



SUMMARY RECORD OF THE 26th MEETING

Chairman: Mr. FONTAINE-ORTIZ (Cuba)

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

CONTENTS

AGENDA ITEM 118: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued)

AGENDA ITEM 119: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued)

AGENDA ITEM 110: PROGRAMME BUDGET FOR THE BIENNIUM 1986-1987 (continued)

Programme budget implications of draft resolution A/C.3/41/L.11, as orally revised, concerning agenda item 83

Programme budget implications of draft resolution A/C.3/41/L.25 concerning agenda item 90

*This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate fascicle for each Committee.

Distr. GENERAL
A/C.5/41/SR.26
18 November 1986

ORIGINAL: ENGLISH

The meeting was called to order at 10.05 a.m.

AGENDA ITEM 118: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued)

AGENDA ITEM 119: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued) (A/41/7/Add.2, 9, 30 and 790; A/C.5/41/1, 13, 22, 28 and 36)

1. Mr. TETTAMANTI (Argentina) said that the work of the International Civil Service Commission (ICSC) was essential for the preservation of the Noblemaire principle. That principle must be applied through a comparison of the benefits of international civil servants with the total compensation provided to employees of the best paid national civil service, so as to attract staff of the highest calibre. His delegation had noted with concern certain discrepancies within the common system, particularly with respect to organizations based in Europe, and hoped that measures would be adopted to strengthen, rather than weaken, the common system.
2. His delegation noted with interest the recommendations of ICSC, in paragraph 125 of its report, designed to separate the effects of inflation and currency fluctuations in the post adjustment system. It hoped that ICSC would be able to establish a permanent and universally applicable procedure to overcome such problems. It also noted that ICSC had, on the basis of recommendations made by the Advisory Committee on Post Adjustment Questions, adopted measures to reduce the variation between duty stations with extreme post adjustments. His delegation supported those measures.
3. The main problem under consideration by the Committee related to levels of pension benefits. Although General Assembly resolution 40/245 had requested ICSC and the United Nations Joint Staff Pension Board to co-operate in the submission of recommendations, the two reports presented by those bodies provided contradictory opinions on that subject. Furthermore, on certain controversial matters, such as the margin between the pensionable remuneration of United Nations officials and that of the comparator service, as well as the question of whether or not to take into account the cost-of-living differential between New York and Washington, D.C., in the margin calculations, ICSC had adopted decisions by a majority, thus departing from its customary approach. It also appeared that ICSC and the Pension Board had held only one initial co-ordination meeting, following which ICSC had drafted its report, whereas the Board had incorporated comments on that report into its own subsequent report. The Fifth Committee's work was also complicated by the fact that the Administrative Committee on Co-ordination had proposed the postponement of a decision, whereas the Advisory Committee for Administrative and Budgetary Questions had indicated that a speedy resolution of the outstanding issues was essential.
4. Although it might be difficult, a resolution of the issue was vital in order to achieve stability in the pension system. However, it would not be in anyone's interest to adopt a decision which did not take into account all relevant

(Mr. Tettamanti, Argentina)

considerations. There were therefore four options: to endorse the opinion of ICSC; to endorse the opinion of the Pension Board; to seek a combined solution; or to request those two bodies once again to co-ordinate their efforts with a view to the submission of a report which should at least clearly indicate areas of disagreement and the reasons for them, as well as the consequences of implementing one or the other proposal. Although some delegations had described the disagreements as insignificant, there was no doubt that the differences would, in some cases, have significant implications, such as those relating to the contribution rate and the study to be carried out by ICSC in 1987 of the cost-of-living differential between New York and Washington, D.C., and its effect on net remuneration. With regard to that question, his delegation believed that the Pension Board was correct in stating that calculations should be made on the basis of 100 per cent of net remuneration amounts in New York, rather than 96 per cent as suggested by ICSC.

5. Mr. FIGUEIRA (Brazil) congratulated the Secretariat on the impressive performance of the Pension Fund's long-term investments, which had helped considerably to offset expenses incurred as a result of the Fund's actuarial imbalance. However, the success of those investments should not encourage complacency with respect to the basic financial problems affecting the Fund, the sound foundations of which might be eroded if adequate corrective measures were not taken before it was too late.

