

# GENERAL AGREEMENT ON

## TARIFFS AND TRADE

RESTRICTED

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### ADMINISTRATIVE AND FINANCIAL QUESTIONS

#### Activities of the common system bodies in 1991

##### Note by the Secretariat

1. The Committee is informed from time to time of the activities of the International Civil Service Commission (ICSC), of the United Nations Joint Staff Pension Board (UNJSPB), and of the decisions of the United Nations General Assembly on personnel matters. The present note brings the Committee up to date.

##### Pension Board (1)

2. The principal issue of interest to the GATT that was on the work programme of the Pension Board continued to be, as in 1990, the system for adjusting initial pensions for staff retiring from positions in the Professional and higher categories. As the Committee will recall, the United Nations pensions system is denominated in United States dollars. Contributions to the Fund and the pensions paid out are based on pensionable remuneration in dollars, which does not vary by duty station, calculated by reference to the net remuneration payable to staff in service in New York, the base of the system. Thus it reflects the cost-of-living in that city, and consequent pensions represent a certain income replacement value (2) in dollars in New York. Where cost-of-living is higher than in New York, which is the case in a number of duty stations with "strong" currencies and large concentrations of staff, like Geneva, the income replacement value of the pensions in local currency would be less than in New York. This had led to the introduction of floor measures, based on artificial exchange rates, which were considered temporary in nature pending the development of a long-term solution to the problem. Those temporary measures were due to expire on 31 March 1992.

(1) Resolution 46/192 of the General Assembly, 46th session

(2) Ratio of gross pension to net remuneration

3. The Board recommended to the General Assembly a new adjustment mechanism, which may or may not turn out to be the long-term solution, but which solves the immediate problem of finding replacement arrangements for those that expired in March 1992. The new mechanism came into effect on 1 April 1992. By modifying the application of the factors that enter into the computation of a pension payable in a "strong" local currency, the new arrangements ensure that such a pension will have almost the same purchasing power, i.e. income replacement value, in the strong-currency country as in New York. The exact degree of equivalence varies according to the place of retirement and the personal circumstances of the retiree.

4. The General Assembly approved the Board's recommendation, but called for the situation to be monitored in relation to the additional costs the new arrangements might engender.

#### International Civil Service Commission (3)

5. The Commission began the review of General Service category pensionable remuneration and consequent pensions, which it had been requested to carry out, in full cooperation with the Pension Board. This review is continuing this year, and a report is expected by the General Assembly at its (1992) forty-seventh session.

6. As an interim measure, and pending decisions on whether a new methodology for determining General Service pensionable remuneration should be introduced, the General Assembly approved a recommendation of the Commission modifying the rates of staff assessment (i.e. internal "tax") applicable to pay in the General Service category under the existing methodology. This has resulted in a lowering of the scale of pensionable remuneration in Geneva, effective 1 January 1992. Appropriate transitional measures have been introduced to safeguard the acquired rights of staff.

7. The Commission has begun a study of the methodology for setting General Service category salaries. The General Assembly is expecting a report on this question also at its 1992 session. It is recalled for the benefit of members of the Committee that General Service salaries are set by reference to best prevailing conditions offered to workers doing equivalent work for employers in Geneva, including the cantonal public service. The methodology for doing this was last reviewed in 1988.

(3) Resolution 46/191 of the General Assembly, 46th session

8. The Commission also recommended, and the General Assembly agreed, that the net base salary scale for the Professional and higher categories of staff be increased by six per cent. This would be done, as on previous occasions, by consolidating post adjustment into the net base salary. In duty stations like Geneva the effect on remuneration is neutral, however, as salary goes up while post adjustment goes down (the "no gain, no loss" method). The new scale came into effect on 1 March 1992. There is no financial impact.

9. Finally, the Committee may wish to note that in an effort to improve its effectiveness, the General Assembly has decided (4) that it will consider reports from the ICSC and the UNJSPB that required action only every second year, in even-numbered years.

10. Submitted for information.

(4) Resolution 46/220, 46th session