

WORLD TRADE ORGANIZATION

RESTRICTED

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GENERAL COUNCIL
30 October 1995

SALARIES AND PENSIONS OF THE WTO STAFF

The following letter from the Chairman of the Committee on Budget, Finance and Administration to the Chairman of the General Council, is circulated for information of WTO Members.

Dear Mr. Chairman,

As you know, the Committee on Budget, Finance and Administration has been considering proposals by the Director-General to establish conditions of service of the WTO outside the framework of the UN Common System. In particular, the Director-General has proposed that salaries of staff in the professional and higher categories should be increased, in stages, by 25 per cent, and that the WTO should withdraw from the United Nations Joint Staff Pension Fund and establish its own plan.

Many weeks of intensive discussion, from which it emerged that members were generally attached to the Common System as a framework for the WTO secretariat, confirmed a widely shared recognition that as far as pensions were concerned, certain features of the UN system were inappropriate and should be remedied. It was at the same time generally agreed that there were insufficient grounds for supporting a salary increase.

On my own responsibility, therefore, I presented a draft decision to the Committee, which it considered at its meeting on 13 October. (The draft decision is attached, together with my cover note; I also attach a paper showing revised Budget estimates for 1996, which would be submitted in due time to the Budget Committee and the General Council).

While a substantial number of members supported the decision, certain others had received instructions to the effect that they could not support any departure from the UN Common System, not even a proposal to withdraw from the UN Pension Fund and establish a WTO Pension Plan while preserving in all other respects the WTO's adherence to the Common System.

In these circumstances, and in the absence of a clear consensus in one direction or the other, I informed the Committee of my intention to transmit the draft decision to the General Council for consideration, again on my own responsibility. The terms of the decision reflect the consensus that emerged among those supporting the proposal.

I should be grateful therefore if this matter could be placed on the agenda of the meeting of the General Council, which I understand you intend to convene on 25 October 1995.

It is also my understanding that there will be a consultation of the staff at large prior to that meeting, so that the General Council will be aware of the views of those most directly concerned.

DRAFT DECISION**Proposal by the Chairman of the Budget Committee**

The Joint WTO/GATT Committee on Budget, Finance and Administration recommends that the [General Council] [Executive Committee] adopt the following decision:

"The General Council/Executive Committee:

Considering Article VI of the Agreement establishing the WTO which provides that a WTO Secretariat shall be established,

Considering the Marrakesh ministerial decision on Organizational and Financial Consequences Flowing from Implementation of the Agreement Establishing the WTO,

Having examined the proposal of the Director-General as regards salaries and pensions:

Decides as follows:

1. to apply to WTO staff, in respect of conditions of service other than pensions, the United Nations Common System, as reflected in the Staff Regulations and Staff Rules of the WTO;
2. to establish net remuneration scales for all staff of the WTO which are expressed in Swiss francs and which correspond to the common system scales applicable in Geneva;
3. to request the Director-General to make provision for the WTO to participate fully in the activities of the Common System organs;
4. to inform the United Nations Joint Staff Pension Fund (UNJSPF) of its intention to establish a WTO Pension Plan (WTOPP) on 1 January 1996 along the lines set out in Annex 1 and to terminate the membership of the Interim Commission for the International Trade Organization (ICITO) in the Fund, with effect from 31 December 1995, in accordance with the provisions of Article 16 of the Regulations of the Fund. Withdrawal from the UNJSPF and establishment of the new pension plan shall become effective, retroactively, at the time the General Council takes its final decision on the matter, on the basis of the precise and definitive conditions to apply to such withdrawal and establishment and no later than 31 July 1996;
5. to take the necessary steps:
 - (a) to place the request for termination of membership on the agenda of the 50th (1995) Session of the United Nations General Assembly;
 - (b) noting that the UNJSPF Standing Committee agreed at its 177th meeting that a special session of the Board should be convened in the event of a formal application for withdrawal by ICITO, to request that the special session be held prior to 30 November 1995 and that, pursuant to paragraph A of the Rules of Procedure of the UNJSPF, its agenda include the following items:

- application by ICITO for termination of its membership in the Fund on 31 December 1995, including an outline of the alternative pension plan to be established by the WTO;
 - method to be used to determine the proportionate share in the assets of the Fund to be paid to ICITO as a result of the termination of its membership;
6. that, pending the mutually agreed arrangement referred to in Article 16 of the Regulations of the Fund, pension contributions payable to the WTOPP shall be held in an interest-bearing account for the sole purpose of the plan;
7. that the necessary measures be taken to ensure that, if as a result of transfer to the WTOPP, staff members in the Professional and higher categories suffer a reduction in take-home pay without benefitting from all the advantages of the new plan, such reduction is compensated in accordance with the provisions set out in Annex 2.
8. that the supplementary cost of new pension plan shall be financed by using:
- (a) the part of the 1995 surplus account in excess of SF 500,000;
 - (b) the balance through a set aside in the 1996 ordinary budget;
 - (c) and that, should this financing prove insufficient, the matter and possible alternative solutions shall be referred to the Committee on Budget, Finance and Administration for its recommendation to the General Council."

