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February 11, 1987

The Honorable Daniel A Mica, Chairman
Subcommittee on International Operations

The Honorable Gus Yatron, Chairman
Subcommittee on Human Rights and International
Organizations
Committee on Foreign Affairs
House of Representatives

As requested by your letter of May 16, 1985, we have reviewed U.N. salaries and pensions

This report analyzes the U N. compensation and pension systems, the role of the International Civil Service Commission in comparing U.N and U.S civil service compensation, and U S initiatives in compensation and pension matters

Copies of this report are being provided to the Department of State and appropriate congressional committees. Copies will be made available to interested parties upon request

Frank C Conahan

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Assistant Comptroller General

Executive Summary

Purpose

The Chairmen of the Subcommittees on Human Rights and International Organizations and on International Operations of the House Committee on Foreign Affairs asked GAO to review U.N. salaries and pensions and U.S. efforts to influence them. GAO addressed the following questions for U N professional and executive employees

- What compensation and pension benefits do these employees receive in comparison with U.S. civil servants?
- On what basis are U.N. compensation levels determined, and what are the role and methodology of the International Civil Service Commission (ICSC) in determining those levels?
- What initiatives has the United States taken on U N. compensation matters?

Background

The United Nations and its related organizations have a common compensation system for their professional and executive employees based on a single grading schedule, similar to that of the U S Civil Service. U.N. salaries are adjusted for cost-of-living and currency exchange rate differences at location of employment This post-adjustment allowance is made to equalize purchasing power between New York, the base city, and other duty stations to satisfy the principle that U.N. employees should receive equal pay for equal work

U N compensation levels are also based on the principle that international civil servants should receive remuneration high enough to attract nationals from the highest paid national civil service, which, to date, has always been the U.S. Civil Service. (See pp. 10-12.)

The ICSC, composed of 15 commissioners and a secretariat, is primarily responsible for such personnel compensation matters as setting post-adjustment levels and carrying out comparisons between U N. and U S civil service compensation. (See pp. 16-17)

Results in Brief

As of December 31, 1984, U.N. organizations employed 50,544 permanent staff, 18,875 of whom were professionals. Personnel costs are the major budget element. For example, the 1984-85 biannual budget for the U.N. Secretariat in New York provided $1.22 billion for salaries and staff costs—about 76 percent of its total budget. (See p 10.)

In 1985, the ICSC reported that New York-based U.N. professional employees' net remuneration exceeded that of equivalent U.S. civil servants in Washington, D.C., by a margin of 21 3 percent This margin doubled from 1978 to 1985. Until 1984 the size of the margins, for the most part, went unchallenged by member states In 1984, the United States and other major contributors began to focus greater attention on compensation and pension issues. Since then the ICSC and General Assembly have taken actions, such as establishing compensation and pension parameters, favored by the United States For example, the General Assembly has established a desirable goal for the margin, but the methodology for calculating the margin is still under study

The rate of pension benefit accumulation for each year of service is the same in both services, but U.N employee pension contributions and benefits are paid on a substantially higher base than is used for U.S. employees. Thus, U N pensions are substantially higher than those in the U.S. Civil Service. The General Assembly has approved some reductions in the pension base, and additional changes are under study

GAO believes the Department of State needs to closely monitor future compensation and pension actions to ensure they are consistent with fair and equitable compensation and pension systems as well as U S cost control objectives. (See pp. 32, 43, 57, and 62)

Principal Findings

U.N./U.S. Compensation Comparison

Since 1978, U.N compensation has increased at a greater rate than has U.S. Civil Service compensation. The gap, or margin, in favor of U N employees increased from 10.3 percent in 1978 to 21 3 in 1985 However, in a December 1985 decision, the General Assembly formally established a target margin of 15 percent, plus or minus 5 percent This decision, according to the ICSC, will freeze net remuneration in New York City until the margin is within the desirable range. (See pp 24-27 and p 29.)

Margin Computations

The ICSC has frequently modified its methodology for calculating the margin between U.N. and U.S. compensation GAO found that (1) ICSC methodological assumptions affected the results in comparing the two systems and (2) several of the modifications tended to reduce the margin. Because the ICSC methodology is so complex, many member states do not have a complete understanding of some of the modifications and their consequences. (See pp. 34-37.)

Pension Benefits

U N pension benefit accumulation rates are similar to those of the U.S Civil Service Retirement system. GAO did not compare the overall cost of the two systems but did note that the base upon which U.N. pensions are calculated is higher than that used for U S. pensions. (See pp. 49-50.)

The U.N. Joint Staff Pension Board, ICSC, and the General Assembly have taken steps to control the growth in pensions, but savings from pension reform will be slow to come because the changes generally do not affect current U.N. employee benefits.

U.S. Initiatives

Beginning with the General Assembly's 1984 rejection of part of an ICSC-recommended 9.6 percent post-adjustment increase for New York City, the United States has focused more attention on compensation and pension issues. Since then, the ICSC and General Assembly have taken several actions, such as establishing compensation and pension parameters, which the United States has favored. (See pp. 61-62.)

Recent ICSC Actions

In its 1986 annual report, the ICSC listed a number of changes it intends to make in its margin calculation methodology. For example, it will exclude U.S. Senior Executive Service bonuses and awards from the compensation comparison and no longer adjust the margin for cost-of-living differences between New York City and Washington, D.C. These actions will likely increase the margin and therefore lessen the prospects for near-term U.N. pay increases. Other changes, still under study, may have the opposite effect, and the net impact of the ICSC's actions is unknown. The ICSC, along with the Pension Board, has also recommended a 15 percent target margin between U.N and U.S pensionable remuneration.

Recommendations

As explained below, GAO is making no recommendations.

Agency Comments

The Department of State agreed with GAO's conclusions regarding the importance of monitoring methodological modifications made by ICSC and the Pension Board. However, State said that GAO's draft report did not give sufficient credit to U S. initiatives to control U.N compensation and pension costs. State also provided information on recent changes ICSC has recommended for its margin calculation methodology and for establishing pension parameters

GAO clarified its report to reflect U.S actions to limit personnel and pension costs and, in light of the ICSC's recent actions, deleted a proposal that State establish specific criteria for its compensation and pension goals. (See pp 62-63)

Contents

Appendixes

Tab es

Figures

Abbreviations

ASG	Assistant Secretary-General
GAO	General Accounting Office
ICSC	International Civil Service Commission
USG	Under Secretary-General

Introduction

The United States has become increasingly concerned with assessing the value of its substantial investment in the U.N. system— almost $1 billion in fiscal year 1986 In recent years, the United States has focused on the growth in U.N. agencies' regular budgets—those financed from member state assessments—because the contributions are mandatory and the United States contributes 25 percent of most U.N agency budgets

A specific concern, particularly in the Congress, has been personnel compensation costs, which average 70 percent of total costs for the overall U.N. system. More specifically, about 76 percent ($1 22 billion) of the 1984-85 2-year budget for the U.N. Secretariat in New York was for salaries and staff costs. As of December 31, 1984, total U.N. staff numbered 50,544, of which about 30 percent were in the U.N. Secretariat. The total number of U.N. employees has increased by more than 27 percent since 1976 but has remained at about the same level since 1981

Common System

The U.N system consists of the General Assembly (the main deliberative body) and the Secretariat in New York, organizations that report to the General Assembly,[1] and 11 specialized agencies, which have their own governing bodies.[2] These organizations are collectively referred to as the U.N. common system.[3]

Staff serving the common system organizations are divided into two broad categories (1) general service and (2) professional-and-above (executive). The general service staff perform semi-professional, clerical, secretarial, and maintenance work, personnel are recruited within the immediate locality of each office to the extent possible and are paid, in general, on the basis of locally prevailing salary scales

[1] U N Development Programme, U N Children's Fund, U N Conference on Trade and Development, U N Environment Programme, Office of the U N High Commissioner for Refugees, U N Institute for Training and Research, U N Relief and Works Agency for Palestine Refugees in the Near East

[2] International Labour Organization, Food and Agriculture Organization, U N Educational, Scientific and Cultural Organization, World Health Organization, International Civil Aviation Organization, Universal Postal Union, International Telecommunication Union, World Meteorological Organization, U N Industrial Development Organization, Inter-Governmental Maritime Consultative Organization, and World Intellectual Property Organization The International Atomic Energy Agency is not categorized as a specialized agency but is a member of the common system and adheres to the ICSC statute The International Fund for Agricultural Development and General Agreement on Tariffs and Trade have not formally accepted the ICSC statute but do participate in the common system

[3] Four additional specialized agencies are not part of the common system—the International Monetary Fund, International Bank for Reconstruction and Development, International Finance Corporation, and International Development Association

Professional-and-Above Employees

This report deals with the compensation and pensions of staff in the professional-and-above category, which includes all positions for which a university preparation generally is considered necessary or desirable. This category, which, as of December 31, 1984, accounted for 37 percent of total U.N. employees, consists of five "professional" grades (P-1 to P-5); two "director" grades (D-1 and D-2), and two senior ranks, called Assistant Secretary-General (ASG) and Under Secretary-General (USG) in the Secretariat, referred to as ungraded posts The salary scales for each grade comprise a series of steps, similar to those of the U.S Civil Service General Schedule, which provide periodic increases to employees rendering satisfactory service (see app. I). The required service period in each step is 1 year at grades P-1 to D-1 up to step 4 and 2 years from the 4th step of D-1 to the top of D-2

Table 1.1 shows the number of professional-and-above employees at each grade in the common system as of December 31, 1984. P-4 is the predominant grade, accounting for about 28 percent of total professional-and-above employees. Grades P-5 and above account for over 36 percent of total professional-and-above employees According to the International Civil Service Commission (ICSC), functions of a P-1 approximate those of a GS-9 in the U S. Civil Service, and a P-5 approximates a GS-15.

Table 1.1: Grade Distribution in the U.N. Common System Professional-and-Above Staff (as of Dec 1984)

		U.N. staff at each grade	
U.N. grade	**Equivalent U.S. grade[a]**	**Number**	**Percent**
P-1	GS-9	794	4 2
P-2	GS-11/12	2,310	12 2
P 3	GS-12/13	3,688	19 5
P-4	GS-13/14	5,224	27 7
P 5	GS 15	4,804	25 5
D-1	GS-16	1,459	7 7
D 2	GS-17/18	424	2 2
ASG and USG	None	172	0 9
Total		**18,875**	**100.0**

[a]See table 4 1 for more detailed equivalencies

Except for language staff, the United Nations primarily recruits professional-and-above staff on the basis of a broad geographical distribution formula, which sets out a desirable range for each member state. For example, the U.S. range for the U N Secretariat was between 407 and 551 positions as of June 30, 1984, which, according to the Department of State, is calculated against a specified base of 3,350 posts subject to the geographical distribution formula. The actual number of U.S. citizens on board at that date was 494, or about 16 percent of the total posts.

Compensation Principles

The U.N. compensation system is based on two main principles: (1) that international civil servants should receive equal pay for equal work (referred to as the common system of salaries and allowances) and (2) that professional-and-above employees should receive compensation high enough to attract nationals from the highest paid national civil service (known as the Noblemaire Principle)

The principle that international civil servants must be equally paid for equal work, irrespective of their nationalities or levels of pay in their countries, has led to a common salary and allowance system for employees in the professional-and-above category in all locations in the common system Such a system also serves to preclude one agency of the common system from attracting another agency's employees with a higher salary schedule.

The Noblemaire Principle, originating in the League of Nations, was formulated by the Noblemaire Committee in its 1921 report The essence of the principle is that international civil service compensation levels should be set high enough to attract nationals from all member states, including those with the highest paid national civil service In practice, since the inception of the United Nations, international civil service salary scales have been based on the highest paid national civil service which, to date, has always been the U S Civil Service

Congressional Initiatives

In 1985, both the House of Representatives and the Senate offered amendments to the bill that authorizes U S. contributions to the U N. system. The amendments were intended to bring U.N. costs under greater control, in particular, personnel compensation costs After a conference committee considered both amendments, Public Law 99-93 was passed, containing a provision that the Secretary of State shall advocate that voting rights on budgetary matters in the United Nations and its specialized agencies be proportionate to member states' assessed contributions to these organizations Starting in U.S. fiscal year 1987, the United States will be prohibited from paying an assessed contribution in excess of 20 percent of an organization's total budget to any U N organization not adopting such voting rights. The conference report on the Act notes that the provision is intended to promote meaningful budget reform at U.N. organizations and is not simply a means of reducing U S. assessed contributions to U.N organizations

Objectives, Scope, and Methodology

In May 1985, the Chairmen of the Subcommittees on Human Rights and International Organizations and on International Operations of the House Committee on Foreign Affairs asked us to review U N salaries and pensions and U S. efforts to influence them After some initial work, we met with Subcommittee representatives to discuss specific areas to be included in the review and agreed to

- describe the compensation and pension systems for U N personnel categorized as professional-and-above, including how they compare to those of the U S. Civil Service,
- determine the basis upon which compensation is set,
- analyze the role of the International Civil Service Commission and its methodology for determining U N compensation levels in comparison to the highest paid national civil service; and
- analyze U.S. initiatives on U N personnel compensation matters

We did not evaluate the basic premises that U N. pay should compare with the highest paying national civil service (see ch 2) or that the U.N should maintain a common system of compensation for all U N organizations We used the results of existing studies and other data on cost-of-living surveys and established pay equivalency points between U N. staff grades and those of the highest paying national civil service. We did not validate such data Also, this report focuses principally on comparing pay and pensions, although some other components of compensation are briefly noted in appendix II and elsewhere throughout the report The report discusses U N pensions in comparison with the U S Civil Service Retirement System for employees hired before January 1, 1984, unless stated otherwise.

