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Chair: Mr. Bhattarai .... (Nepal)

later: Mr. Abdallah (Vice-Chair) .... (Chad)

Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

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15-19641 (E)

The meeting was called to order at 10.15 a.m.

Agenda item 141: United Nations common system (A/70/7/Add.4 and A/70/30; A/C.5/70/3)

1. **Mr. Rhodes** (Chair of the International Civil Service Commission), introducing the report of the International Civil Service Commission (ICSC) for 2015 (A/70/30), said that the report was the product of three years of intensive work by the Commission, in cooperation with its interlocutors, to conduct a comprehensive review of the United Nations common system compensation package; the report contained final recommendations as well as an estimate of the related financial implications. The increasing diversity of missions, breadth of mandates, size of staff populations and numbers of common system organizations, which had to contend with increasingly overextended budgets, meant that the Commission was confronted with unprecedented challenges in its efforts to develop a unified international civil service through the application of common personnel standards, methods and arrangements. As it strove to address competing needs and expectations, the Commission nonetheless remained focused on its central task of recommending policies to enable effective implementation of mandates, while motivating staff to perform their critical role through monetary and non-monetary incentives.

2. Part one of the report covered operational aspects of the Commission's work in accordance with its statute. In its resolution 69/251, the General Assembly had decided to increase the mandatory age of separation to 65 years for staff recruited before 1 January 2014. Pursuant to that resolution, the Commission recommended that the increase should be implemented at latest by 1 January 2017.

3. The margin between the net remuneration of United Nations staff in the Professional and higher categories and that of United States federal civil service employees stood at 117.2 both for 2015 and for the five-year average 2011-2015. An increase of 1 per cent in the comparator service's base salary scale had come into effect on 1 January 2015, and tax changes aimed at reducing the tax burden had been introduced in the Federal District of Columbia. To reflect the impact of those changes, the Commission recommended that the base/floor salary scale should be adjusted upwards by 1.08 per cent and that post adjustment should be reduced by the same amount, in accordance with the no gain/no loss method. The Commission was making changes in the post adjustment system with a view to improving the predictability of salary adjustments and contributing to cost containment in the short- and long-term. In addition, surveys of best prevailing conditions of employment had been carried out at three headquarters duty stations, and the resulting recommended salary scales had been reported to the executive heads of the relevant organizations. The Commission recommended maintaining the related dependency allowances at all three duty stations pending the outcome of the Assembly's decision on the comprehensive review.

4. Part two of the report outlined the review of the common system compensation package. In accordance with the guidance provided by the General Assembly in its resolution 68/253, the Commission had conducted a holistic review of remuneration elements — both pay and non-pay — to study the comparability of the proposed package, benchmarking it against the comparator, and had solicited feedback from executive heads and staff of common system organizations. Executive heads had identified the need to address the issues of scale compression and the number of steps in particular grades, in addition to calling for simplification and regrouping of allowances and a closer link between salary and performance. Respondents to the global staff survey conducted in 2013 had similarly identified the need to strengthen the link. The survey had also found that staff joined common system organizations primarily on account of their belief in the goals and objectives of the organizations as well as the challenging work that they offered, and that salary was not among the top five reasons for joining.

5. In conducting the review, the Commission had identified a number of problems with the existing compensation system, including inconsistent pay ranges, an elusive or unclear market reference point and overlapping benefits. Issues identified in connection with scale compression included smaller than warranted salary differences between the P-1 and D-2 levels; narrow grade spans at higher grades; an excessive emphasis on seniority rather than performance as the basis for determining salary; and the use of a dual salary scale differentiated on the basis of dependency status, a major anomaly. In designing the revised compensation system, the Commission had sought to propose a competitive, fair and simplified

compensation package that was cohesive and easy to administer, was premised on cost containment, and would be sustainable while allowing flexibility to address the specific needs of organizations. The recommended compensation package — the product of robust negotiations and compromise — reflected four major changes: a simplified salary scale; a recognition of dependants reflecting modern practice; a simplified education grant scheme; and a more fit-for-purpose field package. The goal had been to comply with the desiderata of effectiveness, fairness, competitiveness and cost.

6. Under the proposed compensation system, the existing dual salary scale would be replaced by a uniform scale applicable to all staff regardless of family circumstances, with a view to reinforcing the link between salary and work performed. Under the new scale, the eligibility criteria for dependency status would be modified and recognition of dependants would be streamlined. Specifically, given the importance of continuing to recognize dependent spouses, and in line with the associated tax benefit available to the comparator service, a dependent spouse allowance at the level of 6 per cent of net remuneration would be established. However, as the Commission had not intended that the dependency rate should apply to staff with non-dependent spouses when it had initially proposed the dual scale, it now sought to address the inconsistencies that had arisen under the existing system.

7. Thus, under the proposed system, staff members with non-dependent spouses who were receiving the dependency rate of salary under the existing compensation system in respect of a first dependent child would only receive a child allowance. Staff with non-dependent spouses and single parents, whose net remuneration would be reduced on conversion to the unified salary scale, would receive a transitional allowance. While the Commission had considered the establishment of a special allowance for single parents under the proposed system, it had concluded that the rationale for such an allowance was outweighed by its administrative complexity, and that its selective nature was at variance with the need for a consistent approach to dependency-related elements. Furthermore, by providing for differential treatment of staff members with children, any such allowance would be at odds with the principle of equal treatment irrespective of family status. Determining single parent status would likewise present challenges in view of the diversity of family situations and burden-sharing arrangements for child-related expenses. Lastly, the fact that the proposed compensation package would include a child allowance, an education grant and related travel provisions, as well as an increased hardship allowance for single parents, provided further justification for the Commission's recommendation against a special allowance.

8. The proposed scale reflected more uniform step periodicity, with 13 steps for grades P-1 through D-1 and 10 steps at the D-2 level. The report also included proposals for aligning the step periodicity of the existing scale more closely with that of the comparator service and for ensuring that step increments allowed for recognition of performance, particularly exceptional performance. The savings that would accrue from those changes would be used to fund a performance incentive scheme, including cash awards for exceptional performance, and a recruitment incentive scheme, where needed. In addition, as a result of the conversion to the single scale, revision would be needed of the pensionable remuneration scale, staff assessment rates, net remuneration margin methodology, separation payments and death and repatriation grants.

9. The design of the education grant would be simplified under the new system. The reimbursement mechanism for the existing education grant, based on a system of 15 currency/country zones, would be replaced by a sliding scale consisting of seven brackets applicable to all locations. In addition, admissible expenses would be limited to tuition and enrolment-related fees, while boarding expenses would be reimbursed only in cases where sending children to schools outside a staff member's duty station was determined to be necessary.