ANNEX 1

WTO PENSION PLAN

SUMMARY OF PRINCIPAL PROPOSED PROVISIONS AND COMPARISON WITH UNJSPF PROVISIONS

PROVISION	WTOPP	UNJSPF
Remuneration		
Net remuneration	Net salary, including post adjustment for Professional and higher category staff	Idem.
Pensionable remuneration	Net remuneration grossed up using current WTO internal taxation rates.	For G Staff: Idem. For P Staff: Net remuneration in New York grossed up using current WTO internal taxation rates.
Final average remuneration (FAR)	Highest pensionable remuneration for any 36 months in the last five years of service.	Idem.
Participation	All staff holding a fixed-term or regular contract and all short-term staff with a contract of at least 6 months' duration or having completed six months of service without a break of more than 30 days.	Idem.

PROVISION	WTOPP	UNJSPF
Normal retirement benefit		
Eligibility	Age 62	Age 62 for staff hired on or after 1.1.1990, otherwise age 60
Accumulation rate	2% of FAR for each of the first 35 years of service.	For staff hired before 1.1.1983, 2% of FAR for first 30 years of service, then 1%. For staff hired on or after 1.1.1983, 1.5% of FAR for first 5 years, 1.75% for next 5 years, 2% for next 25 years, then 1%. In both cases, total benefit amount may not exceed 70% of FAR.
Early retirement benefit		
Eligibility	≤ 5 years' service to retirement age.	Idem.
Benefit amount deferred to age 62	Calculated like normal retirement benefit.	Idem.
Benefit amount starting before 62	Same as above reduced by the smaller of: (a) 3% times years before age 62, (b) 1.5% times amount by which 85 exceeds the sum of age and years of service.	6% per year for each year less than normal retirement age. If service > 25 years and < 30 years 2% per year. If service > 30 years 1% per year.
Disability benefit		
Eligibility	Total and permanent incapacity for performance of any duty that employer may reasonably require.	Idem.
Basic amount	Calculated like normal retirement benefit, using projected service to normal retirement date.	Idem.

PROVISION	WTOPP	UNJSPF
Deferred retirement benefit		
Eligibility	Payable to a participant whose age on separation is less than the normal retirement age and who has 5 years or more of contributory service.	Idem.
Amount of benefit	Calculated like normal retirement benefit, commencing at normal retirement age. Early retirement conditions may also apply.	Idem.
Commutation of pension	Any participant eligible to receive a pension may, before it starts, elect to receive the commuted value of a portion of his pension. The portion may not exceed $\frac{1}{3}$ of his unreduced pension. Commutation does not reduce any benefits payable upon the retired participant's death.	Idem.
Withdrawal benefit		
Eligibility	(a) Active participant who ceases participation other than by death or disability retirement and: 1. has under 5 years service, and is under 62, or 2. has 5 or more years service, is under 62, and elects a withdrawal benefit.	Idem.
Benefit	Sum of the following: 10% of final average remuneration for each of the first 20 years of service	Participant's own contributions increased by 10% for each year of service in excess of 5 years, up to a maximum of 100% after 15 years.

PROVISION	WTOFF	UNJSPF
Surviving spouse pension		
Death while active participant	60% of disability pension that would have been payable if participant had become disabled on date of death.	50% of disability pension that would have been payable if participant had become disabled on date of death.
Death while in retirement	60% of retirement pension payable to deceased participant.	50% of retirement pension payable to deceased participant.
Currency of payments	Benefits payable in any currency selected by beneficiary at rate of exchange applicable for Plan purposes.	Idem.
Cost-of-living adjustment (COLA)		
Applicable to:	Any pension in payment to a retired participant, surviving or divorced spouse, former participant entitled to a deferred pension or child receiving benefit.	Idem, except from age 55 only for former participant entitled to a deferred pension.
Initial adjustment	Adjustment of pension at effective date, if cost-of-living in country of retirement exceeds cost-of-living in Switzerland by $\geq 5\%$.	Idem.
Subsequent COLAs	When relevant consumer price index moves by $\geq 3\%$.	Idem.

ANNEX 2**Compensation for Reduction in Take-Home Pay**

Under the proposal for an alternative WTO pension plan, the higher scale of pensionable remuneration for the Professional staff will lead to higher contributions and consequent reductions in take-home pay if a salary increase is not decided upon at the same time.

In order to compensate for these reductions, a mechanism would be introduced which would operate as a function of the gain in income replacement (to be compared with the anticipated average loss in take-home pay of 4.5%) experienced by the Professional staff member transferring from the UNJSPF to the WTO plan. This mechanism would remain in place until there was an increase in salaries for staff in the Professional and higher categories.