In Washington, D C., we met with Department of State and Office of Personnel Management officials, and in New York we met with officials representing various U.N offices, the ICSC, the U.N. Joint Staff Pension Board, staff organizations, and the U S and several other member state missions to the United Nations

We reviewed ICSC, Pension Board, and other U N. documents and studies made available to us and articles by analysts in and outside the United Nations. At the Department of State we reviewed Department program documents, analyses, and position papers. We also reviewed selected U S. Office of Personnel Management and Department of Labor documents and analyses.

Our work was performed between June 1985 and October 1986 and was conducted in accordance with generally accepted government auditing standards

The ICSC and the U.N. Compensation System

The International Civil Service Commission makes recommendations to the General Assembly on basic U N remuneration levels and various allowances. A key ICSC function is the comparison it carries out each year between U.N. and U.S. civil service compensation levels to monitor the appropriate level of U N compensation

U.N. professional-and-above employees receive base salaries, which are applied uniformly by grade worldwide, and post-adjustment allowances that vary according to living costs at each U.N location They also receive various allowances related to service away from their home countries, such as education allowances for children.

The ICSC and Other Personnel Advisory Groups

The ICSC regulates and coordinates personnel matters for the U.N common system The Commission was established by the General Assembly in 1974, succeeding other groups that had coordinated U N personnel matters, such as the International Civil Service Advisory Board, a consultative body of independent experts. Other U.N. bodies concerned with U N personnel matters include

- the Advisory Committee on Administrative and Budgetary Questions, which deals with the financial implications of personnel issues;
- the Administrative Committee on Coordination, which is composed of the executive heads of the organizations making up the common system, and its subsidiary body, the Consultative Committee on Administrative Questions, which was created to foster cooperation and develop common solutions to problems faced by all organizations in the common system, and
- the General Assembly's Committee on Administration and Budgets, the so-called Fifth Committee, which considers the ICSC's report on compensation matters and makes recommendations to the General Assembly and is the forum where member states present their views and debate issues

ICSC Functions

The ICSC makes recommendations to the General Assembly on (1) salary scales, (2) broad principles for personnel service conditions for all U N employees, and (3) post-adjustment scales for staff in the professional-and-above category It also establishes post-adjustment classifications for all U.N. duty stations and sets travel standards. The ICSC has certain other personnel functions, such as recommending common system recruitment standards, career development and training programs, and staff regulations

ICSC Composition

The Commission consists of 15 commissioners appointed by the General Assembly for up to 4-year terms; the Chairman and Vice Chairman are the only paid members and serve full-time. The statute establishing ICSC specifies that the commissioners should be experts in personnel and public administration and serve with full independence and impartiality The ICSC is responsible to the General Assembly.

The most recent appointments were made by the General Assembly at its 40th session in December 1985 As of January 1986, the ICSC consisted of four commissioners from countries in Africa (Egypt, Ghana, Mauritania and Nigeria),[1] three from Asia (Japan, India, and Pakistan), two from Latin America (Argentina and Brazil), two from Eastern Europe (Czechoslovakia and the Soviet Union), and four from the Western Europe and other states group (Belgium, France, Greece, and the United States). The current Commission Chairman and Vice Chairman are from Ghana and Argentina, respectively

ICSC Organization

The ICSC is located in New York City and has generally held two meetings per year, one in New York and one at the headquarters of a U N organization Each year it submits an annual report to the General Assembly on the previous year's activities. The ICSC is served by a staff as provided for in its budget, which is subject to approval by the General Assembly. The Commission's budget for the 1984-85 period was $7 4 million and provided for 23 professional and 29 general service staff members

The ICSC staff, or secretariat, is the key to Commission activities Headed by an executive secretary, it carries out the day-to-day activities of the ICSC and prepares analyses on the issues before the commissioners ICSC secretariat staff members are selected in accordance with provisions that apply generally to U.N. staff and are responsible to the ICSC Chairman in carrying out their duties, for administrative purposes, they are regarded as officials of the United Nations, which provides the necessary administrative facilities for them.

With approval of the General Assembly, the ICSC may establish subsidiary bodies to carry out particular tasks within the Commission's jurisdiction. One such body is the Advisory Committee on Post Adjustment Questions, a standing committee established in 1976 From time to time,

[1] The Commission was composed of 14 members during most of 1986 due to the death of the commissioner from Nigeria

the ICSC has also arranged with U.N or other organizations to carry out fact-finding missions or analyses on its behalf. For example, a specialized agency may participate in a cost-of-living survey at its headquarters location.

Main Elements of the U.N. Compensation System

The major elements of the U.N compensation system for the nine levels in the professional-and-above category are (1) a base salary schedule, which is applied uniformly by grade worldwide, and (2) a post-adjustment allowance, which varies according to local costs at each office location These two elements comprise what the United Nations calls net remuneration and are the basis for comparison with the U S Civil Service.

Salary Schedule

The United Nations has a gross base salary schedule that applies to all professional-and-above employees No employee actually receives the gross schedule amounts, however. Rather, employees receive a net base salary, which is determined by deducting a staff assessment from the gross schedule The staff assessment deduction is basically an administrative exercise, which the United Nations calls a form of internal tax The amount deducted depends on an employee's grade and whether or not he or she has any dependents. Appendix I shows the gross and net base salaries for professional-and-above employees. The net base salary is subject to such further payroll deductions as employee contributions to pension and health plans

Because of its "internal tax," the United Nations has encouraged its member states not to tax their international civil servants, and most do not do so The United States is the major exception. U.N. organizations reimburse those employees who must pay national income taxes in order to maintain the principle of equal pay for equal work. For example, since U N salaries of U.S employees in New York are subject to U S federal, state, and local income taxes, the actual tax they pay is reimbursed by their employing organizations.[2]

Member states' assessed contributions to common system budgets are based on gross salary schedules but are reduced to net salary levels for those who do not tax their international organization employees Thus,

[2] U S employees of all U N organizations are subject to U S federal taxes, however, outside the United States they can take advantage of the overseas income exclusion provisions

the United States pays a proportionately higher amount to U N organizations, but gets it back in tax payments by U.S employees The amount representing the difference between the net and gross salary schedule is deposited in a tax equalization fund and used to reimburse employees for the taxes they pay to their home countries

Post Adjustment

For each grade, the post-adjustment allowance adds to or subtracts from the U N.'s net base salary based on location The allowance ensures, to the fullest extent possible, that staff members of equal grade and step in all duty stations worldwide have purchasing power equal to that of an employee residing in the base city, currently New York To accomplish this, the system takes into account (1) the cost of living at each duty station and (2) the exchange rate between the U S dollar (in which U N salaries and allowances are expressed) and the local currency (in which most of the staff's day-to-day living expenses are incurred)

The post-adjustment level at locations other than New York City can change in three ways First, at any particular location, post adjustment is increased whenever a local consumer price survey indicates that costs have increased by a specific predetermined percent (generally 5 percent) of the existing post-adjustment figure For some U N duty stations, primarily headquarters and other locations, the increased costs must be sustained for a period of 4 months to allow for short-term variations before triggering a post-adjustment increase For other locations, post-adjustment changes can occur more or less frequently because they are implemented whenever survey results become available and indicate that a change is in order

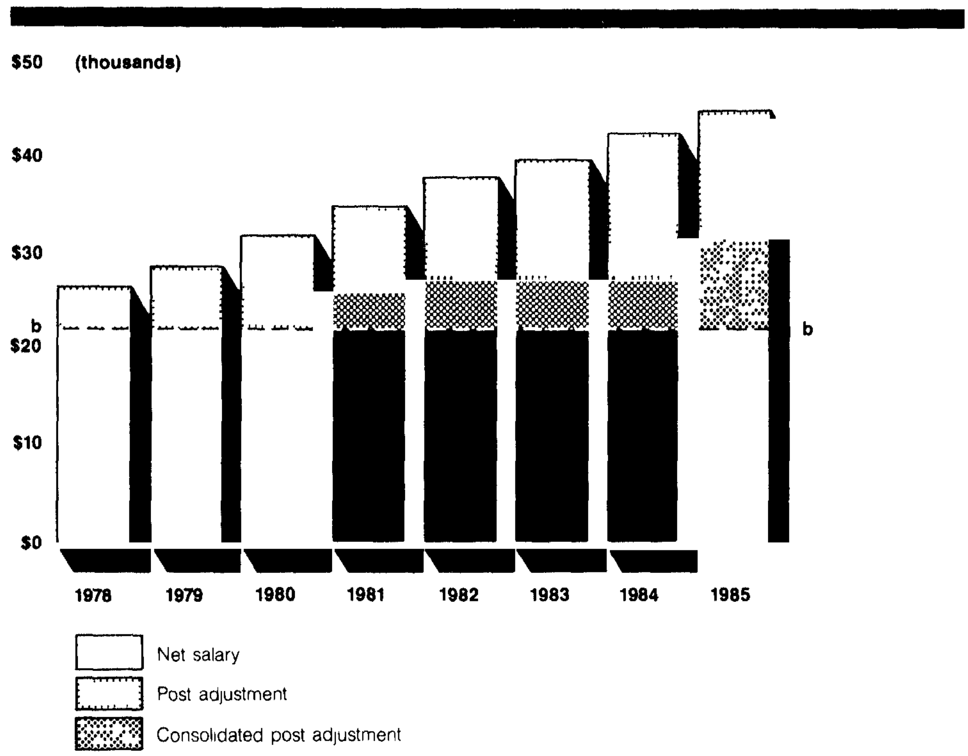
Second, the post-adjustment system takes into account the exchange rate between the U S. dollar and the local currency at a U N office location The salaries and allowances of U.N. staff, while expressed in dollars, are paid, in part, in local currency at the official rate of exchange determined by the United Nations. Currency exchange rates are adjusted monthly to avoid gains or losses to the staff as the dollar buys either more or fewer units of local currency Thus, a typical U N employee, especially outside of New York City, may have frequent take-home pay adjustments

Finally, place-to-place surveys compare the cost of living for each duty station with the cost of living for the base city, New York Through these surveys, post-adjustment changes in New York are reflected at all other U N locations Basically, place-to-place surveys are carried out twice every 6 years, but can be made more often if deemed necessary by the ICSC.

Post-Adjustment Increases Since 1978

Base city employees also receive post-adjustment allowances, which reflect cost-of-living increases in New York. Figure 2 1, a composite of the average net base salaries and post-adjustment levels for U N staff in New York City from 1978 to 1985, illustrates that post adjustment has become the major element in establishing U.N pay levels. The General Assembly approved its last across-the-board base salary increase in 1975, the level represented by the dotted line All pay increases during the period shown were the result of post-adjustment increases implemented by the ICSC. While the General Assembly must approve post-adjustment payment scales, the ICSC classifies stations for the purpose of determining what levels of post adjustment employees at each duty station will receive. A portion of post adjustment has periodically been consolidated into net salary, as represented by the center section in the figure

Figure 2.1: Composite of U.N. Net Remuneration in New York City,[a] 1978 Through 1985



[a]At step one for each grade

[b]Base salary level without any post-adjustment consolidation

Periodic post-adjustment consolidations, carried out upon the General Assembly's approval, primarily are made to correct imbalances in the U.N.'s tax equalization fund According to the ICSC, the fund becomes imbalanced because post adjustment is not subject to a staff assessment deduction. This consolidation helps correct the imbalance by incorporating part of the post adjustment into the assessment base.

Table 2 1 shows net base salaries, post adjustments, and other selected allowances of U N. professional-and-above staff in New York City. The net remuneration column forms the basis of comparison to U.S civil servant salaries after deducting federal, state, and local taxes

Table 2 1 Net Salaries and Allowances for U N. Professional-and-Above Staff in New York City (With Spouse and Two Children as of May 1986)

U N. grade	Net base salary	Post adjustment	Subtotal, Net remuneration[a]	Representation allowance[b]	Dependency allowance[c]	Education allowance[d]	Total
USG	$64,535	$22,884	$87,419	$4,000	$1,400	$9,000	**$101,819**
ASG	59,203	20,999	80,202	3,000	1,400	9,000	**93,602**
D-2							
Minimum	49,406	17,493	66,899	600	1,400	9,000	**77,899**
Maximum	52,552	18,633	71,185	600	1,400	9,000	**82,185**
D-1							
Minimum	43,461	15,953	59,414	•	1,400	9,000	**69,814**
Maximum	49,287	17,509	66,769	•	1,400	9,000	**77,196**
P-5							
Minimum	39,290	14,694	53,984	•	1,400	9,000	**64,384**
Maximum	46,340	16,654	62,994	•	1,400	9,000	**73,394**
P-4							
Minimum	32,605	12,333	44,938	•	1,400	9,000	**55,338**
Maximum	41,308	15,252	56,560	•	1,400	9,000	**66,960**
P-3							
Minimum	27,294	10,359	37,653	•	1,400	9,000	**48,053**
Maximum	35,997	13,495	49,492	•	1,400	9,000	**59,892**
P-2							
Minimum	22,675	8,606	31,281	•	1,400	9,000	**41,681**
Maximum	29,124	11,019	40,143	•	1,400	9,000	**50,543**
P-1							
Minimum	17,936	6,869	24,805	•	1,400	9,000	**35,205**
Maximum	23,458	8,901	32,359	•	1,400	9,000	**42,759**

[a]Net remuneration is the amount used in comparisons with net U S Civil Service salaries

[b]See appendix II

[c]$700 allowance per dependent child (see app II)

[d]Actual education expenses are reimbursed up to a maximum of $4,500 per child for employees serving outside their home countries (see app II)

U.N employees also receive other allowances and benefits, such as health and retirement plans These are briefly described in appendixes II and III