10. The Commission recommended a number of changes aimed at simplifying and making the field package more fit for purpose, while taking into account the principle of acquired rights and providing for transitional measures to protect staff from sudden and arbitrary losses. Revised flat hardship allowance amounts, differentiated by classification of duty station and staff grade, as well as increased allowances for staff with no dependants, were proposed. In addition, the new payment scheme for the allowance for staff serving in non-family duty stations would be differentiated by family status rather than by grade. The revised mobility incentive scheme was designed to

encourage movement of staff to field duty stations. Mobility incentives would be differentiated by grade only; staff serving at category H duty stations would no longer be eligible for such incentives, and payments based on the past number of geographical moves would be discontinued. Lastly, accelerated home leave travel for staff serving in category C, D and E duty stations would be discontinued, in view of the overlap between that entitlement and the rest and recuperation travel entitlement.

11. Particular attention had been paid to ensuring that the revised compensation package provided adequate support for staff working in the most difficult field duty stations. To that end, no changes had been made to the rest and recuperation framework, which was viewed as an essential part of a broader package of measures crucial to the effective delivery of programmes in difficult and dangerous locations; the danger pay component of the field package also remained unchanged.

12. A streamlined relocation package, to include relocation travel, relocation shipment and a settling-in grant, was designed to be more fit for purpose and to reflect real costs. In an effort to ensure the comparability of the total compensation package under the Noblemaire principle, the Commission had requested an external expert to conduct a comparative review of the total rewards packages offered by the United Nations common system and the United States federal civil service, so as to establish a framework for strategies to attract, motivate and retain staff. The expert review had focused on compensation, benefits and allowances, performance and recognition, work-life balance, and career development opportunities, while taking into account the fact that staff recognized the value of the entire package as being greater than the sum of its individual parts. In keeping with the findings of a study conducted by the United States Government Accountability Office in 2014, the components of the total rewards packages of the United Nations and the comparator service had been determined largely comparable. The Commission nevertheless emphasized the need for organizations to focus greater attention on non-monetary incentives.

13. The proposed revisions should not be considered as an end in themselves, but, rather, as a means of achieving a more streamlined, cohesive system that would allow organizations to continue to attract and retain high-quality staff at a price that was both cost-effective and competitive. To that end, the Commission had proposed a compensation package that was modern and fit for purpose, featuring a unified salary scale in lieu of an anachronistic model that no longer reflected the profile of the Organization's staff.

14. **Ms. Bartsiotas** (Controller), introducing the statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly on the administrative and financial implications of the decisions and recommendations contained in the report of ICSC for the year 2015 (A/C.5/70/3), said that the proposed compensation package, once fully implemented, would result in a net reduction of $113.2 million per year for the United Nations common system as a whole. Based on headcount, the share of the United Nations Secretariat would amount to approximately $19.6 million per year.

15. However, as the revised package could not be fully implemented until after the transitional measures for existing staff proposed by ICSC had been phased out and the necessary amendments to staff rules and regulations and modifications in the enterprise resource planning software had been made, the financial impact of the revised package on the proposed programme budget for the biennium 2016-2017 amounted to a net reduction of approximately $1.1 million. In addition, the implementation of the recommended salary scales for the five categories of locally recruited staff in New York would not have immediate financial implications as they would apply only to new staff, with a freeze of the salary scales for existing staff in those categories. Nonetheless, there would be impact on the proposed programme budget for the biennium 2016-2017, amounting to an estimated reduction of $16 million. Although the current proposed programme budget included a recosting element of 2.3 per cent per year for salaries of locally recruited staff in New York to cover projected inflation during the biennium 2016-2017, that recosting would not materialize in the event of a freeze. Lastly, the financial implications of the proposed adjustment to the base/floor salary scale for Professional and higher categories for the biennium 2016-2017 were estimated at an increase of $232,100. The resulting overall net reduction of $16.8 million would be applied to the revised estimates for 2016-2017.

16. The impact of the recommended revision to the mandatory age of separation for staff recruited before 1 January 2014 could not as yet be determined.

However, the revision would have an impact on the implementation of the proposed programme budget for 2016-2017, as the estimates reflected proposals for the abolition or freezing of vacant posts, including as a result of retirements. Thus, to the extent that the proposed programme budget was approved by the General Assembly, programme managers would need to identify alternative measures to maintain the proposed budget level.

17. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/70/7/Add.4), said that the Advisory Committee took note of the financial implications of the ICSC recommendations and the information provided by the Secretary-General in his statement (A/C.5/70/3) relating to the mandatory age of separation, the common system compensation package, the base/floor salary scale, and the survey of best prevailing conditions of employment for the General Service and related categories. As the revised estimates for 2016-2017 to reflect changes in exchange rates and inflation should not anticipate the General Assembly's decision on the ICSC recommendations, the related financial implications should not be reflected in the estimates. Should the General Assembly approve the ICSC recommendations, the Secretary-General should update the General Assembly on the related financial implications prior to the Assembly's decision on the proposed programme budget for the biennium.

18. **The Chair**, in accordance with General Assembly resolution 35/213, invited a representative of the Federation of International Civil Servants' Associations (FICSA) to make a statement. He also invited a representative of the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA) to make a statement. Lastly, he invited a representative of the United Nations International Civil Servants' Federation (UNISERV) to make a statement.

19. **Mr. El-Tabari** (Federation of International Civil Servants' Associations) said that, in participating in the comprehensive review, the key goals of FICSA and its fellow staff federations had been to share their views on how a modernized compensation package could strengthen the Organization and support a diverse and highly qualified workforce; and to ensure that the interests of serving staff were safeguarded, while helping common system organizations to avoid costly and unnecessary litigation, including on issues relating to acquired rights. Staff representatives had approached the review in a constructive spirit, representing as it did a critical opportunity to modernize the Organization's conditions of service and to strengthen its capacity to attract and retain the talent that would allow it to support countries in their efforts to respond to emerging challenges under the core pillars of the Charter: security, development and human rights.

20. FICSA underscored the importance of protecting the independence of ICSC, which provided critical guidance for Member States in their efforts to ensure the long-term success of common system organizations. The support expressed by some executive heads for exerting political pressure on ICSC and for using the review as a cost-cutting exercise undermined the role of the Commission. In view of increasing competition among international employers for staff meeting the highest standards of efficiency, competence, and integrity, a competitive compensation package was essential to attract a workforce capable of delivering on the Organization's Charter and advancing solutions to the world's most daunting challenges. Suggestions that a second-tier workforce would be adequate to fulfil the Organization's objectives should not be entertained, as they ran counter to Article 101 of the Charter and imperilled the future success of the Organization.

21. It was regrettable that, although one of the key aims of the review had been to improve the compensation package, the proposed package risked weakening the United Nations and its workforce. Adoption of the package as framed would lead to a reduction in skill levels and expertise and hamper recruitment to hardship locations. Implementation of the proposals would also mean missing an opportunity to advance gender equality and diversity in the workforce and would undermine the Organization's role as a leader in providing family-friendly conditions of service at a time when global employers were increasingly expected to offer conditions allowing for a balance between professional and family obligations. The package would have a negative impact on staff health, well-being and performance in difficult locations, as noted by the United Nations Medical Directors Working Group. It would also undermine staff retention, leading to additional costs as a result of increased turnover. Lastly, it would reduce the

Organization's capacity to address such imperatives as climate change and the Sustainable Development Goals, and represented worse value for money.

