essence require evidence of past failures and shortcomings. There was, however, no value in dwelling on the past; the review should have a forward-looking approach and lead to changes which would increase the Commission's effectiveness in meeting the challenges facing the United Nations system. The time had come to address that issue and he urged the General Assembly to adopt the principle of a wide-ranging review to prepare for the future.

52. **Ms. Dantoine** (France), speaking on behalf of the European Union, the Central and Eastern European countries associated with the European Union, Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, the associated countries Cyprus and Malta and, in addition, the countries of the European Free Trade Association which were members of the European Economic Area, Iceland and Norway, stressed that the conditions of employment were vital to the Organization's ability to attract and retain the most competent staff. The European Union therefore attached great importance to the common system, the purpose of which was to ensure consistency in the conditions of employment in the system as a whole, although at the same time it must be made more flexible. The International Civil Service Commission should play a strong and independent role in meeting those objectives.

53. The European Union noted with interest the Framework for Human Resources Management adopted by the Commission and welcomed the guidelines defined therein. The governing bodies of the participating organizations should take note of the Framework and be guided by it and the Commission should in due course provide follow-up information on the extent to which the organizations had implemented the Framework.

54. The Commission had been right to focus its efforts on the review of the pay and benefits system, which could lead to the development of innovative approaches for the creation of a more dynamic system more directly linked to competence, responsibility and results. The European Union also attached great importance to language incentives and took note of the Commission's decision to examine that matter in the context of the review of the pay and benefits system. It also welcomed the decisions taken by the Commission with regard to the education grant.

55. The narrow margin between grades at the senior managerial levels was a source of concern. Although the European Union approved the raising of the base/floor salary scale for higher rank administrators and officials, as recommended by the Commission, it was of the opinion that the Commission should also consider raising the base/floor salary scale in real terms.

56. The European Union welcomed the report of the Secretary-General on strengthening the international civil service (A/55/526), which constituted an excellent basis for the proposed review by the Commission. It shared the Secretary-General's analysis of the role the Commission could play in the modernization of the international civil service and the management of change. It agreed with the choice of issues to be addressed in the proposed review (A/55/526, sect. V) and believed that the time had come to proceed with the review.

57. Turning to the report of the United Nations Joint Staff Pension Board (A/55/9), she noted with satisfaction that the actuarial valuation revealed a surplus for the second year in succession. Noting the positive returns on the Fund's investments and the excellent financial results obtained, she paid tribute to the representative of the Secretary-General, the Investment Management Service and the members of the Investments Committee. The European Union subscribed to the conclusions of the Board on the need to follow prudential rules and comply with General Assembly resolution 53/210, according to which the pensions system should not be changed until a pattern of surpluses emerged.

58. The European Union was in favour of making the conditions on the right of spouses and former spouses to a survivor's benefit, listed in article 35 bis, more flexible. It believed that it was time the Board addressed the issue of partners of the same sex or of different sexes, in order to avoid discrimination, and took note of the exchange of views held by the Board, as mentioned in paragraphs 184 and 185 of its report.

59. **Ms. McLurg** (United States of America) said that it was important that a balance should be maintained between ensuring the financial health of the Fund and meeting the needs of the participants. She noted that the total value of the assets of the Fund on 8 November

2000 was $24.8 billion, representing a $1.2 billion decline from eight months earlier; that clearly indicated the volatility of the Fund's assets, which the Fifth Committee should always bear in mind when considering recommendations on pension issues. Her delegation nevertheless noted with appreciation the overall long-term investment strategy, and wished to commend the members of the Investments Committee for their work.

60. Her delegation supported the reinstatement of two measures that had been introduced during periods of actuarial deficits, namely the lowering of the interest rate on lump-sum commutations from 6.5 per cent to 6 per cent, and the lowering of the trigger point for cost-of-living adjustments from 3 to 2 per cent. The pension benefit was an element that would allow the organizations to remain competitive in the job market; her delegation approved of the establishment of a tripartite working group to undertake a fundamental review of the benefit provisions of the Fund and welcomed the increasing share of income from investments rather than from contributions.

61. With regard to entitlements to survivor's benefits for spouses and former spouses, which her delegation considered a priority social issue, she noted that the Board proposed an addition to article 35 bis of the Fund's Regulations that would provide a benefit to former spouses not previously covered by article 35 bis amounting to some $7,290 a year. Given the financial consequences of that new provision, and although her delegation approved the amount and the criteria recommended by the Board, it would be reluctant to go any further at the moment. She recalled that the Board might, at its own discretion, review any of the provisions it considered necessary. Her delegation noted with satisfaction that the pension payable to surviving spouses who stood to benefit from the elimination of the "remarriage penalty", would not be paid retroactively, but only from 1 January 2001. It supported the proposed amendment to article 45 of the Fund's Regulations through which the direct payment of a part of the benefit to a former spouse for family maintenance would be made de facto without the participant having to request it. That decision would be fully in line with the Secretary-General's circular on family responsibilities for members of the Secretariat.