Pay for like-graded employees at other U.N locations would vary, primarily in the post-adjustment allowance, which can be either greater or less than that paid in New York City As of December 31, 1984, only about 15 percent of the U N. professional staff was located in New York where, according to the ICSC, the cost of living is higher than in most other U N locations. Thus, as shown in table 2 2, the majority of U.N employees receive a post-adjustment allowance below that provided to their New York counterparts

Table 2 2· Post Adjustment in New York City Compared With Other U.N. Locations (as of Dec 31, 1984)

Level of post adjustment	Number of locations	Professional staff Number	Professional staff Percent
Greater than New York	27	1,337	8 3
Equal to New York	5	214	1 3
Less than New York	146	14,477	90 1
Subtotal of cities covered by post adjustment	178	16,028	99 8
Locations not covered	7	34	0 2
Total, all locations	**185**	**16,062**	**100.0**

Even though all U N employees are to have purchasing power equal to that of those assigned to New York City, the reduction in this allowance for other than New York-based U.N. personnel means that the majority of U N. employees take home less in net base salary and post adjustment than the dollar amounts used in the comparison of U N and U S net remuneration.[1] Table 2.2 shows that over 90 percent of U N professional employees located outside New York City were receiving lower post-adjustment allowances than those received by New York-based employees

[1]At some posts, special allowances, such as rental subsidies and hardship payment, at least partially offset the reduced post-adjustment allowance

Trend in U.N. Compensation Growth and ICSC Role in Compensation Issues

Until 1984, the ICSC implemented post-adjustment increases at the base city without major disagreement from the majority of member states In 1984, however, the General Assembly rejected part of the ICSC's recommended 9.6 percent post-adjustment increase for U.N employees based in New York City and asked the ICSC to recommend a target margin level to be maintained between U.N New York-based and U S civil service employees The following factors contributed to the General Assembly's actions

- Since 1978, the margin between U.N. and U.S. compensation increasingly favored U.N employees which, in more recent years, caused concern among member states about escalating compensation costs
- The ICSC, member states, and others disagreed over what the size of the margin actually was.
- Member states and others questioned the objectivity and role of the ICSC, particularly its comparison methodology; how it was influenced by U N management and staff; and its insufficient attention to major contributors' cost concerns.

In 1985, the General Assembly accepted the ICSC's recommendation and established a formal target of 15 percent, plus or minus 5 percent, as the appropriate margin between U.N. net remuneration and an equivalent U.S employee's gross salary less applicable taxes. The influence this target will have on future post adjustments and base salary is yet to be determined, but it is likely to be a key factor in future compensation decisions.

Difference Between U.N. and U.S. Compensation Has Increased

In 1970, the General Assembly created a special Salary Review Committee to examine compensation matters within the U.N. common system The Committee completed its work in 1972 and recommended that U.N professional salaries be set at a level higher than those of the U.S. Civil Service by approximately 15 percent Since that time, the United States and other member states have informally considered 15 percent to be an appropriate differential since, in accordance with the Noblemaire Principle, it appears to provide the incentive necessary to attract employees from all member states

The ICSC has continually monitored the difference in salaries paid to U.N. and U.S. civil servants since 1977. The ICSC's primary monitoring tool is an annual calculation, which compares the net remuneration received by professional civil servants in the two systems. ICSC and U.N.

Secretariat officials told us that there must be continuity in the parameters it uses in the comparison to ensure comparability in the results from year to year; however, it has made technical refinements in its comparison methodology over the years

The ICSC's annual calculation covers the period of October through September and compares the net remuneration of employees at the first step of each of the U.N.'s seven professional-and-above pay grades with that of U S. Civil Service employees at equivalent grades, compensated under the General Schedule and Senior Executive Service pay schedules. For a U.N. employee, the net remuneration is net salary and the post-adjustment allowance applicable in New York City, and for a U S civil servant it is net salary, after payment of applicable federal, state, and local taxes in the Washington, D C , area The calculation compares compensation for employees with a spouse but no dependent children The average compensation for each of the seven grades is weighted to reflect the number of U.N. staff at each grade and adjusted for the cost-of-living difference between New York City and Washington, D C. The resulting weighted average ratio is commonly referred to as the "margin of net remuneration" or the "margin" between compensation for the two services

The ICSC's margin calculation is illustrated by comparing net remuneration of a U.N. employee at pay grade P-1, step 1, in New York City to that of an equivalent U.S. employee, GS-9, step 1, in Washington, D C For the period October 1984 through September 1985, the U.N. New York-based employee's net remuneration was $24,793, consisting of $17,244 in net base salary and $7,550 in New York City post-adjustment allowance The equivalent U.S Washington-based employee's net remuneration was $18,956, consisting of $21,620 in gross salary less $2,664 in applicable federal, state, and local taxes for the Washington, D.C., area.

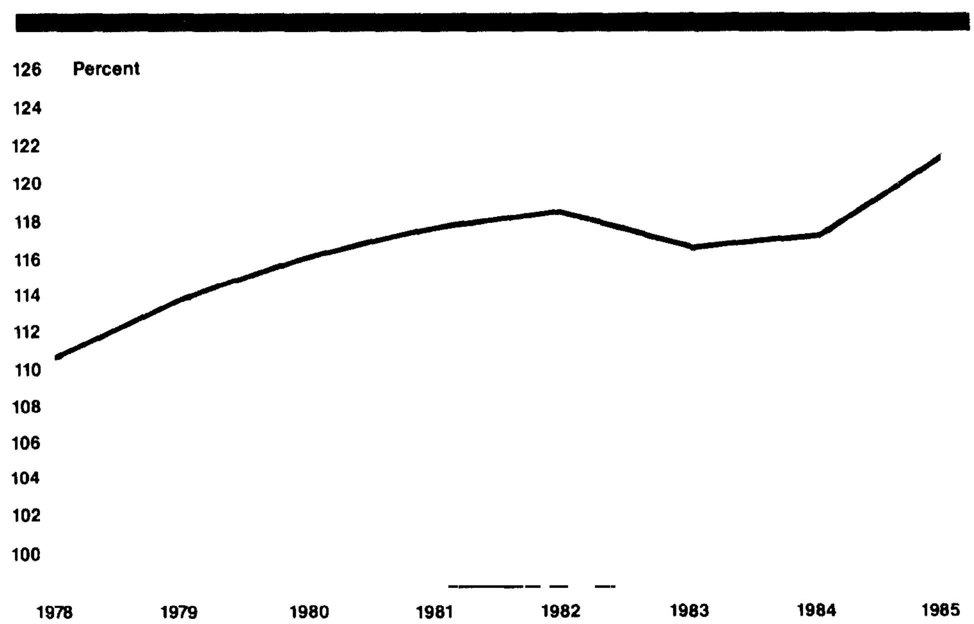
Dividing the U.N. net by the U S. net shows the U.N. New York-based employee is making 130.79 percent as much as the U.S Washington-based employee The ICSC next adjusts for the cost-of-living difference between the two cities (the ICSC calculated the cost of living to be 5.2 percent higher in New York for the period) by dividing 130 79 by 105.2 percent. The resulting figure shows that U.N. compensation for a P-1, step 1, employee in New York exceeded compensation for an equivalent U S employee in Washington by 24.3 percent for the period The 24 3 percent difference is weighted to reflect that P-1 employees account for only 2.8 percent of the total applicable U.N common system work force.

The ICSC calculates the compensation difference in a similar manner for each of the seven applicable U.N. professional-and-above pay grades and their U S. equivalents. The seven individual weighted differences are then totaled to arrive at the weighted average difference in net remuneration between the two services. U.N employees also receive other benefits, such as health and annual leave and pensions upon retirement These benefits, which have counterparts in the U.S Civil Service, are not currently included in the ICSC's comparison between U.N and U S. civil service compensation.

Margin Trend

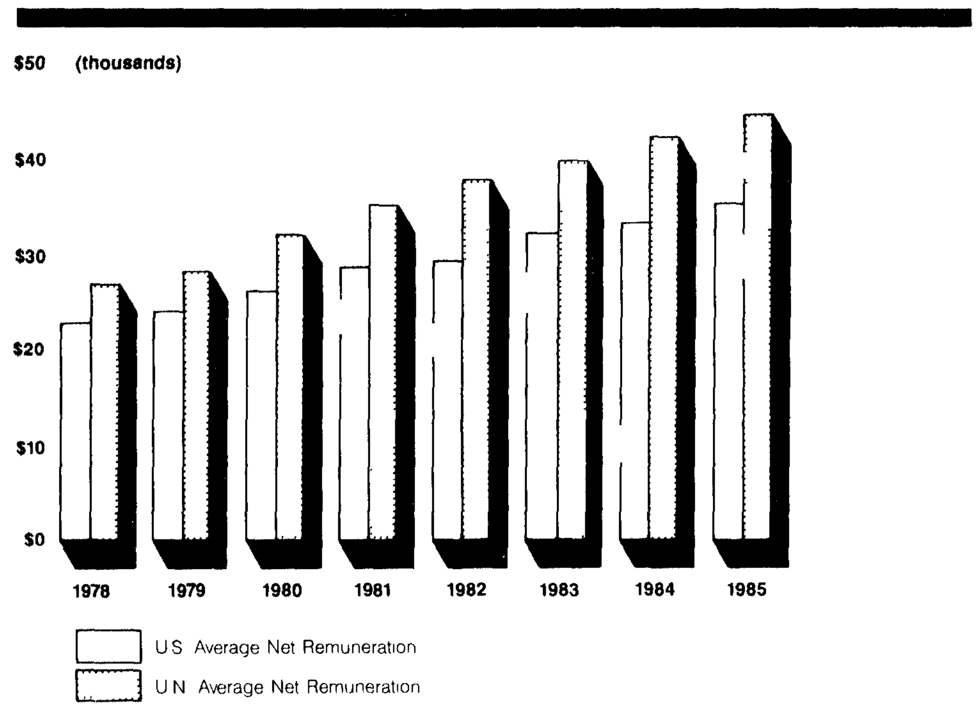
In September 1985, the ICSC reported that average U.N net remuneration exceeded U S Civil Service net remuneration by a margin of 21 3 percent for October 1984 through September 1985. As figure 3 1 shows, the margin has, with one exception, increased each year since 1978, when it was approximately 10 percent. The ICSC has projected a slight decrease in the margin for 1986 despite the fact that salaries for both U.N. and U.S. civil servants have been frozen for 1986. According to the ICSC, the indexing of U S. federal income taxes for inflation will cause U S. net remuneration to increase slightly, causing a small decrease in the margin.

Figure 3.1: Margin Trend as Percent of U.S. Net Remuneration



Between 1978 and 1985, U N net remuneration increased by an annual average of almost $2,500, or 10.1 percent, while that of U.S civil servants has increased by about $1,800 annually, or 8 0 percent (see fig 3 2) ICSC officials told us that the primary reason for the greater increase in U N net remuneration was that the cost-of-living allowances provided to U.N. New York-based employees exceeded the salary increases received by their U.S. counterparts.

Figure 3.2: Comparison of Average Net Remuneration of U.N. New York-Based Employees and U.S. Washington-Based Employees (1978-85)



Compensation Issues Focus on Increased Costs and ICSC Role

Many major contributing states, including the United States, believe that U.N. salaries should reflect such domestic economic conditions as the budget austerity of many member states and have expressed their concern about escalating costs at a time when many countries have imposed restraints on national salary increases. For example, one member state representative told us that since his country's civil servants had not received a pay raise in 2 years, it has become increasingly difficult for his country to support any U N compensation increases.

On the other hand, the ICSC noted that since 1977 the United States has granted much lower pay increases than those that would have resulted had full pay comparability been established between the U.S. public and private sectors. The ICSC further noted that U N civil servants enjoyed a salary advantage of only about 10 percent for the period ending in September 1978, the period immediately following the last date when full pay comparability was applied by the United States. According to the President's Pay Agent and the Advisory Committee on Federal Pay, U S. civil servant salaries lagged behind those of the private sector by 19.15 percent in 1985.

Some U.N. officials believe that U.S. failure to implement full pay comparability should not affect U.N. pay decisions. For example, a senior representative of one U N. employee association stated that the U.N. system "should not be subject to the domestic political considerations of the comparator country." The ICSC reported that U.S. pay comparability decisions are made "for strictly domestic reasons " Other U.N. employee association and organization officials and some ICSC commissioners argued that national salaries, as they would have evolved had the provisions of the Pay Comparability Act been applied to U.S. civil servants' salaries, should be used in the margin calculation Accepting this argument would change the way in which the United Nations has applied the Noblemaire Principle in the past, comparing itself to what the highest paying national civil service is paid, to comparing itself to what that service would be paid under full comparability.

ICSC Post-Adjustment Decision Challenged

The conflicting views on appropriate U.N pay levels were presaged by events beginning in 1982. In that year, the common system executive heads, through their Administrative Committee on Coordination, recommended a 5 percent base salary increase for all U.N. professional-and-above staff With some commissioners noting the difficult economic conditions in member states, the ICSC reported to the General Assembly that, while the majority of commissioners favored an increase, they had been unable to reach a consensus on the size of the increase The General Assembly voted against the increase

In 1984, the ICSC recommended a 9 6 percent increase in the post-adjustment allowance for New York-based professional-and-above staff. The size of the increase and the ICSC's rationale for it appeared to galvanize member states' concerns about U.N. compensation levels and their disenchantment with the ICSC. Unlike prior post-adjustment increases, this one was not based on recent increases in New York's cost of living. The ICSC explained that the 9.6 percent increase was to correct cost-of-living calculations going as far back as 1956. Some member states, including the United States, saw the ICSC move as an attempt to circumvent the General Assembly by providing a "back door" pay raise.

