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Human Resources Annual Report 2023

Recommendations and decisions of the International Civil Service Commission and United Nations Joint Staff Pension Board to the United Nations General Assembly including changes in salary scales and allowances

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1. Recommendations and decisions of the International Civil Service Commission

1. At its 78th Session in December 2023, the United Nations General Assembly (hereafter referred to as "the General Assembly") decided to take no action regarding the United Nations common system. It is thus expected that this item will be taken up again by the General Assembly at the main part of the 79th session in the fall of 2024.

2. Items falling under Article 10 of the International Civil Service Commission (ICSC and hereafter referred to as "the Commission") Statute and requiring the General Assembly's approval will have to be revisited. Those items which fall under Article 11, decisions taken by the Commission, will be implemented.

3. Accordingly, the following items governed by Article 10 of the Statute are worth highlighting:

a) There will be no adjustment to base/floor salary scale.

b) There will be no consolidation of the post adjustment.

c) There will be no adjustment to the children's and secondary dependants' allowances.

4. Regarding pensionable remuneration, the rates will remain unchanged. This notwithstanding, the scale of pensionable remuneration has been recalculated to re-establish the formula-based link between net and pensionable remuneration, which had gradually been lost during uniform percentage-based interim adjustments of the pensionable remuneration scale, although the common scale of staff assessment is not adjusted.

5. The recalculated pensionable remuneration scale will be effective as of 1 January 2024. The pensionable remuneration scale is likely to be further revised in February 2024, following the expected change of post adjustment in New York, effective as of 1 February 2024.

6. Regarding items under Article 11 of the ICSC Statute, all the Commission's decisions will be implemented, which are as follows:

a) A 3.1 percent increase to the hardship allowance, effective 1 January 2024.

b) Confirmation of the amounts in the mobility matrix (Table 2, Annual report (A/78/30), paragraph 173), for the mobility Incentive.

c) A danger pay increase for internationally recruited staff to USD 1 698 per month, effective 1 January 2024.

d) Monthly danger pay increase for locally recruited staff, effective 1 January 2024. This will be done by updating the reference year of the salary scales on which the calculations were based, from 2019 to 2022, and by applying 30 percent to the net midpoint of the most recent General Service salary scales in effect in 2022, divided by 12.

e) The security evacuation allowance maintained at its current level of USD 200 per day for staff and USD 100 per day for each eligible family member for up to 30 days. Thereafter USD 150 and USD 75 per day, respectively, for a maximum period of six months. The Commission also agreed to maintain the single lump sum payment of USD 500 for shipping, when staff members or their families are evacuated.

f) Work will proceed on the review of the compensation package, post adjustment and all other subjects as per the agreed work programme, in Annex I of the Commission's 2023 report.

2. Information on the United Nations Joint Staff Pension Fund

7. The 75th session of the United Nations Joint Staff Pension Board (hereinafter referred to as "the Board") was held at the headquarters of the International Maritime Organization in London from 24 to 28 July 2023. The Board considered a wide range of issues pertaining to the functioning, management, governance and oversight of the United Nations Joint Staff Pension Fund (UNJSPF or "the Fund"). It was the second hybrid session of the Board since its approval of a governance reform with limited in-person attendance, and opportunities for the wider Pension Board community to participate remotely.

2.1. Investment of United Nations Joint Staff Pension Fund assets

8. The portfolio of the Fund was valued at USD 63 billion in March 2020. As of 20 July 2023, it is valued at USD 85.5 billion, representing an increase of more than 35 percent in total value.

9. In 2022, global financial markets experienced turbulence, which impacted investments of the Fund. As of 31 December 2022, the Fund was valued at USD 77.9 billion, a decrease of USD 13.6 billion compared with USD 91.5 billion as of 31 December 2021.

10. In relation to the absolute return goals, the annualized nominal rate of return for the fifty-year period ending 31 December 2022 was 8.04 percent. This represented an annual real rate of return of 3.92 percent, after adjustment for the United States consumer price index, and above the long-term objective of 3.5 percent. The fifteen-year annualized real rate of return was 2.18 percent. This fifteen-year period included two major market downturns, the global financial crisis and the evolution of the global pandemic.

2.2. Actuarial valuation of Fund

11. The population that the Fund serves continues to grow, and retirees and beneficiaries are living longer across all age groups. This increases the need for services.

12. The Board stressed the need for the Fund to focus on managing downside risk more than upside returns, and to be prepared for a future investment outlook that was not as positive as in the past. The Office of Investment Management (OIM) focuses on an investment horizon of ten years, and the asset and liability management studies and investment policy statement reviews are conducted quadrennially; however, the horizon of actuarial valuations are longer-term, that is, 30 or more years. While in prior asset and liability management studies the assumption of achieving a 3.5 percent real rate of return was seen to be attainable, the 2023 study found that this might be less likely in the future.