22. The ICSC recommendations were the outcome of a negotiation process that had focused excessively on cutting costs at the expense of a more purposeful analysis of the reforms needed to ensure competitiveness and streamline the administration of benefits and allowances. Excessive attention had been paid to relatively minor details at the expense of broader objectives, and the result was a retrograde compensation package. FICSA urged Member States to recommend the resubmission of the ICSC proposals for further review by all parties to ensure that they contributed to the Organization's fitness for purpose, competitiveness and fairness, while fostering staff motivation and ensuring support for staff in the most difficult duty stations. In particular, Member States should support maintaining accelerated home leave for international staff in hardship settings, hardship allowances and mobility incentives. They should also advocate for an equitable approach to salary step increments and reject the discriminatory treatment of single parents that would result from adoption of the package. Should the proposed package undergo further review, FICSA would welcome the opportunity to participate, together with other staff representatives, in informal consultations with a view to strengthening the effectiveness of the proposals.

23. Regarding specific elements of the revised package, he sought clarification concerning the intention of the General Assembly when it had requested ICSC, in its resolution 68/253, not to increase allowances until the comprehensive review decided on in General Assembly resolution 67/257 had been submitted to the Assembly for its consideration. Subsequent interpretations by ICSC of those resolutions had resulted in a freeze on the allowances of General Service staff while the review was under way, a decision that FICSA believed to be contrary to the intention of Member States. FICSA likewise understood that, as the draft package had been submitted for consideration by the General Assembly, the freeze could now be lifted.

24. FICSA strongly disagreed with the choice of employers and assumptions on which the survey of best prevailing conditions of employment in New York had been based, and underscored the need to adhere to established survey methodologies. The recommended reduction of 5.8 per cent in the salaries of locally recruited staff in New York was the result of procedural missteps and was unrealistic, given the trend in the cost of living in New York. In view of its potentially adverse effects on recruitment and the morale of current staff in New York, implementation of that recommendation should be postponed until a new survey had been conducted.

25. FICSA supported the proposed implementation date for the increase in the mandatory age of separation, noting that no organization had presented a compelling argument to justify further postponement; the existing system of three distinct mandatory ages of separation was discriminatory. The availability of an option to continue service up to age 65 was in the interests of organizations and staff alike; staff who chose that option would contribute for a longer period to and defer receipt of a benefit from the United Nations Joint Staff Pension Fund, while it enabled experienced and committed individuals to continue contributing to the Organization, thereby strengthening organizational capacity and institutional memory. As the increase in the mandatory age of separation had been under discussion since 2009, he urged the Fifth Committee to take a decision on the matter at the current session.

26. While FICSA was encouraged by the constructive staff-management relations in a number of its member associations and unions, the deterioration of those relations in a number of organizations, including the World Intellectual Property Organization (WIPO), the Universal Postal Union (UPU) and the Food and Agriculture Organization of the United Nations (FAO), was a matter of concern. In that connection, FICSA had called for the prompt reinstatement of the former president of the WIPO staff association, who had been unfairly dismissed for exercising the rights to freedom of speech and association and for bringing to light allegations against the Director General of WIPO. The case had been the subject of communications from two Special Rapporteurs appointed by the Human Rights Council and was currently before the WIPO Appeal Board. FICSA hoped that a just decision would be reached and emphasized the need to hold the Director General accountable for his actions. FICSA was similarly concerned at attempts by UPU management to interfere with the freedom of its staff association to conduct its activities and to regulate the conduct of its members. He urged the Fifth Committee to request the

Director General of UPU to refrain from interference, which was at odds with the established jurisprudence of the administrative tribunals of international organizations. Lastly, FICSA thanked Member States that had supported an enabling environment for constructive staff-management relations and a policy of zero tolerance of abuse of authority and of other violations of established principles of international administrative law. He called for the continued support of the Fifth Committee in that regard, including for efforts to address violations in a timely manner.

27. During the Ebola outbreak, FICSA had echoed the calls of local staff involved in relief efforts in Guinea, Liberia and Sierra Leone for strengthened occupational health and safety measures and support for front-line workers. FICSA was pleased that prevention information and supplies had been made available in United Nations offices, and particularly commended the provision of special transportation services for local staff to protect them from the risk of heightened exposure to the virus posed by the use of public transportation.

28. FICSA was concerned by the increase in the use of non-staff contracts for the delivery of core functions. The non-staff workforce constituted over 45 per cent of the total workforce of common system organizations and accounted for as much as 70 per cent of the workforce in certain organizations. Non-staff personnel could work for many years on short-term contracts, often without receiving social benefits, including health insurance. While the use of such contracts provided short-term budgetary relief, it could have a devastating impact on organizational climates, particularly when staff and non-staff personnel performed critical functions under substantially different conditions of service. Young recruits, who accounted for a significant portion of non-staff personnel, often became disillusioned and left their organization as a result of unfair treatment. FICSA was also concerned by the increased use of private security services, a trend that appeared to be driven more by cost-containment imperatives than a commitment to delivering optimal security. United Nations entities had a legal and moral obligation to be guided by international labour standards, including International Labour Organization Recommendation No. 198 (2006) concerning the employment relationship. He commended those organizations that had distinguished employees from independent contractors by addressing overuse of non-staff contracts.

29. Despite the increasing global demand for a broad range of United Nations services, organizations had been repeatedly requested to do more with less. As underscored by the High-level Committee on Management, a cadre of stable, truly international civil servants was required to respond to those demands. An undisciplined and unprincipled search for the lowest possible human resources price tag would compromise the Organization's ability to deliver its mandates and undermine the essence of the international civil service. An efficient, independent and diverse workforce in accordance with Articles 100 and 101 of the Charter was more crucial than ever.

30. **Mr. Richards** (Coordinating Committee for International Staff Unions and Associations of the United Nations System) said that the staff represented by CCISUA demonstrated the highest levels of commitment in delivering humanitarian aid and emergency assistance to millions worldwide. Motivated by the conviction that their work saved lives, many staff put their own lives at risk to support populations in the Syrian Arab Republic, Afghanistan, South Sudan, Iraq and other crisis zones, work that had resulted in death and injury for more than 600 workers since 2000. In that context, the development of a sustainable strategy to motivate existing staff and attract new talent presented a critical challenge for the United Nations.

31. Contrary to the objectives of the comprehensive review, the proposed compensation package did not reflect a holistic examination of remuneration elements aimed at strengthening mandate delivery. The proposals would have a number of unintended consequences that undermined the broader goals of the Organization. In particular, as underscored by the Secretary-General and several executive heads, the package would undermine the Organization's aims of increasing the representation of women in senior roles and of promoting staff mobility, health and well-being, particularly mental health. The proposed system risked damaging the living standards, working conditions and family lives of thousands of staff working in dangerous locations and those that supported them. In the medium-term, it would degrade the skills and experience available to the Organization and progressively undermine the effectiveness of its humanitarian aid and emergency assistance

programmes. The Head Programme Officer for the operations of the World Food Programme (WFP) in the Syrian Arab Republic had emphasized the particular risks that the proposed measures posed to the motivation and morale of staff working in dangerous locations. While staff retention under those circumstances already posed a challenge, the stress caused by dangerous working conditions was often compounded by a perceived lack of support from colleagues and the Organization itself.