The ICSC recommended to the Secretary General that the first 5 percent of the 9.6 percent increase be implemented in August 1984 despite the objections of such members as the United States, the United Kingdom, France, Japan, and the Soviet Union These opponents of the 9.6 percent increase argued that only the General Assembly could authorize a compensation increase of this magnitude, which the ICSC estimated would cost $11.5 million for the common system for the period 1984 through 1986 One commissioner estimated that the 9 6 percent increase would raise the margin between U.N. and U.S. civil service compensation from the ICSC's reported 17 percent to 24 percent.

The U.N Joint Inspection Unit issued a report in August 1984, which added to the debate on the ICSC's decision to increase the post-adjustment allowance in New York and on its comparison methodology The report examined, among other things, rising U N. staff costs and challenged some of the ICSC's methodology as deviating from the Noblemaire Principle. The report concluded that this deviation had resulted in a greater difference between U.N. and U.S. salaries than had been reported by the ICSC and recommended that the General Assembly not approve any increases in professional salaries or post-adjustment allowances until the difference narrowed The report provoked a great deal of concern and criticism from U N organizations, the ICSC, employee staff unions, and some member state delegations, who claimed that the report's analysis was incomplete and based on inaccurate data. However, some member states, including the United States, agreed that the margin between U N. and U S. civil service compensation was greater than the ICSC calculation The debate did not resolve what the actual margin was, but it served to illustrate the importance of the methodological assumptions made in carrying out the comparison.

In November 1984, the United States and the Soviet Union co-sponsored a resolution before the Fifth Committee to revoke the entire 9 6 percent post-adjustment increase as unwarranted in comparison with the 3.5 percent increase given to U.S. civil servants in 1984.[1] The General Assembly passed a compromise resolution on November 30, 1984, which allowed the 5 percent increase already in effect to stand but requested

[1] While the issue was under review in the United Nations, the U S Congress enacted Public Law 98-473, which contained an amendment barring the United States from paying its proportionate share of the post-adjustment increase

that the ICSC suspend the remaining 4 6 percent, which it did In addition, the General Assembly requested that the ICSC resolve the widely varying margin estimates, submit its margin calculation methodology to the General Assembly, and recommend a level at which the margin should be held in the future.

In August 1985 the ICSC recommended to the General Assembly a range for the difference between U.N and U.S salaries of 10 to 20 percent with the mid-point of 15 percent as a desirable point around which the margin should be maintained. The General Assembly accepted the ICSC's recommendation, and on December 18, 1985, it passed a resolution establishing, for the first time, a target for the margin According to ICSC officials, the post adjustment for the base city will be frozen until the margin is well within the desirable range.

Criticism of ICSC's Role

During this period, some member states and others focused on the nature of ICSC membership and the objectivity of the ICSC secretariat. Critics said the ICSC was no longer a body of experts, as envisioned in the statute. For example, they pointed out that several commissioners appointed in recent years were retired diplomats who, at best, had limited relevant background in public administration and personnel management.

Others viewed the ICSC secretariat as being too strong, often dominating ICSC activities. A 1986 U N study of the U N common system[2] noted that ICSC decisions and recommendations are based largely on positions developed by the secretariat, whose views normally prevail with the commissioners. The study also noted that, given the commissioners' general lack of expertise, a strong chairman and a technically competent secretariat enable the ICSC to make its decisions and recommendations. A U.N. secretariat official we interviewed agreed that the secretariat "drives" the Commission's agenda but noted that, in fairness, it should be realized that the secretariat is filling a vacuum created by the lack of expertise of many commissioners. In commenting on a draft of this report, the Department of State noted that another view is that the main problem is not lack of expertise among the commissioners, but the fact that the secretariat produces very lengthy and often difficult to understand documents on a tardy basis, a practice that does not give the commissioners time to consider the documents fully.

[2] Can the Common System Be Maintained? The Role of the International Civil Service Commission, United Nations Institute for Training and Research, 1986

The Joint Inspection Unit's followup to its August 1984 report questioned the ICSC's objectivity, and several member state representatives generally concurred with this criticism They told us that ICSC positions on compensation issues developed by the secretariat often reflected the views of participating and staff organizations without adequate consideration of member states' interests They said, for example, that lately the ICSC seemed to be unaware of concerns over rising staff costs As one member state representative said, the ICSC "was not living in the real world."

Another member state representative noted that compensation issues are very complicated and that member states generally do not have the resources to carry out the same degree of analysis performed by the ICSC secretariat. One representative said that he had asked for clearer and simpler explanations and presentations in the ICSC reports, but he is not sure the ICSC secretariat really tries to present the issues as simply as possible. Another representative told us that compensation issues tended to be treated as esoteric matters in the General Assembly's Fifth Committee rather than as choices based on substantive technical analyses. He believes the ICSC secretariat has encouraged this approach, which prevents member states from acquiring a thorough understanding of compensation issues

We were told that another problem is that the ICSC's New York location has caused it to be more closely identified with the U N Secretariat than with other common system organizations Some member states and other officials we interviewed said that this close identification has caused occasional friction with some of the specialized agencies which feel their interests are not always sufficiently considered.

Balancing Concerns of Member States and Others

The ICSC faces a difficult task in trying to balance the interests of U.N staff, organizations, and member states Some of the member state representatives we interviewed believe that the 1984 post-adjustment episode illustrates the need for member states to more effectively convey their views and concerns on compensation issues to the ICSC before it develops recommendations.

One representative told us that member state input on compensation issues is limited primarily to a voice in the Fifth Committee, where member states basically vote for or against an ICSC proposal. These proposals, he noted, have been developed by the ICSC secretariat and debated at ICSC meetings where U.N. staff and the participating organizations, but not member states, have had an opportunity to present their views. Although some representatives were dissatisfied with what they view as the strong influence of the staff and participating organizations on ICSC decisions, they do not believe member state attendance at ICSC meetings would be desirable. They pointed out that, with U N. members numbering more than 150, such a practice could easily become unmanageable. The Department of State believes that there are options short of all U.N. members attending ICSC meetings. For example, the Department told us that member states representing the Fifth Committee might be invited to attend.

Most of the member state representatives we interviewed were encouraged by some recent events. They believe that the General Assembly's denial of the post-adjustment increase recommendation in 1984 caused the ICSC to give greater consideration in 1985 to what member states were prepared to approve on compensation matters They said the ICSC's 1985 report to the General Assembly had reflected a greater awareness of member state cost concerns than had its reports in the recent past

According to some member state representatives, another encouraging aspect was greater consultation on compensation issues among member states, particularly the major contributors, before the 1985 General Assembly convened. They viewed this as beneficial, both for facilitating a consensus on such issues in the Fifth Committee and for contributing to ICSC awareness of member state concerns when analyzing the issues. For example, they noted that the United States and Soviet Union held similar views on many of these issues.

We were told that another factor was that more members that are not major contributors had also become more concerned with U.N compensation issues in 1985 than they had in the past and had joined the major contributors in taking a stand on such issues. Some member state representatives told us that the magnitude of the ICSC's 1984 recommendation for increasing post-adjustment allowances had brought opposition from some member states that previously had been generally supportive of ICSC pay recommendations.

Conclusions

The margin between U.N. and U.S civil service compensation is a key factor in ICSC pay recommendations. Growth of this margin in recent years has helped galvanize concern among many contributing member states about the need to control increasing U N. costs. This was illustrated by the General Assembly's 1984 rejection of the full 9 6 percent increase recommended by ICSC for New York's post-adjustment allowance and by the General Assembly's formal request the following year that a target compensation margin be established.

These actions also demonstrated several member states' dissatisfaction with the role and objectivity of the ICSC These members complained that U.N staff and management interests held more sway with the ICSC than members' concerns about increasing compensation costs. They were also dissatisfied with the complexity of the ICSC margin calculation methodology (see discussion in ch 4), and ICSC, member states, and others disagreed about the actual size of the margin Despite their dissatisfaction, several member states have noted some encouraging signs that the ICSC may be paying more heed to their concerns

Methodology and Assumptions Used to Compute Margin

The ICSC, member states, and others have disagreed on just how the margin between U.N and U S civil service compensation should be calculated. Although the General Assembly established a desirable range for the margin, it has not resolved questions on the methodology for computing the margin.

The ICSC has made a number of modifications in its methodology for calculating the margin between U.N. and U.S. civil service compensation We analyzed the ICSC margin calculation in recent years and found several instances where ICSC modifications tended to reduce the margin between the two services In some cases, the modifications appear questionable

The insight provided by these historical examples of methodological changes is important in light of the General Assembly's agreement that the ICSC should study further its calculation methodology. We believe the General Assembly's resolution to establish a margin range, while an important step, will not provide adequate control until an agreed-upon methodology for calculating the margin is developed. The ICSC recently introduced several changes it intends to make in future margin calculations. For example, it will compare average U.N. and U.S. salaries at each grade without adjusting for the cost-of-living difference between New York and Washington The overall impact of the changes on the margin has not been determined

Elements of the Margin Calculation

The ICSC's margin calculation involves several determinations and assumptions which, to varying degrees, influence the resulting comparison According to the ICSC Chairman, the four most important elements in the calculation are as follows.

1. Calculating U.N. and U S net remuneration in New York City and Washington, D.C., respectively

2. Determining U.S. equivalents to U.N pay grades

3 Determining the cost-of-living differential between New York City and Washington, D C

4. Using average compensation received over a 1-year period to avoid possible distortions when fluctuations, such as pay raises, occur.

Changes in U.S. Net Remuneration

In recent years the ICSC has changed its calculation of the net remuneration received by U S civil servants by (1) using proposed salaries for senior U.S. employees instead of actual amounts received, (2) including bonuses received by U.S. senior executives in the margin calculation, and (3) revising the tax rates used in calculating U.S. employee net remuneration. The ICSC said it had made these changes to increase the technical accuracy of the margin calculation Each of these changes increased U.S. net remuneration levels and consequently reduced the margin between U N. and U.S employee compensation though only to a minor extent.

Proposed vs. Actual Salaries

For several years the United States has frozen the salaries of certain senior grades at levels below the proposed salary scales for these grades Between 1980 and 1984 ICSC used these proposed salary scales in its calculation instead of amounts actually received, thus increasing the annual salaries of U S senior officials used for comparative purposes by amounts ranging from $134 to as much as $17,677

This practice had the greatest impact in the period ending September 30, 1981, when 10 of the 17 U.S pay levels used in the comparison were frozen at amounts below those used in the margin calculation These pay levels accounted for approximately 13 percent of the total margin calculation for the period Had the ICSC used the actual pay levels, the 1981 margin between U.N. and U S. salaries would have been 18 9 percent instead of the 17.8 percent difference reported by ICSC.

The ICSC stopped this practice in late 1984 when the majority of ICSC commissioners agreed that actual salary levels of the U S Civil Service should be used However, the subject of proposed versus actual salary levels had become moot by then because the pay cap on U S senior executives had been lifted in 1983— leaving the General Schedule grades of GS-17 and GS-18 as the only capped pay levels used in the ICSC comparison calculation. Most positions at these two pay levels have been converted to the Senior Executive Service, and those remaining currently make up less than one half of one percent of the total calculation and thus no longer have much impact on the outcome.

Senior Executive Service Bonuses

ICSC changed its computation of U S net salaries in 1981 when the Senior Executive Service program was implemented. Under this program, the United States can provide bonuses and special performance awards of up to 20 percent of base salary for up to half of the senior career executives From 1981 to 1986, ICSC prorated the bonuses and awards provided to all U S senior executives and added the average amounts, ranging from $1,086 to $1,809, to their gross salaries This practice affected the comparison for approximately 10 percent of all professional U N staff, reducing the margin by an average of 0.3 percent annually since 1981.

The U N compensation system does not provide for similar bonuses or awards for outstanding performance The ICSC believed the awards and bonuses should be included in the comparison since they can amount to a substantial part of a senior executive's remuneration However, in 1986, the ICSC reported that it will reconsider the inclusion of U.S. civil service bonuses and awards in future margin calculations.

Revised U S. Tax Rate Calculation

In 1983, the ICSC revised its method for converting U S. gross salaries to net amounts in the margin calculation Prior to 1983, the ICSC had used a simple arithmetic average for determining itemized and standard tax deductions for U.S employees However, after reviewing statistics on individual income tax returns, it adopted a weighted average method for determining the taxable income, tax liability, and net salary. According to the ICSC, this revision provided a more meaningful and accurate reflection of the actual taxes U.S. civil servants pay than did the previous method. The ICSC reported that the revision had the effect of reducing the 1983 margin from 16 9 to 16 5 percent.

Grade Equivalencies and Weights

In response to a 1976 General Assembly resolution, the ICSC contracted for a detailed study of comparable positions within the U.N system and the U.S Civil Service, which resulted in establishing grade equivalencies between the two services. The study compared the job content of 518 positions drawn from 46 occupational groups in the two services.

In December 1978, the General Assembly approved the study's recommended grade equivalencies for P-1 through D-1, as listed in table 4 1. For example, 33 percent of the duties of a P-4 are equivalent to those of a GS-13, and 67 percent are equivalent to those of a GS-14. Equivalencies for the D-2 pay level were approved by the General Assembly the following year.