Estimated gain in income replacement	Total staff affected	Compensation for loss in take-home pay	Cost
0 - 4.5%	18	100%	SF 130,000
4.5% - 10%	33	75%	SF 170,000
10% - 15%	40	50%	SF 130,000
15% - 40%	95	25%	SF 130,000
TOTAL	186		SF 560,000

**NOTE BY THE CHAIRMAN OF THE
COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION**

1. After intensive work within the Working Group on Personnel Questions and the Budget Committee, and after thorough consultations with the Members, the time seems to have come to find a compromise solution between the request of the management of the WTO, on salaries and pensions, and the positions of Members. This is the purpose of the attached draft decision of the General Council and the Executive Committee of ICITO that I intend to submit to the Budget Committee on Friday, 13 October 1995, before transmission for approval to the General Council.
2. The issues of pensions and salaries are linked only to the extent that nothing can be decided on salaries without establishing a stand-alone pension plan for the WTO.
3. Considering the fact that, notwithstanding the autonomous nature of the WTO, a vast majority of Members wish to continue to apply UN common system salaries to the WTO staff, it does not appear possible to reach a consensus on a decision which would embody an increase of salaries for the WTO, such a move being a *de facto* departure from the common system.
4. Paragraphs 1 to 3 of the draft decision, therefore, state that the WTO salary scale will be the common system scale converted to Swiss francs for practical reasons. The Staff Regulations and Rules of the WTO, which are currently being drafted and will be submitted in due course to the General Council for approval, will be in strict conformity with the common system.
5. Nevertheless, it has been the intention of Members to reflect in these Regulations and Rules their wish to establish the WTO as a modern and effective organization. This is the reason why, *inter alia*, these Regulations and Rules are more elaborate than in the past on issues like contract policy linked to satisfactory performance or continuous performance evaluation. While being in no way a departure from the common system, these new rules may establish new methods of management which will be both in the interests of Members and will improve further the reputation of the Organization. A positive attitude towards the pensions issue is part of the package which will make the staff accept these new methods of management.
6. Because of the way the UN Joint Staff Pension Fund (UNJSPF) operates and the way decisions are taken in New York, a proposal must be put to the General Assembly before the end of this year to withdraw from the UNJSPF and establish our own pension plan. It is, however, not my intention that the WTO at this early stage take an irrevocable decision. Pending a full knowledge of all the conditions of withdrawal, including not only the capital to be refunded to WTO, it must be understood that the General Council retains the right not to pursue the establishment of a WTO pension plan if Members feel they are not satisfied with these conditions. This is the purpose of paragraph 4 and especially its last sentence.
7. The question of compensation for reductions in take-home pay, addressed in paragraph 7, is equivalent to having the employer bear the additional contribution of staff members in the new pension plan. Such a scheme cannot in my view, which is widely shared, be applied to all staff members. It should only be applied to those P and D staff who draw little or insignificant benefits from their participation in the new pension plan, due to a short period of contribution. Such compensation can be scientifically calculated and related to the actuarial benefit to the individual, or could, for greater convenience, be limited to those individuals who would participate in the new plan only for a defined short period. Annex 2 to the draft decision presents different options on which Members should decide. There again a solution based on fairness should be found.

8. Paragraph 8 addresses the question of the financing of the scheme. The final figures will have to be decided when all options (mainly on compensation of take-home pay) are chosen. In all cases it is my intention to propose that the financing be "contribution neutral" for 1996, which means that the contributions shall not exceed those of the 1995 budget plus the statutory and unavoidable increases assuming a total cost of SF 3.5 million. This can be achieved by using part of the 1995 surplus account (assuming a surplus of around SF 3 million, and a payment of SF 500,000 to the Working Capital Fund for good management, an amount of SF 2.5 million could be reserved), and economies in the proposed 1996 budget. Economies would represent the collective effort of the Organization and its Management, in conjunction with the efforts of Members.

9. It is clear that if such financing proves to be insufficient at the time when all conditions of establishment of the new plan are known (which seems very unlikely), the General Council should take that fact into account in its final decision (which explains the additional safeguard of paragraph 8(c)).

10. If a consensus decision cannot be reached on Friday next on the attached draft decision, I will refer it to the General Council for further discussion.

Revised Budget Estimates for 1996

	Secretariat proposals	Chairman's proposals	Comments
1995 Budget	105,389,500	105,389,500	
Unavoidable increases	11,046,003	11,046,003	
including common system increases	(1,576,000)	(1,576,000)	\$79
Savings in 1995	(1,225,000)	(1,225,000)	\$22
Other requirements for 1996	1,648,200	225,000	\$25
Pensions	4,660,000	3,400,000	\$79
Salaries (DG's proposal)	34,000	0	\$79
Total Budget 1996	121,552,703	118,835,503	
Financing:			
Contributions	120,000,000	114,882,800	-4.2%
Miscellaneous income	1,552,703	1,552,703	
1995 Surplus Account		2,400,000	