32. Compensation was the ultimate reflection of an organization's appreciation of its staff. It was regrettable that, under the proposed package, staff who had experienced a three-year salary freeze would face real cuts in salary and allowances. The proposed reductions in net remuneration would affect certain staff disproportionately, while the putative gains, chiefly applicable to single staff with no dependants, would be offset by the proposed revisions to step periodicity. It was of particular concern that the salary cuts resulting from the redefinition of dependency status, which in some cases would exceed 3 per cent, would disproportionately affect single parents, most of whom were women. The proposed discontinuance of accelerated home leave would prevent staff from returning home on an annual basis for medical check-ups and to purchase staples that were difficult to obtain in field locations. Moreover, the reduction in mobility incentives for the most mobile staff was at odds with the policy of managed reassignment being implemented by the Secretary-General and executive heads.

33. Given that many staff joined the Organization at the P-2 or P-3 levels and benefited from few promotions, the granting of step increments was an important performance incentive. The ICSC recommendation that within-grade step increments should be granted on a biennial basis only after step VII would undermine the link between pay and performance. Taking into account expatriation elements, the net remuneration of United Nations staff in the Professional and higher categories was approximately 2 per cent higher than that of staff in comparable positions in the comparator service, owing to increases in the cost of living in New York; indeed, the United States Government Accountability Office had found salaries and allowances to be broadly comparable under the two schemes. Yet a salary freeze had been implemented until the margin midpoint was reached.

34. Staff associations stood ready to work with senior management to reassess the ICSC proposals with a view to mitigating their negative impact on staff, agencies and the United Nations human resources strategy. As a minimum, efforts should be made to ensure that the revised package did not result in worsened conditions for staff and their families.

35. It was regrettable that some of the most experienced and productive United Nations staff were still required to retire at 60 or 62, unlike in the comparator service, which had no mandatory retirement age. CCISUA supported the proposed implementation date for the increase in the mandatory age of separation, a measure endorsed by the Secretary-General. Agencies that claimed that implementation of the increase would affect workforce planning had had adequate time to take the change into consideration. If organizations were concerned about the impact on workforce planning, staff should simply be asked to state well in advance whether they wished to retire at 65. In that connection, the practice of retaining staff beyond their retirement dates and the fact that 71 per cent of retirees had been rehired at United Nations organizations between 2006 and 2012 reflected a lack of workforce planning. Lastly, CCISUA regretted the recommended reduction in the salaries of locally recruited staff in New York and emphasized the need to revise the survey methodology. As staff were the heart and soul of the Organization, their perspective should be given due consideration in efforts to make the ICSC proposals fit for purpose.

36. **Mr. Samaras** (United Nations International Civil Servants' Federation) said that, as the compensation packages offered by the United Nations and the United States federal civil service had been determined by the United States Government Accountability Office to be broadly comparable, no revision of the existing compensation package was strictly necessary. UNISERV nonetheless recognized that, although potentially unpopular among staff, measures must be taken to realize savings in the light of the economic downturn affecting many Member States. As the staff represented by UNISERV worked primarily in field locations, it was of particular concern that the revisions to the compensation package disproportionately affected staff who served on the front line in peacekeeping and

humanitarian missions, especially in category C and E duty stations.

37. The mental and physical health of staff working under hardship conditions must be prioritized. The discontinuance of accelerated home leave would exacerbate the hardship experienced by staff separated from their loved ones, contribute to the already high percentage of family break-ups, and lead to situations in which staff members were unable to perform their official functions. It should be noted that the rest and recuperation entitlement was not provided in all missions and that staff working in field locations were not necessarily accompanied by family members. The current system for recognition of mobility should not be replaced by one that did not compensate for the number of relocations undertaken. As determination of single parent status was based on multiple factors, single parents were more vulnerable. The proposed reduction in net remuneration for single parents bordered on discrimination, and the proposed salary cuts for staff members with families who were currently in receipt of the dependency rate were likewise a matter of concern.

38. The provisions governing the education grant had consistently been guided by the principle of equality. Its existing structure afforded staff flexibility in selecting a suitable school for their children, in recognition of the difficult choices faced by staff serving in field locations. The proposed revisions to the grant should be submitted for further review by the ICSC in view of the potential ramifications.

39. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, reaffirmed the independence of ICSC and its role in developing and applying common conditions of service, as well as upholding the principle of equal treatment of staff serving across the United Nations common system. The work of ICSC was particularly crucial in ensuring system-wide implementation of the framework for contractual arrangements set forth in General Assembly resolution 63/250.

40. The common system compensation package should be designed with a view to ensuring that the contributions of all staff were recognized. In particular, he stressed the importance of the contributions of staff serving in hardship posts and of the support provided by their families. The Group had reviewed the ICSC recommendations in order to ensure that they did not undermine the implementation of mandates, the ability of the Organization to attract the best and brightest international staff, and staff morale. The Group would also work to ensure that any revisions to the existing system were consistent with the Noblemaire principle.

41. Cognizant of the important role of staff unions, the Group had taken into account many of their concerns, including with respect to dependency benefits for single parents, an issue that it planned to raise in informal consultations. The Group was concerned about the insufficient progress made by common system organizations in achieving gender balance, particularly at the D-1 level and above, and supported the ICSC recommendations aimed at improving the representation of women. Greater efforts should be made to recruit women from developing countries and to implement recruitment policies aimed at promoting diversity in the common system.

42. **Mr. Kisoka** (United Republic of Tanzania), speaking on behalf of the Group of African States, said that the Group attached great importance to the welfare of United Nations staff throughout the world and was currently examining the ICSC recommendations and their implications for staff and common system organizations. The Group's contributions in informal consultations would focus on the need to improve the existing package.

43. **Mr. Presutti** (Observer for the European Union), speaking also on behalf of the candidate countries Albania, Montenegro, Serbia, the former Yugoslav Republic of Macedonia and Turkey; the stabilization and association process country Bosnia and Herzegovina; and, in addition, Armenia, Georgia and Ukraine, said that, as staff were the Organization's primary asset, priority must be given to attracting the best people and ensuring that they were able to deliver mandates and adapt to emerging challenges under the core pillars of the United Nations. The European Union remained committed to providing staff with appropriate support that would enable them to work effectively and safely, especially in dangerous conditions. At the same time, as staff-related costs accounted for the largest portion of the United Nations budget, staff could not remain insulated from the economic difficulties currently affecting Member States.

44. A comprehensive review of the common system compensation package was long overdue. The existing package posed a threat to budget sustainability for a

number of organizations, and eight organizations had officially requested ICSC to proceed with in-depth reforms. The current session represented a unique opportunity to modernize the compensation package, which should reflect the attributes identified by ICSC in its report for 2013 (A/68/30): support for the delivery of mandates; cohesion with sufficient flexibility to meet the specific needs of organizations; sustainability and cost containment; inclusion of all categories of personnel; and immediate applicability while respecting acquired rights. The resulting system must be fair, transparent, simple in design, easy to administer, and reward excellence while managing underperformance. The Committee now had an opportunity to agree on a compensation package that was appropriate to the twenty-first century.