6. With regard to the question of pensionable remuneration, his delegation regretted that ICSC and the Pension Board had been unable to co-operate fully with each other and requested further explanation in that connection. Paragraph 2 (b) of General Assembly resolution 40/245 requested completion of the review of methodology and did not, as such, represent a mandate for the adoption of a new scale of pensionable remuneration directly related to that of the comparator civil service. The adoption of such a scale would be inappropriate in that it would not constitute a proper application of the Noblemaire principle. While the basic intention of that principle was to ensure that the international organizations concerned should attract and retain staff who met the highest standards of efficiency, competence and integrity, some members of ICSC appeared to believe that the chief corollary of the Noblemaire principle was to limit every element of compensation in accordance with comparable elements of the comparator service. Use of the comparator service for the provision of guidelines should not be transformed into a binding procedure covering every element of compensation, since that would have the effect of transferring to the Government of the country of the comparator service responsibility for all decisions related to the compensation of international civil servants. The fact that the two pension systems displayed very distinct features also made the adoption of such a scale inappropriate. His delegation would prefer the establishment of a realistic relationship between the net remuneration of United Nations officials and the pension benefits of retirees from the United Nations system, based on the concept of income replacement. The proposed scale of pensionable remuneration, as set forth in annex III to the ICSC report (A/41/30), was neither acceptable to participants nor capable of ensuring a desirable period of stability.

(Mr. Figueira, Brazil)

7. The ICSC decision that the cost-of-living differential between New York and Washington, D.C., should not be taken into account in margin calculations completely changed the premises on which General Assembly resolution 40/244 was based, and his delegation was at a loss to understand why ICSC had taken such a decision without first giving detailed consideration to its effect with respect to the relationship of the changes in the margin calculation methodology to the level of the margin. It wondered whether ICSC was acting so hastily, with the sole objective of achieving savings for participating organizations. His delegation hoped that ICSC would be able to continue to provide the General Assembly with irrefragable advice and information so that the Assembly could take informed decisions on matters pertaining both to the interested organizations and to staff members of the common system.

8. As to the disagreement between ICSC and the Pension Board on the margin between the pensionable remuneration of the United Nations and the comparator service, his delegation did not believe that a direct link should be established between the two. It shared the Board's view that a mid-point of 118 for the margin range should be adopted in order to cover income tax owed by retired staff members. The proposal by ICSC that the methodology should be based on a downward adjustment by 4 per cent of net remuneration amounts in New York in order to exclude the cost-of-living differential between New York and Washington, D.C., appeared inconsistent, since full account had been taken of the cost-of-living factor in the methodology when the General Assembly approved the range of 110 to 120 for the net remuneration margin. Finally, the proposal that a single level of pensionable remuneration should be established for both Under-Secretaries-General and Assistant Secretaries-General represented a departure from the concept of income replacement; it was preferable to maintain separate levels. It appeared that there was no adequate technical basis for any of the three proposals made by ICSC. His delegation suggested that the entire question of pensionable remuneration should be referred once again to ICSC, in order that it might review its own recommendations, in co-operation with the Pension Board, taking into account the views expressed by the Fifth Committee. Further study of related matters by ICSC should also be of benefit. It might be appropriate, at the same time, for the General Assembly to request ICSC to develop an appropriate methodology based on a comparison of total compensation.

9. Mr. ORTEGA-NALDA (Mexico) said his delegation profoundly regretted that the co-operation between ICSC and the Pension Board called for in General Assembly resolution 40/245 had not taken place, with the result that two different sets of recommendations had been submitted. It appeared that the dialogue between the two bodies had been interrupted primarily as a result of the attitude of ICSC, and that the latter had, furthermore, followed an approach which did not strike an appropriate balance between the interests of beneficiaries and those of Member States. It was also inexplicable that ICSC, having adopted the concept of income replacement, should recommend a scale based on 96 per cent of the net remuneration amounts applicable to the United Nations in New York. Two fundamental elements of the methodology proposed by ICSC, namely, the margin between pensionable remuneration amounts of the United Nations and the comparator service and the

(Mr. Ortega Nalda, Mexico)

exclusion of the cost-of-living differential between New York and Washington, D.C., from margin calculations had been adopted only by a majority. In view of the lack of unanimity on the matter, his delegation wished to know how such majorities were determined. It was also concerned by the adverse effects of the scale recommended by ICSC on the actuarial balance of the Pension Fund and shared the view of the Board that measures likely to reverse the current favourable trend should be avoided.