Table 4 1. Grade Equivalencies

		Percent of U.S. grades	
U.N. grade	U.S. grade	Equivalencies approved by General Assembly	Equivalencies used in calculating 1986 margin
P-1	GS–9	100	100
P 2	GS–11	62	62
	GS–12	38	38
P 3	GS–12	45	45
	GS–13	55	55
P-4	GS–13	33	33
	GS–14	67	67
P 5	GS–15	100	92
	SES–4		8
D 1	GS–16	100	6
	SES–1		13
	SES–4		75
	SES–5		6
D 2	GS–17	67	7
	GS–18	33	9
	SES–4		50
	SES–5		29
	SES–6		5

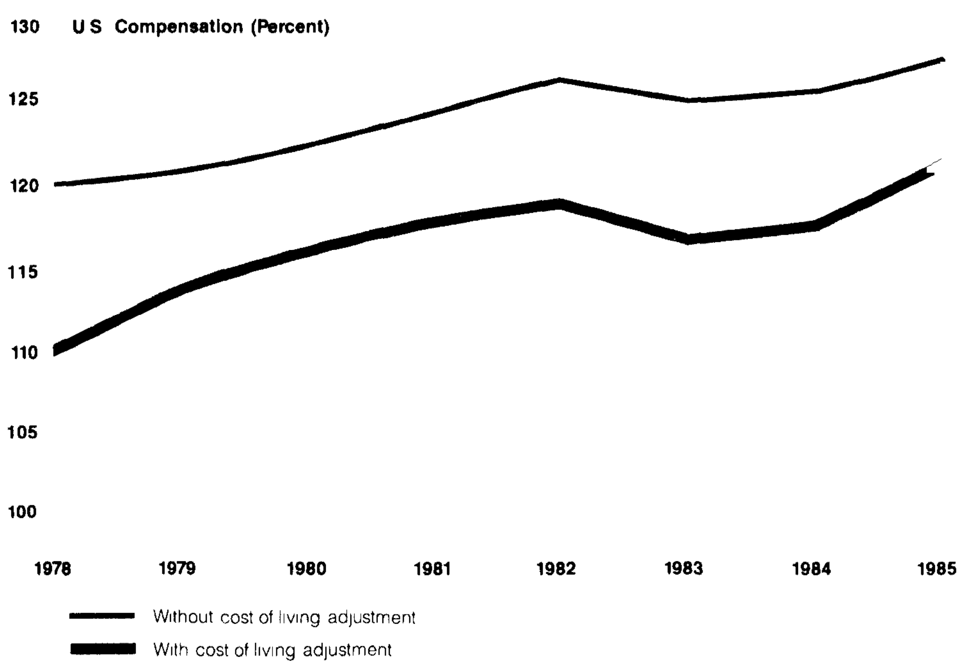
No grade equivalencies for the two U N. grades above the D-2 level have been established because, according to ICSC, the D-2 grade is the top of the U N. career level

The ICSC started using the approved grade equivalencies for pay levels in its margin calculation in 1978 However, in 1980 it modified the equivalencies for the P-5-and-above pay levels using composites of six to eight different U.S pay levels as substitutes for the approved equivalencies The ICSC said it did this because senior executive grades had taken the place of most GS-16-and-above levels in the U.S. Civil Service, which had constituted the previous equivalencies for the P-5-and-above U N. grades. The ICSC noted the change in equivalencies in its 1980 margin calculation but has never formally submitted the change to the General Assembly for approval The ICSC change in equivalencies reduced the margin from 17.3 percent under the previous equivalencies to 16 0 percent under the new ones when it did its 1980 margin computation

Cost-Of-Living Adjustment—Washington, D.C./New York

The ICSC margin adjustment to account for the cost-of-living difference between Washington, D C , and New York City has perhaps the single most significant impact on the overall margin Figure 4 1 compares the margin between U.N. and U.S. civil service compensation with and without the ICSC cost-of-living adjustment between the two cities The cost of living in New York City has consistently exceeded that of Washington, D.C., a difference ranging from about 10 percent in 1978 to 6 percent in 1985.

Figure 4.1: Margin Comparison With and Without Cost-Of-Living Adjustment Between Washington and New York
(1978 85)



The United States and other member states have opposed this adjustment primarily because U S civil servants' pay does not vary on the basis of location within the continental United States. In its 1986 annual report, the ICSC noted that it will no longer adjust its margin calculation for the cost-of-living difference between New York City and Washington, D.C. A U.N. Secretariat official told us this change may impact on the present recommended range for the margin He said the present 15 percent target as a midpoint was roughly based on the 10 to 21 percent range of the actual margin over the past several years Adding the cost-of-living difference between New York City and Washington, D C , back into the margin for those years would result in a range of 20 to about 27 percent. He indicated that this decision might result in pressure to revise the target margin above the present 15 percent.

Cost-Of-Living Surveys

The ICSC uses a variety of surveys, which identify the shops frequented by and expenditure patterns of U.N. staff for approximately 350 items in such categories as food, clothing, and household needs. The ICSC calculates a post-adjustment index for all U N locations, which measures living costs for U.N. professionals at a given location compared with those in New York City on a specified date. This calculation does not enter into the ICSC margin calculation, but does determine the post-adjustment classification for each location relative to New York

These surveys are conducted twice every 6 years for each location In the surveys' interim, the post-adjustment index is periodically updated by using the local consumer price index at each location, which is reweighted to reflect the spending patterns of the local U.N staff

According to the ICSC, it reweights the Bureau of Labor Statistics cost-of-living index for New York City because the Bureau's index (1) is not based upon the expenditure pattern of U N employees and (2) does not cover the income levels of U.N. officials With regard to the latter point, it should be noted that the Bureau's calculation covers approximately 80 percent of the total non-institutional civilian population of the area surveyed A major part of this difference between the two surveys results from the ICSC's treatment of housing costs. The Bureau's survey includes both home ownership and rental components According to the ICSC, U N employees primarily rent their homes so it has dropped the less costly ownership component.

Member states support the concept of internal equalization of U.N. pay through the post-adjustment allowance, but some have questioned the ICSC's assumptions on how the New York City cost-of-living adjustment should be calculated. The Department of State, for example, notes that most cost-of-living allowances in business or government are based only on spendable income, that is, gross income minus taxes and other expenses not affected by cost-of-living changes at a given post. Examples of such expenses would include life insurance, savings, or retirement. The Department believes that U.N. cost-of-living allowances should be paid only for necessities that must be purchased at the post—food, clothing, housing, and utilities. Department officials have estimated that these items comprise about 60 percent of a P-1 employee's expenditures and as little as 40 percent for D-1s and above. Thus, the

Department has questioned the ICSC's practice of applying cost-of-living increases to approximately 85 percent of an employee's net salary rather than only to that segment of income directly affected by changes in the cost of living. U.S views on limiting post-adjustment payments have been debated in the Fifth Committee but have not been adopted. However, the Department has stated that it intends to continue pursuing this point with other member states.

Member states also appear to accept the concept that international civil servants have different buying and consumption habits than the general U.S. population. However, they do not believe that the conscious choice of more expensive goods creates a legitimate claim for higher compensation Some member states, including the United States, have taken the position that there is no discernible restraint on a system that is based upon the actual consumption habits of international civil servants. In its comments on a draft of this report, the Department of State said that it had called attention to this practice in data collection based on consumption patterns and has emphasized that the U.N cost-of-living data should not include costs inflated by choice

Additional Changes Considered for Margin Calculation

In recent years, proposals for additional departures from the present margin methodology have been discussed within the ICSC and before the General Assembly. One such proposal would compare total compensation of the U.N. and U.S. civil services rather than the present net remuneration. Another would include some of the specialized U S. pay scales in the comparison, such as those for scientists

Total Compensation Comparison

The ICSC has been experimenting with a total compensation comparison of the U N to the U S civil service in addition to the traditional calculation based on the difference in net remuneration As shown in table 4.2 below, the ICSC's total compensation comparison included salaries plus certain allowances and benefits, such as hours worked per year and value of pension annuities and health insurance. Other allowances, such as those for education, were excluded because they are considered as expatriate benefits, that is, paid for U N employees' service abroad able 4.2: Elements of ICSC's 1981 otal Compensation Comparison

United Nations	U.S. Civil Service
Net base salary	Net base salary
Post adjustment	-
Dependency allowance	-
Pension	Pension
Health care benefit	Health care benefit
Death grant benefit	Life insurance (including death grant benefit)

The ICSC first reported its total compensation comparison to the General Assembly in 1981, showing that U.N employees enjoyed a 14.2 percent advantage in total compensation over their U.S. counterparts The traditional net remuneration comparison for the period favored U N. employees by 17.8 percent. Some member states challenged the ICSC total compensation comparison at the 1981 session of the General Assembly For example, the United States questioned the basic data supporting the comparison and claimed that the actual difference between the two services was closer to 30 percent.

The 1981 disagreement on how a total compensation comparison should be made has not been resolved, and the ICSC is continuing to study total compensation comparison methodology. For example, in 1982 the ICSC considered adding as a calculation factor the difference in career lengths due, in part, to the U.N.'s mandatory retirement age of 60, which does not apply to U S. employees. For that year, one ICSC total compensation comparison showed that the U.N. advantage was only 6.8 percent (See table 4.3)

Table 4.3: Margins of Net Remuneration and Total Compensation Calculated by ICSC

Year	Net remuneration	Total compensation
1981	17 8	14 2
1982	18 2	6 8
1983	16 5	11 6
1984	17 0	10 6
1985	21 3	17 6

In a 1984 report, the U.N. Joint Inspection Unit questioned certain aspects of the ICSC's total comparison methodology, such as its comparison of annual and sick leave and its use of a separate factor to measure the difference in career lengths for the two services. According to the report, the difference in total compensation between the two services in 1982 was 20.6 percent, not the 6.8 percent reported by ICSC. Some ICSC commissioners, as well as some member states, also questioned ICSC's including a factor for career length differentials, and the factor was excluded from the ICSC's total compensation comparison in 1985. The disagreement on methodology remained unresolved, and the ICSC is studying further the total compensation comparison methodology.

The U.S. Office of Personnel Management has studied total compensation comparison between the U.S. Civil Service and the U.S. private sector. In a 1980 report,[1] we noted that.

"Compared to pay comparability determinations, benefit measurements and comparisons are enormously complex. Not only are there many benefits to be measured, but the more important ones, such as retirement and insurance, are contingent on future events. ... [And] many assumptions and predictions have to be made to estimate benefit levels and costs. While different assumptions may be equally reasonable and acceptable, they can yield different results."

The ICSC and the United Nations may find themselves in a similar situation, a total compensation comparison between U.N. and U.S. civil servants, however, will be even more complex, and there is no substantial agreement on just how such a comparison should be made.

Including Additional Pay Systems in the Margin Calculation

The ICSC is also conducting a new grade equivalency study, which is considering including the following six additional U.S. pay systems in its comparison.

1. General Schedule special rate programs, such as those for scientists and engineers.

2. The Foreign Service system.

3. The General Schedule merit pay system.

4. The Veterans Administration's Department of Medicine and Surgery special rates, such as those for physicians and dentists.

5. The Department of Health and Human Services Commissioned Officer Corps pay system.

[1] Problems in Developing and Implementing a Total Compensation Plan for Federal Employees (FPCD-81-12), Dec. 5, 1980, p. i.

6. Independent pay schedules administered by individual agencies, such as the Government Printing Office.

The ICSC also plans to examine "analytical improvements" in the margin calculation, such as (1) the use of regression analysis, (2) the use of average salaries within a grade instead of the traditional step 1 comparison, and (3) revised weighting techniques for both U.N. and U.S. salary data

As noted on p. 36, grade equivalencies between the U S Civil Service General Schedule and U.N. professional positions to the D-2 level were last established and approved by the General Assembly in 1978 and 1979. As part of its current study, U N. position classifiers have determined modified equivalencies, which the ICSC submitted to the U.S Office of Personnel Management for validation. In its 1986 annual report, the ICSC noted that, to date, the Office of Personnel Management has been able to validate only 51 5 percent of the grade equivalencies. The Commission expressed concern over the low rate of agreement and asked its secretariat to continue trying to improve on the rate.

While the study is continuing, the ICSC noted in its 1986 annual report that it has agreed, among other things, to exclude from its U.S./U.N. comparison Foreign Service positions and merit pay performance awards that it determines are not included in base salaries. It decided to include specialty jobs in the comparison and to use average salaries at each grade in the two civil services instead of those at step 1. Even though the ICSC has agreed to these changes, it reported that other proposed changes will require further study. The ICSC was unable to estimate the overall impact of these changes upon the margin We note that these attempts to bring more precision to the comparison will be more difficult unless the ICSC is able to achieve the basic step of determining valid grade equivalencies between the U.N. and U.S civil services

Conclusions

The growth in the margin between U.N. and U S civil service compensation levels led to the December 1985 General Assembly resolution establishing for the first time a formal target of 15 percent, plus or minus 5 percent According to the ICSC, the post-adjustment level in New York City will remain frozen until the present margin decreases to well within the desired range. Since future pay decisions are tied to ICSC margin calculations, it is important that member states be clearly informed and agree on the appropriate methodological assumptions used by the ICSC

The General Assembly has authorized the ICSC to study changes in its comparison methodology. The study is continuing, but the ICSC has tentatively decided on certain changes, such as including specialized U.S. pay systems in the comparison. The impact of the changes on the margin outcome has not been fully determined. Some of the changes may further increase the comparison's complexity and perhaps further complicate member states' reaching a consensus on how to determine appropriate compensation levels.

Since future compensation increases hinge on ICSC's margin calculations, we believe the United States and like-minded member states must carefully review proposed methodological assumptions and calculations to ensure they are reasonable and fair to U N. employees, consistent with the Noblemaire Principle, and consider member states' concerns about controlling compensation costs.

U.N. Pension System

The General Assembly established the U.N. Joint Staff Pension Fund in 1949 to provide retirement, survivor, and disability benefits for U.N. staff. The Fund is administered by a board representing 15 organizations within the U.N. common system. Unlike salaries, U.N. retirement annuity levels have not been tied historically to the U.S. Civil Service Retirement System.[1] The rate of benefit accumulation per year of service is now the same in the two systems, but the base upon which U.N. pensions are calculated is higher than the gross salary base for U.S. employees.