45. While his delegation welcomed the ICSC recommendations, a more ambitious reassessment of traditional approaches to the compensation package could have been undertaken. In particular, the proposals on performance management were incomplete, and failed to address underperformance; the education grant remained generous in comparison with those offered by other international organizations and national diplomatic services; and the issues of continuing to reward past geographical moves and of automatic annual step increases had not been adequately taken into account. The European Union nevertheless recognized that the revised package represented a balanced and constructive compromise reflecting the concerns of all stakeholders. He noted that the ICSC proposals had been agreed on unanimously, and endorsed by the United Nations System Chief Executives Board for Coordination.

46. His delegation would examine a number of other issues relating to the compensation package, including the mandatory age of separation, the margin management methodology, and the conditions of service of General Service and other locally recruited staff. While the European Union respected the proposal to increase the mandatory age of separation, a decision on the implementation date would need to take into account the impact on budgets and workforce planning in the Secretariat as well as on the United Nations Joint Staff Pension Fund.

47. **Mr. Dettling** (Switzerland), speaking also on behalf of Liechtenstein, said that mandate delivery depended on the skills and motivation of the staff — the Organization's most valuable asset. An effective compensation system must strike a balance between ensuring implementation of mandates and guaranteeing efficient utilization of resources, while taking into account the need to attract and retain the right people in a competitive market.

48. Member States would consider the proposed compensation package on the basis of the comprehensive criteria outlined in the report of ICSC for 2013 (A/68/30). In particular, the two delegations were interested in performance management and staff mobility and would seek a better understanding of how good performance would be incentivized and underperformance managed under the new system and how demands for a more mobile workforce, especially between headquarters offices and the field and among common system organizations, would be met. They would also seek further information on the proposed recruitment incentive scheme to assist organizations in recruiting experts in highly specialized fields where there were few suitable candidates.

49. **Ms. Coleman** (United States of America) said that the existing compensation package was characterized by overlapping and redundant allowances, an outdated emphasis on family status rather than performance, and a complicated system of administration. Rising staff costs over the past decade had created a crisis throughout the 24 organizations of the United Nations common system: budgets were being squeezed, mandates endangered, and posts left vacant. To date, eight organizations had asked the General Assembly and ICSC to consider the need for greater vigilance with regard to increases in staff costs in the context of the comprehensive review.

50. Although ICSC had achieved its core objective of designing a package that was simpler, more modern and cost-effective, its proposals could have been considerably more ambitious. While the proposed field package was more streamlined, the mobility allowance — an unnecessary incentive for international Professional staff who, by definition, must be mobile — had been left intact. Other elements, such as the education grant, had also remained virtually unchanged. Similarly, although the proposed system featured a stronger link between salary and performance, it was regrettable that step increments would be granted on a biennial basis only after step VII rather than from step I on.

51. A number of the policy arguments and data that had been used to critique the proposed package were unconvincing and occasionally misleading. For example, evidence that the new field package would adversely affect field work, or that proposed salary increases under the new scale unjustly enriched Director-level staff in comparison with Professional-level staff, appeared to be far outweighed by the evidence in favour of such measured and necessary reforms. Her delegation would nevertheless continue to examine the merits of such critiques.

52. The General Assembly relied upon ICSC to make technical recommendations that took into account the needs of staff and organizations. Notwithstanding stakeholders' differing views on the extent of the modifications needed, change must start somewhere, and the proposed package represented a useful starting point for the reform process and should be adopted in its current format, bearing in mind that further improvements could be made over time and that robust transitional measures would be implemented to minimize risks. Reopening negotiations on the package would give rise to unintended consequences and undermine the holistic nature of the review, while delaying a decision beyond the current session would postpone the provision of necessary financial relief to many organizations and prevent them from capitalizing on an improved package that would allow them to attract and retain the talent needed to implement critical mandates.

53. While her delegation supported the proposed implementation date for the increase in the mandatory age of separation, it remained concerned about the financial implications, the effect on workforce planning, and the feasibility of applying it across the system within a compressed time frame. The review of the compensation system was critical in view of the vital contribution of staff, including personnel serving in challenging environments, to the success of common system organizations.

54. **Ms. Lee** Eun Joo (Republic of Korea) welcomed the ICSC recommendations as contributing to the creation of a simpler, more modern, transparent and cost-effective common system compensation package in consonance with the provisions of the Charter. The unified salary scale and streamlined allowances and benefits, based on performance rather than dependency status, were significant strengths of the revised package. However, scope remained for improving the robustness and relevance of the package, particularly the proposed performance management scheme, which did not adequately address the issue of underperformance. Areas of concern to the United Nations System Chief Executives Board for Coordination and staff representatives required careful evaluation. The proposed package represented a meaningful step forward; action should therefore be taken on the ICSC proposals at the current session given the risks of deferring a decision.

55. **Mr. Fukuda** (Japan) said that his delegation supported the goal of the common system: to ensure the efficiency and effectiveness of the conditions of service of staff in all participating organizations. The system should be transparent, fair, simple and sustainable to ensure optimal motivation and confidence on the part of staff, the Organization's greatest asset.

56. Although the proposed reforms could have been more ambitious, he welcomed the new package, which balanced stakeholders' concerns and had been agreed upon unanimously by ICSC. The performance-based, unified salary scale and streamlined allowances represented significant improvements over the current package.

57. He noted with interest the results of the global staff surveys conducted by ICSC, particularly the finding that money was not the main motivating factor for attracting and retaining staff. In that regard, he emphasized the importance of work-life balance and of career development as means of promoting diversity in the workforce of common system organizations. However, his delegation noted with concern that implementation of the increase in the mandatory age of separation would have a negative impact on the proposed programme budget for 2016-2017 and on gender parity, diversity and rejuvenation programmes. He expressed support for ICSC and trusted that it would continue to guide common system organizations toward more coherent and effective management.

58. **Mr. Oussihamou** (Morocco), commending ICSC on its work in regulating and coordinating conditions of service in the United Nations common system, said that his delegation was greatly concerned by the negative consequences of a number of its recommendations for staff members and their families. Under the proposed salary scale senior staff would receive significant increases of thousands of dollars a

year, while the majority of staff, including single parents and married staff with dependent children, would face harsh reductions, and more junior staff would progress through step increments at a slower rate.

59. In addition, the proposed global sliding scale for reimbursement of education-related expenses would result in significant reductions in the total admissible expenses eligible for reimbursement. As no transitional measures would be implemented to mitigate the impact of those reductions, families' lives would be disrupted as they were forced to find alternate schooling and living arrangements to offset the additional financial burden.

60. Those challenges would be compounded by the proposed elimination of 41 items from the list of admissible expenses. The adoption of such unfair and disproportionate measures was at odds with the principles of equity, gender balance and equitable geographic representation and risked undermining the credibility and image of the Organization. Particularly after the ongoing salary freeze, implementation of the measures would amount to discrimination against, and therefore undermine the retention of, some of the most experienced staff, resulting in a significant loss of knowledge and skills.