10. His delegation agreed with the view, expressed by the Advisory Committee, that a speedy resolution of the outstanding issues was essential, provided that the result was stability in the pension system with a benefit scheme that was broadly understood and acceptable. The new scale should not be revised for at least the next five years and it should be insulated at least partly, from certain outside factors. In conclusion, his delegation expressed its satisfaction at the excellent performance of the Fund's investments during the year ended 31 March 1986 and the hope that the policy of investing in developing countries would be strengthened.

11. Mr. AGHA (Pakistan) said that ICSC and the Pension Board had reached agreement on the approach to the methodology to be used for the determination of pensionable remuneration for the Professional and higher categories and on the interim adjustment procedure, although differences had arisen over the application of the methodology. However, the differences were not great and solutions should be found at the current session of the General Assembly.

12. The differences centred on the elimination of the cost-of-living differential from the net remuneration used in calculating pensionable remuneration, the definition of the range for the pensionable remuneration margin, and income replacement ratios. So far as the first issue was concerned, there was considerable merit in the case made by the Pension Board. An acceptable relationship between the net remuneration of serving staff and pension benefits could be achieved only if net remuneration amounts as applied in New York were used to make the calculations. On the second issue, too, his delegation largely agreed with the Pension Board that the net remuneration margin should be adjusted upward so as to take account of the fact that United Nations pensioners had to pay taxes on their pensions in most countries. On the third point at issue, the scale of pensionable remuneration should reflect income replacement ratios more in line with those applicable in the comparator civil service.

13. Turning to the subject of the net remuneration margin, some decisions of ICSC concerning the method of calculation gave cause for concern. In particular, no satisfactory reason was given for the decision to eliminate the cost-of-living differential between New York and Washington, D.C., from the calculation. His delegation did not understand why only some of the practices of the comparator civil service were taken into account by the Commission, while others, such as the bonuses and awards paid to senior United States officials, were excluded from margin calculations. It would welcome explanation of that matter from the Chairman of the Commission. His delegation had no difficulty with calculating the net remuneration margin using average amounts applicable in the two civil services. It awaited further views from the Commission on the methodology for calculating the margin and on the relationship between changes in that methodology and the net remuneration margin range.

/...

(Mr. Aqha, Pakistan)

14. The question whether the remuneration and conditions of service of United Nations officials were too generous in comparison with those of the United States federal civil service could only be answered if the Commission's total compensation studies were extended to take account of all aspects, including expatriate benefits. That possibility should therefore be considered.

15. On post adjustment questions, his delegation noted with satisfaction the Commission's action on duty stations with very high and very low classifications and its introduction of the remuneration correction factor to minimize the impact of currency fluctuations on take-home pay. With regard to the mandatory age of separation from service, he hoped that the Commission could produce a recommendation that would take account of the views expressed by many members of the Committee. So far as recruitment policy was concerned, his delegation wished to recall the need to secure staff of the highest calibre and to pay due regard to equitable geographical distribution in their selection and promotion. The Commission had a central role to play in the important task of preserving and extending the common system.

16. Mr. REED (United States of America) said that any proposed change in pay and pensions should be assessed in the light of three objectives, namely, equitable, but not excessive, pay and benefits; simplification of policies so that they could be clearly understood; and an appropriate role for Member States in personnel policy.

17. ICSC had recommended a scale of pensionable remuneration which, while lower than the current scale, was high enough to provide equitable benefits. The Pension Board had considered a very similar scale, and had subsequently decided to recommend deferral of a decision on the adoption of a new scale. His delegation regretted that decision, given that the two scales were so similar. The new scale would mean a reduction in staff members' contributions to the Pension Fund and a reduction in costs of over \$11 million for all the organizations of the common system. ICSC and the Pension Board had recommended transitional measures to protect the value of contributions already made, so that staff members would not lose their entitlement to benefits already earned. Implementation of the new scale would mark the beginning of a period of stability, in contrast to the recent constant changes. The proposed benefit levels would, on average, be 18 per cent higher than in the comparator service, but the margin would ultimately decline to a more desirable level of 15 per cent.

