

TARIFFS AND TRADE

PENSION AND SALARY MATTERS

Report of the Chairman of the Committee on Budget, Finance and Administration to the Council, 7 October 1987

1. The Committee on Budget, Finance and Administration met on 24 September 1987. Among the items on the agenda was one relating to salaries of staff in the Professional and higher categories and pensions.

2. Consideration of the item by the Committee was in pursuance of two decisions taken by the Council, one at its meeting of 14 May 1987 concerning salaries and the other at its meeting of 15 July 1987 concerning pensions. The following is therefore a brief summary of the conclusions reached by the Committee on these two matters.

Salaries of staff in the Professional and higher categories

3. The decision of the Council taken at its meeting of 14 May 1987 is as follows: "Aware of the urgency of the situation, the Council further considers that the CONTRACTING PARTIES should keep the situation under close review so that appropriate action may be taken as a matter of urgency, if, by the September session of the Council, it becomes clear that no long-term durable solution within the common system is forthcoming, or that arrangements for compensating the staff by the use of the remuneration correction factor prove to be unsatisfactory." The subject of the Council decision was the effect of exchange rate fluctuations on salaries. The Committee was informed that at its 26th session in July 1987, the International Civil Service Commission (ICSC) had agreed on measures which had the effect of mitigating still further the impact of exchange rate fluctuations and of raising take-home pay in Geneva, defined as base salary plus post adjustment minus pension fund contribution, to approximately the level at which it was in October 1983, at the time of the last Geneva-New York place-to-place cost of living survey.

4. This modification came into effect on 1 September 1987 and is within the terms of reference of the Commission, i.e. it is not subject to review by the United Nations General Assembly.

5. The Committee has taken note of the action of the ICSC. The Committee also noted that it had not been found possible to advance the next place-to-place survey to 1987 as suggested by the Council in its decision of 14 May 1987. The next survey will take place in 1988 and will not be approved before 1989.

6. The main concern of the CONTRACTING PARTIES, however, was that a long-term durable solution to the salary problem should be found within the common system as a matter of urgency. Consequently, the Committee is pleased to note the ICSC decision to create a working party which has been instructed to make recommendations to the Commission in 1988 on:

a. possible ways of separating exchange rate variations from cost of living movements in the post adjustment index and

b. the adequacy of the post adjustment system in general terms.

The Committee requested the GATT secretariat to follow closely the activities of the working party on the elaboration of a long-term solution and to keep the CONTRACTING PARTIES informed about developments.

Pensions

7. The Committee was informed that the United Nations Joint Staff Pension Board (UNJSPB), at its 37th session held in August 1987, adopted recommendations to the United Nations General Assembly which are designed to deal with the decline in the value of initial periodic pension benefits in certain local currencies.

8. The essence of the recommendations of the Pension Board is to set, as of 1 January 1988, a floor exchange rate for the calculation of the local currency value of initial periodic benefits. In order to offset the actuarial cost of this recommendation, and to respond to the general increase in the actuarial deficit of the Pension Fund, the Pension Board is also reiterating a recommendation made already some years ago that the rate of contribution to the Fund be raised gradually to 24% of pensionable remuneration, and that the present level of 21.75 % of pensionable remuneration be raised to 22.5 % effective 1 January 1988.

9. The Informal Advisory Group's Report, Spec(87)10/Add.1, addressed the problem facing GATT staff and made a number of recommendations. The Report was considered by both the Council and the Committee, which will continue its consideration as directed by the Council.

10. The Committee has considered how GATT could best help to ensure that the two crucial recommendations of the Pension Board are addressed adequately in the General Assembly. The Committee has under consideration the possibility of sending a letter to the Secretary-General of the United Nations requesting him to inform the General Assembly, and in particular the Fifth Committee, of the views of the CONTRACTING PARTIES on these recommendations, in the same way as was done in 1974 on a previous occasion when the General Assembly was considering important recommendations concerning, inter alia, the pension system. The Committee considers that, in addition to this letter from the CONTRACTING PARTIES, it would be most helpful if each contracting party were to ensure that its representative in the Fifth Committee is aware of the views of the CONTRACTING PARTIES.

11. The Committee will report to the Council at a future session its views on the recommendations of the Informal Advisory Group on the establishment of long-service steps and relaxing the rules regarding the age of retirement, as well as on the proposals of the Staff Council regarding long-service steps and a lump sum payment to retirees, taking into account the recommendations of the Pension Board.

12. In summary, the Council may wish:

to take note of the report of the Chairman of the Committee on Budget, Finance and Administration giving information on the decision taken by the ICSC with respect to salaries, and on the recommendations made by the Pension Board to the General Assembly concerning protection of pension benefits in local currency and the rate of contribution to the Pension Fund.