61. In addition, staff from developing countries who, unlike their colleagues from developed countries, received no financial support from their Governments and often worked in the field under dangerous conditions, had to contend with an administrative and managerial framework that was fraught with inconsistences, exposing them to unfair and arbitrary practices and making them susceptible to corruption to the detriment of the aims of the Organization.

62. The aim of most of the ICSC recommendations was unclear, reflecting an apparent lack of consensus within ICSC. With the exception of cost containment, he failed to understand how the proposed benefits and allowances, which might ultimately prove unworkable — and, indeed, costly — would contribute to the aims of the Organization. The focus should be on safeguarding skills instead of protecting well-paid, high-level staff working in comfortable conditions in cities such as New York and Geneva. Moreover, the proposed measures would diminish the attractiveness of the United Nations as an employer, particularly in hardship duty stations or expensive locations such as New York, a consequence that was at odds with the provisions of Article 101 of the Charter. Indeed, it was not uncommon for staff to seek transfers to other duty stations as soon as their rental subsidies began to decrease. Lastly, the disproportionate impact on women of the proposed salary cuts would undermine the recruitment of women to Professional posts, thereby adversely gender balance, an outcome that was inconsistent with the Organization's efforts to promote the empowerment of women.

63. *Mr. Abdallah (Chad), Vice-Chair, took the Chair.*

Agenda item 134: Proposed programme budget for the biennium 2016-2017 (*continued*)

Administrative expenses of the United Nations Joint Staff Pension Fund (A/70/7/Add.6 and A/70/325)

Administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/70/2)

64. **Mr. Adeniyi** (Chair of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund (A/70/325), said that the United Nations Joint Staff Pension Fund was a defined benefit plan providing pension benefit payments to some 72,000 beneficiaries in over 190 countries in 15 different currencies. The mandate, global scope and intricate plan design of the Fund made it unique as an inter-agency entity comprising the United Nations and 22 other member organizations. The Pension Board played an important statutory role in the Fund's governance structure as the only forum where all 23 member organizations and the Fund's main stakeholders — governing bodies, executive heads, active participants and retirees — were fully represented.

65. Decisions regarding the Fund, its finances, operation and governance must reflect the very long duration of its liabilities: on average, 17 years for participants, and 25 years for beneficiaries. It was therefore important to review historical trends covering at least 15 years and to consider projections over the medium and long terms in order to bring the required medium- and long-term stability, efficacy and efficiency.

66. While the Fund's plan design had unique features and was one of the most complex in the world, it was well structured and worked well. The Fund's operational and financial situation was very strong at a time when most defined benefit plans were struggling. A number of expert bodies — the Committee of Actuaries, Investments Committee, Audit Committee, Assets and Liabilities Monitoring Committee, and budget working group — provided independent advice and ensured focused monitoring, oversight and control of the Fund's activities. The Pension Board's budget proposal reflected thorough analysis by the budget working group and corresponded to a long-term view of the Fund.

67. The Fund's unprecedented growth over the past 16 years was expected to continue. At the end of 2014, the Fund had been servicing over 195,000 participants and beneficiaries, after an increase of 5,000 in a single year. Without a concomitant increase in resources, the Fund's mission and objectives would be at risk.

68. The core business of the Fund was to pay benefits and service its clients. The logistical challenges of administering the Fund, with a large population dispersed over many countries, and the unique provisions of its regulations and rules and two-track pension adjustment system, gave rise to operational and client-servicing challenges not experienced by any other pension fund in the world. Moreover, the Fund's Financial Services Section managed the largest and most complex payroll within the United Nations system. Both the United Nations Staff Pension Committee and the Pension Board — supported by the budget working group — had emphasized the urgent need to strengthen the Fund's client-servicing capacity.

69. The 2016-2017 budget totalled some $178 million: $90.4 million in administrative costs; $83.9 million in investment costs; $2.9 million in audit costs; and $0.9 million in Pension Board expenses. It was essentially a zero-growth budget, reflecting a 0.2-per-cent increase over the 2014-2015 biennium. The suggested increase in the number of posts should be seen in the context of the great increase in volume and complexity and the very limited increase in posts over the previous two bienniums. It should also be noted that the Fund's projected administrative cost per participant for 2016 and 2017 was below the inflation-adjusted average for the past 10 years.

70. It was expected that the cost per participant for 2018 and 2019 would drop below the 2006 level through further efficiencies with implementation of the Integrated Pension Administration System (IPAS). Given the Fund's long-term horizon, a metric measuring operational efficiency over the medium term was required in analysis of its budget. It was also important to rely on the well-developed governance mechanism of the Fund, centring on the Pension Board and its advisory and oversight committees and working groups, so as to avoid the potentially high risk of micromanaging the Fund's operations.

71. The Fund was continually adapting its processes and procedures, strengthening its internal control framework, and modernizing its information technology systems. The successful implementation of the Integrated Pension Administration System had allowed the Fund to streamline business processes. Following controlled deployment, multiple payroll cycles had been processed under the new system without error or delay — a significant achievement, as IPAS was the most complex operational and information technology initiative in the Fund's history.

72. IPAS should not be confused with Umoja or other enterprise resource planning applications. The Fund had already had a centralized environment with most tasks already automated. The objective had not been to abolish established posts, but, rather, to bring greater coherence to processes and systems; to introduce an effective operational and information technology environment to replace systems based on obsolete technology; and to build capacity to respond to the growing population serviced by the Fund while reducing system costs and mitigating risks. Indeed, chronic and risky understaffing had previously been identified as a weakness.

73. The scope of the project had been expanded to take account of decisions of the Pension Board and General Assembly, including increasing the normal age of retirement to 65 with corresponding changes in early retirement factors, as well as of changes to improve the operations environment. In line with the Pension Board's urging that precautionary measures should be taken to ensure that the undertaking did not affect the pension payroll of the Fund's 72,000 beneficiaries, a parallel testing phase had provided the necessary assurances of successful deployment and ramp-up, as evidenced by the fact that normal processing rates had already been reached.

74. All expected efficiency gains related to IPAS had been achieved or exceeded through savings against contractual services and infrastructure. The Fund would continue to enhance the operating environment so as to leverage the new system with operational improvements not possible under the old legacy system.

75. The Board of Auditors had raised in the Advisory Committee and the Fifth Committee the question of the routing of its report on the Pension Fund. It was important to note that the governance structure of the Pension Fund and reporting arrangement for audits had been working well over a very long period. The Pension Board had not received any formal proposal from the Board of Auditors, and the issue of new routing of the report of the Board of Auditors had not been discussed within the governance structure of the Fund, in particular in the Audit Committee, responsible for reviewing all audit-related matters and liaising with the Fund's internal and external auditors, and thus had not determined any position.

76. Given its responsibility for the administration of the Fund — in strict conformity with the Fund's regulations as promulgated by the General Assembly — the Pension Board would need to conduct consultations with the Board of Auditors on the matter. It should be understood that the Pension Fund regulations, promulgated by the General Assembly, governed all pension aspects, including management and audit. Should the Assembly require more information on Pension Board discussions and audit matters — especially during budget years, when only a limited Pension Board report was submitted to the Assembly — the Board would have no objection to submitting additional information, including an update on the implementation of audit recommendations by the Board of Auditors.