18. While there was merit in the claim that there should be no margin in retirement benefits since retirees were not obliged to remain expatriates, the scale proposed by ICSC was acceptable since a drop from the current level of pensionable remuneration to a level providing no margin would be too precipitous, since there was a consensus on the principle of providing income replacement similar to that of the comparator service, and since the margin accommodated other differences between the two services, including shorter career length in the United Nations and mandatory retirement at 60 years of age.

(Mr. Reed, United States)

19. The necessary steps should be taken to bring about an actuarial balance and ensure long-term stability for the Fund. It was now up to the members of the Committee to exercise their responsibility and adopt the scale proposed by ICSC.
20. His delegation had strong reservations regarding the ICSC decision to introduce, without General Assembly approval, the remuneration correction factor (RCF) as a temporary change in the post adjustment system. The sizeable increase in the estimated cost of the RCF from the \$1.8 million mentioned in the Commission's report to the \$5.8 million referred to by the Chairman of ICSC was alarming. Nor did the RCF meet the criterion of simplicity.
21. His delegation wished to draw attention to staff members serving away from Headquarters in New York, in that their conditions of service needed to be considered if the common system was to be maintained. The United States had requested a study on mobility within the common system, but the report had not yet been provided. Until information was available on conditions for staff in the field, sound compensation policies could not be recommended.
22. Mr. ROY (India) said that his delegation was concerned that ICSC might not have had sufficient time to discharge all the tasks entrusted to it, in particular, the consultations with the Pension Board on pensionable remuneration mandated by the Assembly. Differences had arisen concerning the methodology proposed by ICSC, yet the views of the Pension Board had not been reflected in the Commission's report.
23. His delegation failed to understand the basis on which 25 years of service had been adopted by the Commission in recommending its new scale, since the actual average length of service was approximately 20 years. His delegation also had reservations over the Commission's decision to discount the cost-of-living differential between New York and Washington in determining the percentage of net remuneration to be used for pensionable remuneration, and in calculating the net remuneration margin. In particular, it was not clear why ICSC had taken that step when it had informed the Assembly that it was conducting a further study of the question.
24. The Pension Board's view that account had to be taken of taxation in determining the margin for pensionable remuneration had some merit. It would have been preferable had the two expert bodies agreed on a joint recommendation for the new scale. However, the differences were not serious, and it should be possible to resolve them.
25. With regard to the methodology for the calculation of the net remuneration margin, the Commission's decisions, inter alia, to exclude bonuses and the cost-of-living differential between Washington and New York illustrated an increasing tendency to criticize elements that were better in the United Nations system than in the comparator civil service but not to mention elements that were better in the United States federal civil service. His delegation wished to know on what basis that was done.

(Mr. Roy, India)

26. His delegation had noted the action taken by ICSC to simplify the postadjustment system and to ensure fair treatment for the staff. The Commission's decision to defer consideration of any change in retirement age was wise in view of current uncertainties. Lastly, ICSC played a central role in the common system, and all organizations should co-operate with it in the fulfilment of its General Assembly mandate.

27. Mr. MUDHO (Kenya) said that it was important for the Organization to be served by an efficient and well-remunerated staff if the highest standards called for under the Charter were to be maintained. Uncertainty about pensionable remuneration was hampering the efficient functioning of the Organization, and the Assembly should take appropriate action. It was regrettable that ICSC and the Pension Board had not been able to make a joint recommendation on the new scale, and it was to be hoped that a compromise could be found in the interests of prudent management and stability. It should be possible, in following a middle course, to align the United Nations scale with that of the comparator civil service without impairing the integrity of the common system.