The General Assembly has taken action to limit maximum pensions for senior officials and has temporarily frozen the base upon which pensions are computed for other employees, as member states have focused on the cost of the retirement system. While some actions have brought immediate savings, others will affect only new participants entering the system, and their full financial impact will not be felt until the next century.

We did not attempt to compare the cost of the U.N. and U.S. pension systems. However, some member states believe that U.N. pension benefits are too generous and should more closely reflect the comparator service pension benefits. The General Assembly requested that the ICSC and the Pension Board carry out a study of the U.N. pension system during 1986, with a view toward possible further changes in the system. In late 1986, the ICSC recommended a margin range between U.N./U.S. pensionable remuneration amounts of between 10 and 20 percent.

The Pension System and Fund Operation

Whereas U.N. employees' compensation levels have been explicitly linked to the comparator service through application of the Noblemaire Principle, this link had not been made with U.N. pensions through 1986. The adequacy of the U.N. pension system has not been historically measured in terms of the U.S. Civil Service Retirement System. In fact, there has been a conscious effort by some involved in the system to avoid such an explicit comparison. For example, the International Labor Organization, one of the Fund's participating agencies, said that the U.N. pension system should be a model for others, not a copy of another country's system. Others have also noted that a retirement system for

[1] Unless otherwise noted, references to the U.S. Civil Service Retirement System are to the system in force for employees hired before January 1, 1984. U.S. government employees hired since January 1, 1984 are covered by social security and a supplementary retirement system. All employees will have the option of entering the supplementary system in 1987.

employees who scatter all over the world should not be patterned too closely after a single national pension system.

The U.N. pension system is administered by the U N Joint Staff Pension Board, which consists of 21 members, one third chosen by the General Assembly and the other governing bodies of the member organizations, one third by the executive heads of the member organizations, and one third by staff participants in the Fund. The Board members represent member organizations varying greatly in size. The United Nations in New York, for example, represented by one third of the Board members, accounted for 28,147 Fund participants, or more than half the 53,204 total participants as of December 31, 1984. The International Fund for Agricultural Development is one of the smaller members, with one Board member and 189 Fund participants

The Board works in conjunction with other U.N agencies with expertise in the pension area, such as the ICSC The current Board has five members and several alternates from the United States, most of whom represent staff and common system organizations.

The Fund has a secretariat staff of 87 who carry out day-to-day operations and an investment management staff of 13. In addition to participant contributions, member states contributed about $250 million in 1984, of which the U.S. share was about $62 million The Fund had assets with a cost value of about $3 4 billion as of December 31, 1984 It has investments worldwide, including more than $1 billion in 1984 in the United States. Investment income and contributions cover operational costs, which were budgeted at about $7.5 million for 1985, as well as providing for Fund growth and retirement benefits already being paid However, the Fund is not in actuarial balance, with contributions not at a sufficient level to cover estimated future benefits. (See p 53)

As of December 31, 1984, benefits were being paid to 22,378 recipients According to the Board, the Fund paid out $314 5 million in benefits in 1984, compared with $274 5 million in 1983

Profile of 1985 U.N. Retirees

According to the Pension Fund, 725 U.N. employees retired or took early retirement in 1985 (see app. III for early retirement criteria and penalties) Table 5 1 shows that about 24 percent of them had less than 10 years of service, over 62 percent had between 10 and 30 years, and 14 percent had 30 or more years of service The Fund reported that the 1985 retirees had an average of 17 years of service

Table 5.1: Years of Service for 1985 U.N. Retirees

Years of Service	Number	Percent
Less than 10	172	23 7
10 years to 14 years 11 months	144	19 9
15 years to 9 years 11 months	116	16 0
20 years to 24 years 11 months	101	13 9
25 years to 29 years 11 months	91	12 5
30 years to 34 years 11 months	78	10 8
35 years or over	23	3 2
Total	**725**	**100.0**

Table 5 2 breaks down the size of annuities reported by the Pension Fund for this group of retirees However, 641 of the 725 retirees exercised the lump-sum option, so the amounts in the table represent reduced annuities after the lump sum is deducted for those 641 individuals. The Fund did not specifically identify the 84 pensions representing full benefits but did note that 4 of the 5 pensions in the $50,000-and-above categories are reduced pensions after lump-sum payments and averaged $51,393. All 5 of the retirees in the $50,000-and-above categories had over 30 years of service, and 3 had 35 years or more. The Fund does not routinely provide data on average pension annuities or lump-sum amounts.

Table 5.2: Retirement Annuities for 1985 U.N Retirees[a]

Amount per year	Number	Percent
Under $5,000	69	9 5
$5,000 to 9,999	126	17 4
10,000 to 14,999	128	17 7
15,000 to 19,999	130	17 9
20,000 to 24,999	114	15 7
25,000 to 29,999	80	11 0
30,000 to 34,999	43	5 9
35,000 to 39,999	18	2 5
40,000 to 44,999	10	1 4
45,000 to 49,999	2	0 3
50,000 to 54,999	5	0 7
55,000 and above	0	0 0
Total	**725**	**100.0**

[a]Based on accumulation rates in effect for employees who began service before January 1, 1981

The lump-sum amounts ranged from less than $50,000 to more than $300,000 and are summarized in table 5.3. In this group, 453 of the 641 recipients, or 70.7 percent, received between $50,000 and $200,000. The smallest group, consisting of 3 retirees, or 0.5 percent, received the largest lump-sum payments of $300,000 and above.

Table 5.3: Lump-Sum Payments for 1985 U.N. Retirees[a]

Amount	Number	Percent
Under $50,000	108	16 8
$ 50,000 to 99,999	158	24 7
100,000 to 149,999	173	27 0
150,000 to 199,999	122	19 0
200,000 to 249,999	63	9 8
250,000 to 299,999	14	2 2
300,000 and above	3	0 5
Total	**641**	**100.0**

[a]Lump sum payments are discussed on pages 50 and 55

U.N./U.S. Pension Provisions

U.N and U.S. civil service pension systems are similar in some respects, such as benefit accumulation rates. However, there are also key differences, such as the basis upon which pensions are calculated. Pension fund contributions and system benefits are briefly summarized below A fuller comparison of the two systems is included in appendix III

Fund Contributions

U N employees currently contribute 7.25 percent of pensionable remuneration, and member organizations contribute 14.5 percent. U.S civil servants contribute 7 percent of their gross salaries, and their employer contributes 14 percent.

Pensionable remuneration is the amount upon which U.N. employees' retirement benefits are calculated and is based on a scale developed by the Pension Board and ICSC rather than on gross salary, as is the case in the U S. Civil Service Retirement System. This schedule of pensionable remuneration is related to the U.N 's gross salary schedule plus a weighted average of post-adjustment allowances

The Pension Fund receives its income from employee/employer contributions and investment earnings. The U.N. plan, providing that member states are responsible for any shortfall, is similar to the U.S. Civil Service Retirement System, in which the U.S. government must make up any shortfalls in the fund receipts according to an actuarial valuation

System Benefits

Since January 1, 1983, the rate of benefit accumulation for each year of service has been identical for the two systems, and employees in both become eligible for benefits after 5 years of service, provided they meet certain age requirements. U N pensions are based on the highest 3-year average of pensionable remuneration during the employee's last 5 years of service, whereas U S pensions are based simply on the high 3-year average. Participants in both systems can move from one organization to another within the system and maintain their retirement status

Retirees in both systems have a lump-sum option. U.N. retirees can elect to receive up to one third of the actuarial equivalent of their annuity or their actual Fund contribution, whichever is greater, as a lump-sum payment upon retirement The remaining two thirds of the annuity is paid as a regular periodic payment In its 1986 report to the General Assembly, the Pension Board recommended that the maximum lump sum payable be limited to the maximum amount payable to a P-5, step 10, retiree at age 60 with 35 years of service U S retirees have the option of taking lump sums upon retirement up to the amount of their total pension contributions with their annuities being reduced accordingly.

Member State Concerns

Many member states have become increasingly concerned about the overall cost of the U.N. retirement system and the pension levels, particularly those available to long-term senior staff. In a statement before the Fifth Committee in 1985, European Economic Community members noted that U.N. pensions, which 15 years ago lagged behind U S Civil Service pensions, were, in their view, now considerably higher. Some member states believe that U N pensions are now unreasonably high in comparison with U.S. pensions

Comparison of U.N. and U.S. Pensions Benefits

The overall relative cost of the U N and U S pension systems would be a useful measure, but drawing such a comparison is difficult due to the different valuation procedures for the two systems Instead, member states have compared benefits. For example, at the 1985 General Assembly, European Economic Community members recalled that, on average, U S Civil Service pensions in 1971 exceeded U.N. pensions by 30 percent. As of December 31, 1985, that imbalance had been substantially reversed

Tables 5 4 and 5 5 summarize the pensions payable to U N professional-and-above employees and U S. employees at grades GS-9 and above, at the top step of each grade. Since ICSC grade equivalencies refer to grades at step 1 levels, we did not attempt to compare pensions at specific equivalent grades The tables illustrate that the range of pensions available to U N professionals is substantially higher than those earned by U S civil servants For example, after 30 years of service U.N pensions range from $22,440 to $69,420 (table 5 4, part A), while the U.S range is from $15,945 to $38,644 (table 5 5). Part B of table 5.4 shows the range of pensions that will be available to U N employees who joined on or after January 1, 1983.

Table 5.4: U.N. Pensions at Selected Lengths of Service[a]

A. For Employees Who Joined the United Nations Before January 1, 1983

Grade	Pensionable remuneration	Time in service: 20 years (40 percent)[b]	25 years (50 percent)	30 years (60 percent)	35 years (65 percent)
P 1	$37,400	$14,960	$18,700	$22,440	$24,310
P 2	47,900	19,160	23,950	28,740	31,135
P 3	62,200	24,880	31,100	37,320	40,430
P 4	70,900	28,360	35,450	42,540	46,085
P 5	83,900	33,560	41,950	50,340	54,535
D 1	87,900	35,160	43,950	52,740	57,135
D 2	92,400	36,960	46,200	55,440	60,060
ASG	103,900	41,560	51,950	62,340	62,340[c]
USG	115,700	46,280	57,850	69,420	69,420[c]

B. For Employees Joining the United Nations on or After January 1, 1983

Grade	Pensionable remuneration	Time in service: 20 years (36.25 percent)[b]	25 years (46 25 percent)	30 years (56 25 percent)	35 years (66.25 percent)
P 1	$37,400	$13,557	$17,297	$21,037	$24,777
P 2	47,900	17,364	22,154	26,944	31,734
P 3	62,200	22,547	28,767	34,987	41,207
P 4	70,900	25,701	32,791	39,881	46,971
P 5	83,900	30,414	38,804	47,194	55,584
D 1	87,900	31,864	40,654	49,444	58,234
D 2	92,400	33,495	42,735	51,975	61,215
ASG	103,900	37,664	48,054	58,444	62,340[c]
USG	115,700	41,941	53,511	65,081	69,420[c]

[a] Assuming full eligibility at the maximum step of each grade

[b] Percent of pensionable remuneration

[c] Maximum ASG and USG pensions limited to these amounts

Table 5.5: U.S. Civil Service Pensions at Selected Lengths of Service[a]

		Time in service				
Grade	Pensionable remuneration	20 years (36.25 percent)[b]	25 years (46.25 percent)	30 years (56.25 percent)	35 years (66.25 percent)	42 year[illegible] Maximun[illegible] (80 percent[illegible]
GS-9	$28,347	$10,276	$13,110	$15,945	$18,780	$22,67[illegible]
GS-11	34,292	12,431	15,860	19,289	22,718	27,43[illegible]
GS-12	41,105	14,901	19,011	23,122	27,232	32,88[illegible]
GS-13	48,876	17,718	22,605	27,499	32,380	39,10[illegible]
GS-14	57,759	20,938	26,714	32,489	38,265	46,20[illegible]
GS-15	67,940	24,628	31,422	38,216	45,010	54,35[illegible]
GS-16	68,700	24,904	31,744	38,644	45,514	54,96[illegible]
GS-17	68,700	24,904	31,744	38,644	45,514	54,96[illegible]
GS-18	68,700	24,904	31,744	38,644	45,514	54,96[illegible]

[a]Based on salary schedule effective January 6, 1985, and assuming full eligibility at the maximum step of each grade

[b]Percent of pensionable remuneration

Pensionable Remuneration

As noted, the present rate of benefit accumulation for each year of service is the same for the two systems. The difference in pensions arises from the amount upon which they are based. For example, the pension for a GS-9, step 10, is calculated on the basis of a gross salary of $28,347,[2] while the pension for the similar U.N. grade, a P-1, step 10, is calculated on the basis of $37,400.[3] The U.N. schedule of pensionable remuneration has increased significantly between 1981 and 1984. The primary reason for the large increase was a change in the index the Board used to adjust pensionable remuneration for cost-of-living increases. Until 1981, the Board used an index based on the weighted average of post-adjustment allowances at 43 U.N locations. In 1980, the General Assembly approved an ICSC/Pension Board recommendation to use the U.S. consumer price index to adjust pensionable remuneration whenever its movement was greater than the movement of the weighted average of post adjustment.