77. Overall, the Fund enjoyed a healthy financial and operational situation; a major system and operational initiative had been implemented successfully; and the governance and oversight arrangements of the Fund were working well with the participation of representatives of the 23 member organizations as well as independent experts.

78. **Ms. Bartsiotas** (Controller), introducing the report of the Secretary-General on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/70/2), said that, according to the Board's report, the Organization's share of the administrative and audit costs of the Joint Staff Pension Board amounted to $22.2 million: $14.3 million corresponding to the programme budget, and $7.9 million to the funds and programmes.

79. The programme budget for 2016-2017 contained a provision of $13.8 million, prepared before the Pension Fund's budget had been finalized, covering 62.2 per cent of participants. The latest information, however, showed the programme budget share to be 64.4 per cent, requiring an upward adjustment of $493,600.

80. Accordingly, should the General Assembly approve the proposals and recommendations of the Pension Board, an additional appropriation of $493,600 would be required under section 1 of the proposed programme budget for 2016-2017, Overall policymaking, direction and coordination, to be charged against the contingency fund.

81. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/70/7/Add.6), said that, under administrative costs, the Advisory Committee recommended approval of 13 of the 20 new posts proposed by the Pension Board for 2016-2017 and two of the three upward post reclassifications proposed. While the Advisory Committee acknowledged that the Fund's client service demands had grown, it was of the view that they did not justify the number of additional posts proposed.

82. Under investment costs, the Advisory Committee recommended against approval of the proposed new post of Trade Execution Officer in the Investment Management Division as it would be premature to propose additional posts in the Division when a number of new posts approved for 2014-2015 were yet to be filled or their impact determined. Regarding other post proposals, the Advisory Committee recommended approval of the three reassignments as well as two of the three reclassifications proposed by the Board for 2016-2017.

83. The Advisory Committee shared the concern expressed by the Pension Board regarding the high number of vacant posts, especially at the senior management level, and urged the Pension Fund to fill the posts expeditiously.

84. In the absence of supporting information, the Advisory Committee was not in a position to recommend approval of the Secretary-General's proposal for an additional appropriation of $493,600 in connection with the United Nations share of the Fund's administrative costs, and trusted that information would be provided to the General Assembly at the time of its consideration of the Pension Board's report.

85. The Advisory Committee noted that the Fund's investment performance in 2014 and 2015 had been below its long-term policy benchmark, and trusted that every effort would be made to improve investment performance. The Fund should continue to explore opportunities for geographical diversification while respecting the key criteria of safety, profitability, liquidity and convertibility, and should consider establishing a comprehensive anti-fraud policy to address the risk of investment management fraud.

86. The Advisory Committee noted that the Integrated Pension Administration System, despite earlier delays and related cost implications, had now been implemented. The Advisory Committee trusted that all issues pertaining to its performance would be fully addressed. The Fund should use the system's enhanced capabilities to identify further efficiencies and savings in its client service operations.

87. With regard to the procedure for the submission of the report of the Board of Auditors on the financial statements of the Fund to the General Assembly, the Advisory Committee saw merit in the view of the Board of Auditors that it should be presented directly and separately to the General Assembly through the Advisory Committee. The Advisory Committee understood that it would still be considered under the same agenda item as the Pension Board report, and intended to continue making its own recommendations in its report on the Pension Fund.

88. **Mr. Davidson** (South Africa), speaking on behalf of the Group of 77 and China, recalled that the United Nations Joint Staff Pension Fund had been established by the General Assembly in 1949, and reaffirmed the prerogatives of the General Assembly in matters relating to the Fund.

89. He noted that at the end of 2014 there had been 23 member organizations of the Fund, with a combined total of some 195,000 participants and beneficiaries. The total assets of the Fund at the end of 2014 had amounted to $53.1 billion, with total liabilities of $217.4 million, giving net assets available for benefits of $52.9 billion. The market value of Fund investments had been $50.7 billion, with total income during 2014 of $3.9 billion.

90. The Group also noted the benefit payments, administrative expenses and other expenses of $2.5 billion and the change in net assets available for benefits of $1.4 billion over the reporting period. For 2014, the Group noted that the return on investment of 3.2 per cent had been below the stipulated benchmark of 3.7 per cent.

91. With regard to the budget performance of the Fund for the biennium 2014-2015, the Group noted that the revised estimate of $176.6 million for the period represented underexpenditure of $1.1 million compared with the original appropriation of $177.7 million, and also noted the variances under different sections of the budget performance report.

92. With regard to the proposed budget for the biennium 2016-2017, the Group noted that a total of $178.1 million was proposed before recosting, an overall increase of $0.4 million, or 0.2 per cent, compared with the revised appropriation for 2014-2015. The budget proposal provided for the establishment of an additional 20 posts for the Fund secretariat and one additional post for the Investment Management Division, while proposing the abolishment of 10 temporary posts, bringing total staffing capacity for the Fund over the next biennium to 279.

93. The Group noted that the focus of the Fund for the next biennium would include strengthening governance; ensuring that it was an agile organization; enhancing its service-oriented nature; using information technology as an agent for change; and achieving its long-term investment objectives.

94. He recalled the request by the General Assembly in its resolution 68/247 B for the Secretary General to provide information on the performance of his representative. The Group would therefore seek clarification of the outcome of the annual assessment and any mechanisms developed to evaluate performance.

95. Managing fund assets of $53 billion was a complex task, warranting close attention. The Group was concerned about recent media reports of possible fraud and would seek an update on investigations undertaken. Considering the high value of the Fund's

investment portfolio and the risk of fraud, the Secretary-General should establish a comprehensive anti-fraud policy.

96. The Group noted the findings of the Board of Auditors, in particular relating to non-disclosure of different exchange rates applied to currency balances; risks in foreign exchange transactions and exchange losses; rate of return on investments; and information technology strategy and implementation of the Integrated Pension Administration System, and looked forward to receiving further information. He emphasized the need for the timely and full implementation of all recommendations by the Board of Auditors.

97. With regard to reporting by the Board of Auditors on the Pension Fund, the Group reaffirmed that, in order to guarantee accountability and transparency, reports of the Board of Auditors on the Pension Fund should be transmitted to the General Assembly, through the Advisory Committee, and that a copy should be submitted to the Pension Board in line with paragraph (g) of General Assembly resolution 74 (I). The Group shared the Advisory Committee's views regarding the need to rectify the current anomalies relating to reports of the Board of Auditors on the Pension Fund. Issues concerning reports of the Board of Auditors remained the sole prerogative of the General Assembly, as the Pension Board was a subsidiary organ of the General Assembly.

98. **Mr. Kisoka** (United Republic of Tanzania), speaking on behalf of the Group of African States, reaffirmed the Group's position on defending the interests of the beneficiaries of the Pension Fund, as well as the need to diversify the investments of the Fund to developing countries, particularly in Africa. The Group further reaffirmed the need to respect the prerogatives of the General Assembly and its subsidiary organs, including the Board of Auditors and the Pension Board.