28. Mr. MILLS-LUTTERODT (Ghana) said that although ICSC and the Pension Board had not reached complete agreement on pensionable remuneration for the Professional and higher categories, it would not be responsible to refer the matter back to them again. The central issue was that Member States had felt the level of United Nations pensionable remuneration and pensions to be too high, compared with those of the comparator civil service, since 1983. The level of pensionable remuneration should not be allowed to remain 30 per cent above that of the United States civil service and could be brought down to a reasonable level at the current session of the General Assembly on the basis of the six important technical points of agreement placed before the Committee by ICSC and the Pension Board.

29. With regard to the points of disagreement between the Commission and the Board, his delegation would find reasonable a scale of pensionable remuneration that yielded a margin of about 120, i.e. higher than that recommended by the Commission but lower than what the Pension Board wanted. Since the Board believed that the scale recommended by the Commission would have an adverse effect on the Fund's actuarial deficit, he wished to know if ICSC had considered the actuarial implications. A solution along the lines that he had proposed should yield more income for the Fund. In addition, the relativities between the pensionable remuneration for grades between P-1 and P-3 on the scale recommended by the Commission could be adjusted to improve the Fund's actuarial position. He would like to have the reactions of the Chairmen of the two bodies to that suggestion.

30. On the subject of the pensionable remuneration of Assistant Secretaries-General and Under-Secretaries-General, his delegation was prepared to support the Pension Board's proposal that the latter should enjoy a slightly higher level, provided that both categories were subject to the limits on pensions set by the General Assembly.

31. The decision of ICSC to exclude the cost-of-living element from the calculation of the net remuneration margin was perplexing. No action should be taken to implement the revised methodology until the whole problem had been addressed at the forty-second session of the General Assembly.

/...

(Mr. Mills-Lutterodt, Ghana)

32. Finally, his delegation was disturbed to note that some organizations which did not have financial problems on the scale of the United Nations were deliberately setting aside the decisions and recommendations of ICSC on the common system. The General Assembly must make clear its concern on that matter to the governing bodies and executive heads of organizations participating in the common system.

AGENDA ITEM 110: PROGRAMME BUDGET FOR THE BIENNIUM 1986-1987 (continued)

Programme budget implications of draft resolution A/C.3/41/L.11, as orally revised, concerning agenda item 83 (A/C.5/41/27)

33. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that no additional resources were being requested by the Secretary-General in respect of draft resolution A/C.3/41/L.11 and that the related conference-servicing requirements would be considered at the forty-second session of the General Assembly in 1987.

34. The CHAIRMAN proposed that the Committee should inform the General Assembly that if it adopted draft resolution A/C.3/41/L.11, as orally revised, no additional appropriations would be necessary in the programme budget for the biennium 1986-1987 and that the actual conference-servicing requirements for 1988, not exceeding \$19,700, would be included in the consolidated statement of conference-servicing requirements for 1988 that would be submitted to the forty-second session of the General Assembly.

35. It was so decided.

36. Mr. KRAMER (United States of America) said that his delegation wished to place on record that it had not participated in the decision on the programme budget implications of draft resolution A/C.3/41/L.11. Although his country had supported the launching of the Decade to Combat Racism and Racial Discrimination in 1973, it had taken no part in the activities of the Decade since the adoption of General Assembly resolution 3379 (XXX), which had equated Zionism with racism. The United States considered the expenses detailed in document A/C.5/41/27 to be improper.

37. Mr. HARAN (Israel) said that his delegation, too, had not participated in the decision. However, if a vote had been taken, he would have voted against the proposal because of the serious misuse of the Decade to Combat Racism and Racial Discrimination to promote and legitimize anti-Semitism.

Programme budget implications of draft resolution A/C.3/41/L.25 concerning agenda item 90 (A/C.5/41/31)

38. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that no additional appropriations were being requested in respect of draft resolution A/C.3/41/L.25 and that the related conference-servicing requirements, not exceeding \$273,200 would be considered before the adjournment of the General Assembly.

39. The CHAIRMAN proposed that the Committee should inform the General Assembly that if it adopted draft resolution A/C.3/41/L.25, no additional appropriations would be required in the programme budget for the biennium 1986-1987, and that the related conference-servicing expenditures, not exceeding the amount of \$273,200, would be considered in the context of the consolidated statement of conference-servicing requirements to be submitted towards the end of the current session of the General Assembly.

40. It was so decided.

The meeting rose at 11.45 a.m.