62. Her delegation noted that the Government of the Russian Federation was preparing a legal instrument that would provide for an additional monthly benefit to assist former participants in the Fund who were nationals of the Russian Federation. She sincerely hoped that the competent Russian authorities would act expeditiously on a communication dated 31 October 2000 which the CEO/Secretary of the Fund had sent to the Deputy Prime Minister of the Russian Federation. Her delegation maintained the position that the Fund had consistently acted in a legal manner and in accordance with the written wishes of the participants, and it hoped that the difficult period for those participants would come to an end.

63. In conclusion, her delegation supported the proposed amendment to article 6 of the Regulations whereby the mandate of the members of the Board representing the General Assembly would be extended to four years. She also drew attention to the contribution of the Fund's secretariat for suggesting improvements to the Fund's operations, as set out in paragraphs 124 and 125 of the report (A/55/9).

64. **Mr. Li** Taizhang (China) paid tribute to the work carried out by the International Civil Service Commission. Commenting particularly on certain questions referred to in the report, he said that his delegation noted the method that had been followed in establishing the Framework for Human Resources Management (paras. 14, 17 and 19 of the report). His delegation had already expressed support for the development of an integrated framework for human resources management and, in particular, of a human resources information system. The integrated Framework should not only lead to the improvement of the common system but also act as a bridge between the United Nations and other organizations in carrying out reform. It should also enable human resources, the most valuable asset of the United Nations system, to be managed effectively and should serve as the reference point for future reforms. His delegation hoped that those last two goals would be attained swiftly.

65. A transparent, simplified, more flexible and more competitive pay and benefits system should be established as soon as possible. He noted that the Commission was aware of the shortcomings of the current system, which was characterized by lifetime appointments. Reward for skills, performance and responsibility on the basis of fair competition should be the main criterion in order to motivate staff members and encourage them to excel. He hoped that the Commission would submit as soon as possible to the General Assembly a report on the comprehensive

review of the current system, as well as recommendations for the establishment of a new pay and benefits system.

66. The common system needed to be improved and strengthened to enable the organizations applying it to meet the challenges facing them. The aim should be to improve the quality of staff members' work, enhance their management capability and strengthen multidisciplinary skills. The ability to attract and retain quality staff would be a key factor. The Commission would in future play a greater role in the reform of the common system while endeavouring to preserve cohesiveness. It therefore needed to improve its administrative capacity in order to adapt to different circumstances.

67. **Mr. Lozinski** (Russian Federation) said that his delegation was gratified that the actuarial situation of the Fund continued to improve, with an actuarial surplus of 4.25 per cent of pensionable remuneration. His delegation, like the Advisory Committee, agreed with the Investments Committee's policy of caution and also agreed with the Advisory Committee that the evolution of the actuarial valuation should continue to be closely monitored (A/55/481, para. 6). If the current trend continued for some time, consideration could be given to increasing benefits and, above all, to reducing the contributions of Member States, as suggested in resolution 53/210.

68. The Investments Committee had followed a judicious investment policy, since the market value of its assets had increased by almost 30 per cent in two years. Those results confirmed that it had been correct to focus on the long term, to continue the diversification policy and to apply the criteria of security, profitability, liquidity and convertibility.

69. He would like to know why the Fund's Investment Control and Accounting System (INCAS) was still suspended, what were the effects on the activities of the Investment Management Service and what measures were being taken to ensure that such a situation did not arise again. He also agreed with the Board of Auditors that it was desirable to strengthen links between the Fund's accounting system and the Integrated Management Information System (IMIS) of the United Nations. His delegation supported the introduction in two phases of a system for data exchanges between the Fund and its member organizations.

70. As for the pension rights of former participants in the Fund who were nationals of the Russian Federation, his Government considered that the draft agreement between it and the United Nations Joint Staff Pension Board could not be adopted owing to the economic situation in the country and the need to give priority to more vulnerable social groups. His Government had, however, prepared draft legislation which would provide for the payment to those former officials of additional monthly benefits independently of any other income they might receive in the Russian Federation and taking into account their length of service and the amount of the funds transferred by the Fund to the social security system in the former Union of Soviet Socialist Republics. The issue would be resolved in the near future, taking into account as much as possible the interests of the former officials.

71. **Ms. Achouri** (Tunisia) said that she had strong reservations regarding the remark by the representative of FICSA, who had said that the Federation noted that the previous year's discussion had given rise to personal attacks. Her delegation had always considered that the views of staff representatives were an invaluable contribution to the work of policy-making bodies. However, her delegation might have to review that approach, because it was not for staff representatives to make value judgements regarding the way in which intergovernmental bodies conducted their work.

The meeting rose at 12.45 p.m.