This decision was prompted by the high rate of U.S. inflation at the time. According to a Board official, under the weighted average index, pensionable remuneration was not keeping pace with the dollar's loss of

[2]Assuming $28,347 is the employee's high 3-year average

[3]Assuming $37,400 is the employee's high 3-year average over his last 5 years of service

purchasing power. Consequently, U.N. staff retiring at that time, particularly those locating in the United States, were losing ground in the value of their pensions

The decision proved to be costly, since the U S consumer price index increased by 22 percent between 1981 and 1984, while the old measure increased by only about 3 percent The corresponding increase in the level of U N. pensions being awarded caused many member states to be concerned In 1984, reflecting those concerns, the General Assembly froze pensionable remuneration for 1985 and 1986 and approved a new temporary pensionable remuneration scale, which reduced USG benefits by 17 percent and ASG benefits by 11 percent, as of January 1, 1985

European Economic Community member states and the United States believe that, had the Noblemaire Principle been used as a guide, the adjustments in pensionable remuneration and resultant costs to member states would have been lower. Some member state representatives told us they were pleased that the General Assembly had taken action to reduce U.N pensions However, they believe pension benefits are still too generous and should be brought more into line with comparator service pensions

A Pension Board official told us that Board efforts to compare U N. and U S benefits have been complicated by anticipated changes in the U S retirement system Given similar rates of benefit accumulation in the two systems, any further efforts to reduce U N. pensions will likely have to focus on pensionable remuneration, the amount upon which U N pensions are based In its 1986 annual report, the ICSC recommended that U N pensionable remuneration amounts be maintained in a range of 10 to 20 percent above those of the U S. Civil Service with a desirable midpoint of 15 percent, but the methodology for determining U N pensionable remuneration remains under study. It also recommended a new scale of pensionable remuneration for U.N employees to take effect April 1, 1987 If approved by the General Assembly, this scale will, according to the ICSC, result in a U N./U S. pensionable remuneration margin of 18 percent.

Pension Fund Imbalance

A key measure used by the Board in evaluating the Fund's soundness is the shortfall between the total actual contribution rate and the rate that would be required to pay for future benefits. The actuarial committee of the Pension Fund reported that, as of December 31, 1982, the shortfall in the contribution rate was 4 79 percent of pensionable remuneration

The imbalance has been a continuing problem, and to reduce the imbalance the Board, in 1982, recommended a plan to raise employee and employer contributions to the Fund in four stages between 1984 and 1990—employee contributions to increase from 7 percent to 8 percent in increments of one-quarter percent and employer contributions from 14 to 16 percent in one-half percent increments.

The first increase, which became effective on January 1, 1984, brought contributions to their present level The Board's 1985 annual report noted a contribution rate imbalance of 3 01 percent (i e , the cost of the system over time exceeded the current 21.75 percent aggregate contribution rate by 3 01 percent) Many member states, including the United States, did not view the imbalance as critical and did not support the second incremental increase in contributions scheduled for January 1, 1986. The United States opposed the increase because it wanted to avoid an increase in member state contributions until all avenues for achieving economies in the benefit structure had been explored In December 1985 the General Assembly voted to delay the increase, pending the Pension Board/ICSC study of the pension system

Some member states believe the General Assembly and the Board should first agree on an appropriate level for U.N. pensions before dealing with the Fund imbalance The Pension Fund's rules and regulations provide that, if Fund assets are not sufficient to cover liabilities, member states are responsible for making up the difference.

A group of major contributor member states prepared an analysis in 1985 showing that the scheduled contribution increases would cost member states approximately $400 million over the next 10 years These member states also noted that, as far back as 1976, the General Assembly had passed a resolution stating that any changes in pension procedures should not result in present or future increased costs to member states. In voting to defer any further consideration of contribution rates at its 1985 session, the General Assembly requested the Board to submit at its 1986 session "its recommendations on additional economy measures with a view to eliminating the need for any future increase in the liabilities of member states " According to a Fund official, the Board decided at its June 19, 1986, meeting to defer a decision on the need for future contribution rate increases until after the 1987 actuarial valuation of the Fund The Board has estimated that the new pensionable remuneration scale recommended to take effect in 1987 will increase the actuarial imbalance of the Fund by 0 17 to 0 24 percent of pensionable remuneration

Lump-Sum Option

The lump-sum option of the U.N. retirement system has come under scrutiny as member states have focused on the system's cost. The option is a carry-over from League of Nations policy when the British civil service, which has such a feature, was the comparator service While some member states have suggested eliminating the option, other member states and the Board believe that, since the lump sum has been an option from the U.N.'s inception, eliminating it would violate U N employee rights

The Board noted that the lump-sum option is actuarially beneficial to the Fund because, unlike periodic benefit payments, lump-sum awards are not subject to cost-of-living adjustments. However, we note that the impact of this option on the Fund depends on the assumptions used to calculate it The lump-sum amount varies inversely in relation to the discount or interest rate used by the Board to determine the present value[4] of the portion of the lifetime annuity being commuted. Thus, if the discount rate increases, lump-sum payments decrease. In the recent past, some member states, including the United States, believed that the discount rate used by the Board was too low At least partially in response to these concerns, the Board increased the discount rate as of January 1, 1985, from 4 5 percent to its present 6.5 percent.

At its 40th session in 1985, the General Assembly requested the Pension Board to study further the method of calculating the lump-sum payment As noted in its 1986 report to the General Assembly, the Board recommended a cap for the maximum lump sum payable corresponding to the maximum available at the top P-5 level.

Two-Track System for Pension Cost-Of-Living Adjustments

U N. salaries and pensionable remuneration scales are expressed in dollars Upon retirement, U.N employee pensions are also calculated in dollars and, up to 1971, were paid in dollars without regard to the country in which a retiree was living. Cost-of-living adjustments are made periodically for all retirees based on the consumer price index in the country where the retiree is living.

As the dollar weakened against other major currencies in the early 1970s, many U N pensioners living outside the United States were getting fewer units of local currency for their U S dollar annuities than at

[4] Present value is a concept that recognizes the time value of money and may be defined as the current worth of an amount or series of amounts payable in the future

the time they retired,[5] and their purchasing power decreased. To counter this loss to retirees, the Pension Board introduced a two-track pension payment system in 1979 whereby retirees could continue to receive their pensions in dollars or could elect to receive them in the local currencies of the countries where they were living.

This "local-track" option proved costly to the Fund when the dollar was weak since it cost more dollars to provide the same number of local currency units. A Fund official told us that, given the changes in local costs of living in the various locations and the fluctuation in exchange rates against the dollar, it was not readily possible to calculate the cost of the two-track option to the Fund over a period of time

The two-track system remained in effect as the dollar began to strengthen against other currencies in the late 1970s. Some pensioners living abroad began to reap windfalls by switching their pensions to dollars and converting the dollar on their own to a greater number of local currency units than they would have received had they taken the pension payment in local currency.

In 1984 the Pension Board recommended and the General Assembly agreed to place a 20-percent cap on the local currency benefit a retiree could obtain by receiving his pension in dollars Thus, today a retiree can take his pension on a dollar track, which is indexed by the U.S consumer price index, or on the local currency track, which is initially determined by the average exchange rate with the dollar of the previous 36 months and then adjusted by the local consumer price index In addition to the adjustment by the local consumer price index, a review of the present dollar equivalent is made every quarter. If the dollar equivalent is higher, the benefit is paid at the higher rate as long as it does not exceed 20 percent of the pure local currency track.

According to a Fund official, this decision has resulted in some savings to the Fund, but the two-track system remains controversial with some member states. For example, the United States has generally opposed U.N. efforts to provide variable pensions based on residence. However, the Board believes that eliminating the two-track system would be unfair to pensioners in times of a weak dollar and notes that it costs the Fund nothing when the dollar is strong. Some member states proposed an alternative further limiting the local-currency benefit to 10 percent in

[5]After adjusting for local cost-of-living increases

place of the present 20-percent limit The General Assembly requested the Board to study this proposal further.

Effect of Pension Reforms Delayed

Attempts at U.N. pension reform are complicated by the concept of acquired rights. Based on this concept, pension rules and regulations in effect when an employee enters the Fund cannot be altered during the employee's period of participation so as to diminish pension benefits accrued before the change was made. For example, the 6.5-percent discount rate on lump-sum commutation, which the Board approved in 1985, will be applied only to an employee's service performed after January 1, 1986. The lump-sum amount for any service before that date will be calculated at the rate in effect at the time the service was performed Also, as noted in appendix III, the benefit accumulation rates that took effect in January 1983 apply only to employees entering service since that date. Employees on board prior to that date maintain the accumulation rate of 2 percent per year of service

Some member state representatives told us that a strict application of the acquired rights concept makes it difficult to bring about pension reform in the short run. Applying the concept to pension reforms made in 1985, for example, means that the Fund will not realize the full financial impact of the reforms until about the year 2010, when all employees currently in the system have retired. The U.N 's legal counsel has ruled that the acquired rights concept is binding on the United Nations. However, in 1985, the General Assembly asked the Board to study how to eliminate or significantly reduce the "inequalities of benefits payable to participants who have already separated or will separate in the near future, compared to those who will separate later."

Conclusions

The high level of U N pensions has caught the attention of member states in recent years, particularly in light of actual and anticipated increased contributions In response, the Pension Board, ICSC, and General Assembly have taken steps to limit the growth of U.N pensions However, the concept of acquired rights will delay the full impact of any changes to the U N. pension system. The General Assembly postponed the scheduled 1986 increase in Fund contributions and asked the Board, together with the ICSC, to study further the pension system with a view to avoiding increased pension costs to member states.

The recent effort by the ICSC and Pension Board to more directly link the U N pension system with the U.S Civil Service Retirement System by establishing a margin target of 15 percent in U N./U S pensionable remuneration is consistent with U.S. and other member state views However, we believe that those interested in the pension system will need to closely monitor the procedure used to establish the U N. pensionable remuneration scale as the ICSC and Pension Board continue thei study of the methodology

U.S. Role in U.N. Compensation Matters

Limiting personnel compensation and pension costs is a major U.S. policy objective in the United Nations The United States and other major contributors have recently achieved some success in restraining these costs and in convincing the General Assembly and the ICSC to establish more finite standards to justify future pay and pension increases. Notwithstanding this recent success, we believe past experience and the current studies of margin calculation methodology and the pension system demonstrate a continued need for U.S representatives to the United Nations to closely monitor future actions by the ICSC and Pension Board

U.S. Organization for Dealing With the United Nations

The Department of State's Bureau of International Organization Affairs is responsible for U S participation in international organizations such as the United Nations and its specialized agencies Within the Bureau, the Office of U.N System Coordination is responsible for, among other things, formulating U S. policy concerning U.N. salaries, post-adjustment allowances, and pensions. This office, with input from U S. missions to U.N. organizations, develops U S positions on U N. compensation issues presented before the General Assembly and its Fifth Committee and other governing bodies and provides staff support for U S. missions and U.S. delegations to governing body meetings

Direct U S day-to-day interface with major U N. organizations takes place primarily through U.S. missions to these organizations. The missions are concerned with political, economic, social, and other aspects of U.N. activities as well as compensation issues. The U S mission to the U.N. Secretariat in New York is the largest mission, with 109 personnel Other missions, located in Geneva, Montreal, Nairobi, Paris, Rome, and Vienna, had a total of 72 U.S. personnel in fiscal year 1986

Since U.N. compensation and pension matters are considered primarily by the General Assembly, we concentrated our work at the mission in New York, which represents U S. interests before bodies such as the General Assembly's Fifth Committee. The mission also generally serves as the focal point for contacting other member states and for maintaining awareness of ongoing developments concerning issues of U S interest. A member of the mission staff is currently serving on the U N. Joint Staff Pension Fund Board as a representative of the General Assembly While the United States has generally had a commissioner on the ICSC, the commissioners serve as independent experts and not as representatives of their respective governments. The current U S. commissioner is a senior official with the U.S. Office of Personnel Management

U.S. Objectives

Among U S priorities, as spelled out by the Assistant Secretary of State for International Organization Affairs in March 1985, is the objective of fostering responsible U.N budget and management practices. The Assistant Secretary noted that, in the U.S view, responsible budget practices must begin with more restraint in personnel costs, which constitute the largest component of international organization budgets. He outlined this priority in the context of the administration's overall objective to attain effective American leadership and participation in international organizations by "formulating U S. policies, enunciating them clearly, and pursuing them extensively " The Assistant Secretary characterized this goal as "moving from a damage limitation mode to one of constructive leadership " He also noted that the United States would seek to put forth more of its own ideas and positions, strengthen cooperation with allies on these matters, and encourage more of the nonaligned member states to join the United States in matters of common interest

U.S. Involvement in Compensation and Pension Issues

Prior to 1984, the United States and most other member states tended to accept ICSC margin calculations and did not challenge post-adjustment increases even though the margin reported by the ICSC grew from 10 percent in 1978 to 21 percent in 1985. During this period, the United States opposed some ICSC proposals, such as increasing housing allowances, and supported increasing the U N. mandatory retirement age above 60 State Department officials said the ICSC establishes the agenda and it is difficult for member states to analyze the issues because ICSC's recommendations are often available only on very short notice before debate in the General Assembly. Several member state representatives we interviewed said the U N. compensation system is so complex that it was extremely difficult for them to identify and analyze ICSC methodological changes and challenge any that might have been of questionable merit

Beginning in 1984, with the General Assembly's rejection of part of the ICSC-recommended 9 6 percent post-adjustment increase for New York, the United States has played a more active role in focusing attention on compensation and pension issues Since then, the ICSC and General Assembly have taken several actions that appear to address U S and other member state concerns with the methodology used to calculate the margin and with the compensation and pension parameters used to guide future pay and pension increases.