99. He stressed the need to rectify the anomalies regarding consideration of the reports of the Board of Auditors on the Pension Fund by ensuring that reports were submitted to both the General Assembly through the Advisory Committee and to the Pension Board for its deliberations on matters within its mandate, in line with paragraph (g) of General Assembly resolution 74 (I), so as to ensure efficiency, transparency and accountability. Any change in that mandate was the sole prerogative of the General Assembly — the Pension Board was not above the Assembly.

100. The Group would also pay close attention to the issue of fraud in the Pension Fund, and sought clarification regarding the appointment and terms of the members of the Investments Committee. Lastly, he requested access to the in-session report of the Pension Board.

101. **Ms. Norman Chalet** (United States of America), recognizing the challenges inherent in investing in fluid economic conditions, welcomed the efforts by the leadership of the Joint Staff Pension Fund and representative of the Secretary General for investments to manage the Fund's investment responsibilities. Her delegation encouraged the Secretariat to be innovative and to minimize administrative expenditures to ensure the long-term health of the Fund. She noted that the net assets of the fund amounted to $52.88 billion, as well as the Fund's continued efforts to diversify its investments to ensure solid returns.

102. She commended the Fund on its improvement in the implementation rate of recommendations by the Board of Auditors: of 12 outstanding recommendations, 75 per cent had been fully implemented, with 25 per cent currently being implemented.

103. The Organization, including the Pension Fund, needed to integrate its many different technology platforms and systems. She noted the challenges faced by the Fund in procuring a new information technology system and finalizing the installation of the Integrated Pension Administration System, both projects having incurred costly delays. She asked whether the Pension Fund had applied lessons from entities that had embarked on similar efforts.

104. Her delegation encouraged the Pension Board to review the Fund's investment strategies and its policies on limiting exposure to foreign exchange rate volatility: the real rate of return on the Fund's investments was below the benchmarks set for both 2014 and the most recent five-year period. The Fund should improve its investment approach, and also explore alternatives so as to mitigate foreign exchange losses, which had increased substantially in 2014.

105. Her delegation appreciated the role of the Pension Board in ensuring sound governance of the Fund, and welcomed its observations on the Fund's health, including the marked improvement in the

actuarial valuation, attributable mainly to the increase in the retirement age to 65 years for staff commencing participation after January 2014.

106. Regarding issues raised by the Advisory Committee, the filling of vacant posts within the Pension Fund, especially at the senior level, should be expedited. Her delegation commended the Investments Management Division on its work on fraud prevention, and supported the Advisory Committee's recommendation that the Pension Fund should have a comprehensive anti-fraud policy, as a complement to the oversight provided by OIOS and the Board of Auditors. Lastly, she noted the issue of the submission of the annual report of the Board of Auditors on the financial statements of the Fund to the General Assembly. While there had been discussions on the issue under another agenda item, she looked forward to addressing the matter during consideration of the current agenda item.

Review of the experience of the utilization of the contingency fund (A/70/7/Add.7 and A/70/395)

107. **Ms. Bartsiotas** (Controller), introducing the Secretary-General's report on the review of the experience of the utilization of the contingency fund (A/70/395), said that the report described the background to the creation of the fund for the 1990-1991 biennium, the size of the fund over the past 14 bienniums, and its utilization. The fund continued to be set at 0.75 per cent of the overall level of resources approved in the context of the budget outline, and amounted to $41.7 million for the 2016-2017 biennium.

108. Although utilization of the fund had remained within approved levels, on a number of occasions additional appropriations had been approved outside the contingency fund, specifically for 2006-2007, 2012-2013 and 2014-2015, demonstrating a degree of flexibility on the part of the General Assembly with regard to the concept of the fund as a funding cap. Where it had determined that additional mandates required more funding, it had appropriated additional amounts. Charges against the contingency fund during the last four bienniums had arisen most recently in the areas of human rights, programme budget implications and supplementary budget requirements. She looked forward to further guidance on the size and scope of the fund.

109. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/70/7/Add.7), said that the Advisory Committee noted the instances of additional appropriations' being approved outside the contingency fund, and that, in addition to the contingency fund, the Secretary-General was provided with further financial flexibility in the use of resources under the limited budgetary discretion mechanism.

110. The Advisory Committee reiterated that it was the responsibility of the Secretary-General, as chief administrative officer of the Organization, to ensure that the proposed programme budget presented the fullest possible picture of the Organization's requirements for any given biennium. The contingency fund was an essential budgetary instrument for addressing additional resource requirements — in the event of any constraints, the Secretary-General should bring the matter to the attention of the General Assembly in a timely manner.

111. The Advisory Committee recommended that the General Assembly should take note of the report of the Secretary-General, taking into consideration its comments.

Limited budgetary discretion (A/70/7/Add.5 and A/70/396)

112. **Ms. Bartsiotas** (Controller), introducing the Secretary-General's report on limited budgetary discretion (A/70/396), said that the mechanism was a facility that allowed the Secretary-General to make use of anticipated overall underexpenditure for newly emerging needs resulting from natural disasters or unforeseen obstacles, and to fully or better implement existing mandates without seeking additional resources.

113. The mechanism had the potential to create a win-win situation when speed was of the essence. The fact that it had not been used during the past two bienniums meant that the mechanism was being managed prudently and was applied only when all the principles of the General Assembly and the criteria set by the Secretary-General had been adhered to.

114. The report reflected further refinement of those criteria, to distinguish the facility more clearly from the other mechanisms whereby the Secretary-General could seek additional resources, in particular, under the

arrangements for the contingency fund or as unforeseen and extraordinary expenses.

115. The Secretary-General saw merit in continuing the discretionary authority as an option in overcoming unforeseen obstacles in fully implementing existing mandates, or in enabling the resumption of operations in a safe and secure environment following a natural or man-made disaster. He therefore proposed that the mechanism should be maintained, under the current arrangements, as set out by the General Assembly in its resolution 60/283.

116. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/70/7/Add.5), said that the discretionary mechanism — first authorized by the General Assembly at its sixtieth session — had been utilized on eight occasions over the course of three bienniums between 2006 and 2011, and had remained unused since. The Advisory Committee took note of the Secretary-General's efforts to refine the criteria for the use of the mechanism, and encouraged him to continue to do so while ensuring strict application of the principles set forth in General Assembly resolution 60/283.

117. The Advisory Committee noted, however, that the $20-million ceiling had never been fully utilized, and that other existing mechanisms had been used to respond to recent crises such as the Ebola outbreak in western Africa and the consequences of storm Sandy at Headquarters.

118. Accordingly, the Advisory Committee was not convinced that the mechanism was still useful, particularly compared to other funding mechanisms. While questioning its utility, the Advisory Committee recommended that the General Assembly should authorize its exceptional continuation for the biennium 2016-2017 only. Should the Secretary-General consider that the mechanism was required beyond 2016-2017, he should submit a comprehensive justification for its subsequent retention.

The meeting rose at 1.05 p.m.