13. The Board therefore agreed with the recommendation of the Committee of Actuaries that a 3.4 percent real rate of return assumption should be used for the actuarial valuation on 31 December 2023. The concurrence of the Investments Committee, and the Fund Solvency and Assets and Liabilities Monitoring Committee, as well as the expected asset return based on revised capital market assumptions, strategic asset allocation, and the Fund's historical longer-term investment performance, were all basis for this decision.

2.3. Governance

14. The Board continues to implement the Governance reform plan, endorsed by the General Assembly in 2021. The plan contributes to improving the efficiency, and effective decision-making, of the Board.

15. Significant changes have been initiated and continue, at the request of the General Assembly, to assist the Board in effectively administering the Fund in the coming years. Changes include the establishment of an Ethics Policy Review Group, the appointment of an Ethics Adviser for one year, and agreement to establish an ad hoc working group to further define the criteria for admitting new entrants into the Fund.

16. The Board will continue monitoring progress and reporting back to the General Assembly.

2.4. Administration

17. More than 90 percent of initial separation cases were processed within 15 business days in 2022 and the first half of 2023. The time taken to respond to client queries is on target, with less than one minute of wait time for phone calls, a half-day for simple questions, and seven days for more complex cases.

18. Regarding the Fund's operational performance, the pension payroll continued to be issued on time. An unprecedented number of countries had a cost-of-living adjustment in April 2023 (125 countries compared with 61 countries in 2021), due to inflation.

19. Administration of pension benefits was supported by digitalization to simplify and modernize pension services. In 2023, 25 500 digital certificates of entitlement were issued, representing more than 36 percent of the eligible population of retirees and beneficiaries, with an increase of more than 66 percent. Aiming to improve reliability, stability and security, the deployment of a customer relationship management system, an upgrade of pension processing and financial and banking payment systems and transferring of the Fund's system to the cloud, are all planned to be completed by 2030.

2.5. Budget proposal of Pension Administration

20. The priorities of the budget proposal 2024 are to address growth in the client base and client service needs of the Pension Administration, and to start the modernization and replacement of ageing information technology systems.

21. Overall, the 2024 administrative budget remained conservative. Whereas projects and initiatives of limited duration accounted for a temporary increase of USD 3.3 million, the core mandate, driven by workload, accounted for an increase of only USD 0.5 million, and technical adjustments for only USD 0.8 million. The proposal included seven new posts, two post conversions and 13 temporary assistance positions.

22. The 2024 budget proposal also included a merger of the Pension Administration risk management functions and the Office of Investment Management. The reporting line of the Risk Management Unit is therefore changed from the Deputy Chief Executive of Pension Administration to the Chief Risk and Compliance Officer of the Office of Investment Management (OIM).

2.6. Audit update

23. The Board of Auditors (BoA) identified scope for improvement in relation to the implementation of climate action pillars, being, the implementation of environmental, social and governance metrics, gender balance strategy, and overpayments write-off criteria. As a result, the BoA issued nine new audit recommendations, two for the Pension Administration and seven for OIM.

24. Eighty-three percent of previous audit recommendations have been fully implemented. This significant rate of implementation compares favourably against other audited entities and shows the strong commitment of the Fund's management to address outstanding audit recommendations.

25. The BoA noted that the audit for the financial year 2023 will be the last period for the BoA team from Chile before handing over to another audit team. Over the next year, the audit team will focus on closing outstanding issues.

2.7. Improvements to the United Nations Joint Staff Pension Fund benefits system

26. The Board discussed and agreed on a framework for the extension of guidelines for spousal benefits under Articles 34 and 35 of the Regulations of the Fund. The Board also decided to recommend that the General Assembly approve an amendment to Article 15(b) of the Regulations to

codify the annual budget cycle. It approved related amendments to the Financial Rules of the Fund, subject to approval by the Assembly of the amendment to Article 15(b) of the Regulations.

27. Considering the progress made by the Pension Administration and member organizations, as well as the initiatives to reduce processing time for separation documents, the Board decided that no change be made to the authority provided by the Board to the Chief Executive to make provisional payments. The Chief Executive should continue to have discretionary authority to issue payments in cases of financial hardship.

28. The Board decided to continue to monitor the use of the provisional payment mechanism, to receive reports from the Chief Executive on the use of the mechanism on an annual basis. The authority of the Chief Executive to issue provisional payments will be reviewed in three years.

3. FAO/WFP Staff Pension Committee

29. Appointment of members and alternate members of the Staff Pension Committee (SPC) were completed in 2023. FAO and WFP SPC members were active and effective at Board level and in the committees and working groups.

30. The SPC held five disability review and policy meetings in 2023 with tremendous support from its Secretariat. Members also discussed UNJSPF policy issues and explored potential improvements to the election procedures for representatives of staff members participating in the UNJSPF, in an effective and timely manner.