In its 1986 annual report, the ICSC listed 14 changes it intended to make in its margin calculation methodology. The ICSC was able to estimate the impact that some of the changes would have on the margin outcome but said that the overall effect cannot be determined pending further study Member states, including the United States, have favored some of the changes in the past, such as excluding U S senior executive service bonuses and awards from the compensation comparison U S officials told us that they support others, such as comparing average salaries for each grade in the two services, on the basis of sound salary comparison policy. In keeping with the General Assembly's action in 1985, establishing a formal margin target of 15 percent (plus or minus 5 percent), the ICSC and the Pension Board have established a similar target for U N pensionable remuneration in comparison to U S. civil service gross salaries. All of these actions represent improvements supported by the United States

Some of the changes the ICSC has agreed to make in its margin calculation methodology appear to illustrate its willingness to accommodate some member state concerns. However, the array of changes also illustrates the complexity of the comparison and the difficulty faced by member states in monitoring the process.

Conclusions

Margin calculations remain a dynamic and complex process which, in our view, require careful monitoring and study The most recent ICSC annual report illustrates the range of methodological changes that can influence margin calculations. The impact some of these changes will have on the margin calculations is unknown and will require further study. Margin calculation methodology has become more important, given the recently established parameters for the compensation and pensionable remuneration margins We believe U.S. representatives to the United Nations must carefully monitor and assess the appropriateness of these changes as well as the pension system to determine whether they are consistent with fair and equitable compensation and pension practices and with member states' interests

Agency Comments

We provided a draft of this report to the Department of State for its review and comment. State officials said that the draft report did not give sufficient recognition to U S initiatives to control U N compensation and pension costs They provided information on recent ICSC recommendations for changing the margin calculation methodology and establishing pension parameters, which they characterized as consistent with U.S interests We have clarified throughout the report U.S. actions to limit personnel and pension costs and, in light of the ICSC's recent actions, we deleted a proposal in our draft report to strengthen State's efforts to influence the U.N.'s compensation and pension systems.

State agreed with our conclusions regarding the importance of monitoring methodological modifications in the margin calculation and determination of U.N. pensionable remuneration made by the ICSC and the Pension Board. The Department said that it will monitor the process closely to ensure that future methodological changes are consistent with fair and equitable compensation and pension systems.

State also pointed out a number of areas needing further clarification or factual updating. We made changes, as appropriate, throughout the report to reflect those comments.

We also met with U.N. Secretariat officials in New York and briefed them on the contents of the draft report. U.N. officials said that they hoped our report would present a balanced review of the U.N. compensation and pension systems and clarify what they view as incomplete and inaccurate perceptions by some in the United States that U.N. employees are grossly overpaid and receive excessive pension benefits.

Salary Scales for U.N. Professional-and-Above Employees Showing Annual Gross Salaries and Net Equivalents After Application of Staff Assessment (Effective January 1, 1985)

	Steps												
Grade	**I**	**II**	**III**	**IV**	**V**	**VI**	**VII**	**VIII**	**IX**	**X**	**XI**	**XII**	**XIII**
USG GROSS	$121,046												
NET D[a]	64,535												
NET S[b]	58,294												
ASG GROSS	107,089												
NET D	59,203												
NET S	53,866												
D-2 GROSS	83,262	$85,671	$88,102	$90,606									
NET D	49,406	50,441	51,487	52,552									
NET S	45,386	46,300	47,222	48,156									
D-1 GROSS	69,840	72,044	74,440	76,440	$78,660	$80,843	$82,986						
NET D	43,461	44,453	45,432	46,412	47,393	48,354	49,287						
NET S	40,042	40,937	41,820	42,707	43,586	44,451	45,283						
P-5 GROSS	60,816	62,578	64,298	65,966	67,655	69,358	71,084	$72,800	$74,528	$76,266			
NET D	39,290	40,112	40,912	41,687	42,473	43,244	44,021	44,793	45,571	46,340			
NET S	36,282	37,023	37,744	38,443	39,150	39,846	40,547	41,244	41,945	42,638			
P-4 GROSS	47,315	48,833	50,433	52,033	53,665	55,216	56,815	58,416	60,096	61,825	$63,518	$65,151	
NET D	32,605	33,409	34,215	35,014	35,830	36,602	37,369	38,138	38,944	39,761	40,549	41,308	
NET S	30,275	31,002	31,727	32,447	33,181	33,875	34,563	35,251	35,973	36,708	37,417	38,101	
P-3 GROSS	37,613	38,980	40,329	41,639	42,983	44,431	45,878	47,295	48,586	49,910	51,278	52,623	$53,997
NET D	27,294	28,067	28,822	29,556	30,309	31,077	31,843	32,594	33,279	33,953	34,637	35,310	35,997
NET S	25,474	26,174	26,857	27,519	28,200	28,894	29,587	30,265	30,884	31,491	32,107	32,713	33,331
P-2 GROSS	29,815	30,878	31,930	32,987	34,105	35,215	36,336	37,439	38,575	39,731	40,868		
NET D	22,675	23,323	23,965	24,610	25,259	25,903	26,553	27,193	27,840	28,487	29,124		
NET S	21,261	21,854	22,441	23,031	23,622	24,208	24,799	25,382	25,969	26,554	27,129		
P-1 GROSS	22,315	23,257	24,220	25,194	26,184	27,173	28,191	29,182	30,156	31,098			
NET D	17,936	18,557	19,187	19,800	20,424	21,047	21,684	22,289	22,883	23,458			
NET S	16,900	17,475	18,056	18,621	19,195	19,768	20,354	20,908	21,451	21,976			

[a]Dependents rate applicable to staff member with a dependent spouse or child

[b]Single rate applicable to staff member with no dependent spouse or child

Note U N employees do not receive the gross salary amounts shown in the table (See discussion on p 18) Their net remuneration is the appropriate net figure (with or or without dependents) plus or minus a post adjustment allowance which varies by grade and also by duty station

U.N. Allowances Related to Service Abroad

Relocation Allowance

Cost for transporting household goods and personal effects is paid on assignment, change of duty station, and separation from service.

Up to 75 percent or maximum of $1,200 for transporting privately owned automobile may be paid.

Travel expenses, including daily subsistence allowance, for staff and dependents are paid upon initial appointment and change of duty station.

Installation allowance is paid for 30 days upon arrival at new post for duty lasting at least 1 year. Dependents receive one half amount payable to staff member. Allowance may be extended to a maximum of 90 days, with 40 percent reduction for days over original 30. For certain duty stations, an additional $600 per dependent up to a maximum of $2,400 annually per family may be paid.

Assignment allowance based on grade level is paid for serving away from home country for temporary period of 1 year or more but less than 5 years in lieu of shipping household goods and personal effects.

Education Allowance

For employees serving outside their home countries, costs are paid for children through up to 4 years of college studies or first recognized degree. For an institution outside duty station, up to 75 percent of actual cost to maximum of $4,500 is paid annually per child. Benefits for handicapped children residing outside home countries are paid to 100 percent of expenses up to maximum of $6,000 annually.

Student dependents are allowed one round trip per academic year between academic institution and U.N. duty station.

Housing Allowance

Rental subsidy is limited to 5 years for new professional staff at headquarters duty stations. Subsidy is paid to alleviate hardship for those whose rents are substantially higher than the average. Subsidy is not to exceed 40 percent of actual rent.

Dependency Allowance

Annual dependency allowance is paid to staff member's spouse and school-aged dependent children and other eligible dependents—$700 per child; $300 for secondary dependent, such as mother or other relative

Special Post Allowance

Special post allowance is paid for assuming duties and responsibilities of higher level position on a temporary basis. The allowance equals the salary increase of the assumed position

Financial incentive is paid, ranging from $1,800 to $4,800 annually, depending on marital status and grade level, for post considered "difficult" or "very difficult."

Post-Adjustment Allowance[1]

Positive or negative post-adjustment allowance is paid to equalize purchasing power of all U.N locations with base city, New York.

Representation Allowance

Official residence allowance is payable only to U N Secretary General

Representation allowance is paid each year to Secretary General, Under Secretaries General, Assistant Secretaries General, and their counterparts in other U.N. organizations for performing certain official duties.

Separation Payments

Repatriation allowance from 2 weeks' to 28 weeks' salary is paid, depending on length of service away from home country.

Termination allowance is paid for staff whose services are ended by organization before date specified in contract, ranging from 3 months' to 12 months' salary, depending on length of service.

Transportation and per diem are paid upon staff's separation from U.N service.

[1]See ch 2 for full discussion of post adjustment

U.N. and U.S. Civil Service Benefit and Allowance Provisions[a]

United Nations	United States[b]
Retirement Benefits	
Participant receives full benefits without reductions at age 60 with 30 years of service (56 25 percent of pensionable remuneration or 60 percent for those hired before January 1, 1983)	Participant receives full benefits without reductions at age 55 with 30 years or more of service (56 25 percent of high 3-year average of gross salary), age 60 with 20 years of service, or age 62 with 5 years of service
Pensions calculated on basis of highest 3-year average of pensionable remuneration during employee's last 5 years of service	Pensions calculated on the basis of highest 3-year average of gross salary
For employees hired on or after January 1, 1983, pensions calculated by multiplying high 3-year average salary by	Pensions calculated by multiplying high 3-year average salary by
First 5 years by 1 5 percent Second 5 by 1 75 percent Over 10 by 2 0 percent	First 5 years by 1 5 percent Second 5 by 1 75 percent Over 10 by 2 0 percent
For employees hired before January 1, 1983, pensions calculated by multiplying high 3 year average salary by	
First 30 years by 2 0 percent Next 5 by 1 0 percent	
Participant receives maximum of 66 25 percent retirement benefits after 35 years of service (or 65 percent for those hired before January 1, 1983)	Participant receives maximum of 80 percent retirement benefits after 42 years of service
Early retirement benefits payable when separation occurs at age 55 but less than 60 with at least 5 years of contributory service	Early retirement benefits payable at age 50 with 20 years of service
Early retirement penalty of 1 percent per year under age 60 if contributory service was 30 years or longer, 2 percent per year under age 60 if contributory service was 25 years but less than 30 years if service was performed before January 1, 1985, and 3 percent per year if service was performed after January 1, 1985, 6 percent per year under age 60 if contributory service was less than 25 years	Involuntary retirement benefits payable at age 50 with 20 years of service or at any age with 25 years of service Benefits reduced by 2 percent for each year under age 55
Retiree and survivor annuities fully indexed to consumer price index, with a 5 percent trigger for such adjustments	Retiree and survivor annuities adjusted annually for cost-of-living increases
Deferred retirement benefits payable when separation occurs before age 60 with at least 5 years of contributory service Benefits delayed until age 60 or age 55 if participant opts for early retirement	Deferred retirement annuity payable to participant with 5 or more years of service when age 62 is reached
Staff contributes 7 25 percent of pensionable remuneration to pension fund	Staff contributes 7 percent of gross salary to pension fund
Contributions from employees and employers must cover liabilities and operating costs of the fund U N member states required to cover any shortfalls	Retirement funds held by U S government, which absorbs any shortfalls

United Nations	United States[b]
Disability benefits payable when Board finds a participant cannot perform his/her duties because of injury or illness of permanent or long duration	Disability benefits payable when participant cannot perform job Must have 5 years of service
Widow and widower benefits payable to surviving spouse if participant was entitled to retirement benefits or died while in service	Pre-retirement survivor's benefit coverage begins after 18 months of service Spouse receives 55 percent of benefit computed in same fashion as disability benefits
	Post-retirement survivor's benefit paid if joint survivor coverage chosen by employee, surviving spouse receives 55 percent of earned annuity
Benefits payable to dependent children of employees who are entitled to retirement benefits or disability benefits or who died in service Benefits paid up to age 21, provided child remains unmarried Benefits payable to unmarried dependent child over 21 if child is incapacitated by illness or injury	All unmarried children under age 18, or 22 if full-time students, eligible for annuities Each eligible child receives benefits based on a percentage of the high annual pay divided by the number of children
Secondary dependent benefits payable to a survivor, such as mother or father, of employee who was entitled to retirement benefits and died in service	No comparable benefit
Participants may move from one organization to another within the common system and maintain their retirement status	Participants may move from one federal agency to another and maintain their retirement status
Leave Benefits	
30 workdays of annual leave while staff in full pay status	13 to 26 workdays annually, depending on length of government service
Up to 9 months of sick leave, with full pay, and 9 months of half pay in any period of 4 consecutive years for staff with 5 years of service	13 days of sick leave annually, irrespective of length of service
16 weeks of maternity leave per pregnancy with full pay, consisting of up to 6 weeks before and up to 10 weeks after confinement	Maternity leave chargeable to sick, annual, and/or leave without pay
Special paid leave for advance study or research in areas of interest to the organization	Limited opportunity for advanced study on case by-case basis
Travel time allowed and travel expenses paid for round trip to home country every 2 years for employee and dependents For duty stations designated "difficult," home leave taken more frequently	Home leave earned varies from 1 to 3 weeks for each year served abroad Travel expenses paid for staff and dependents
Social Security	
Staff receives benefits in case of injury or illness while employed	Staff receives benefits in case of injury or illness while employed
Group health insurance provided with 60 percent paid by organization	Health insurance provided, with government paying average of 60 percent but never more than 75 percent of cost Staff contributes 1 3 percent of annual salary for Medicare, which pays some hospital related costs after age 65
Staff pays full cost for group life insurance	Government subsidizes one-third of group life insurance cost
Survivor benefits for spouse and dependent children ranging from 3 to 9 months' salary, depending on length of service with organization	Survivor benefits may be payable to spouse and dependent children

United Nations	United States[b]
Official Business Travel	
Transportation and per diem paid when staff member travels on official U N business	Transportation and per diem paid when staff member travels on official U S business

[a]See ch 5 for a full discussion of U N retirement system

[b]Refers to System in force for employees hired before Jan 1, 1984, employees hired since then are covered by social security and a supplementary retirement system All employees will have the option of entering the supplementary system in 1987

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