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**TO: Human Resources Managers of Participating Organizations  
Representatives of Staff Federations**

**FROM: Mr. Roberto Pagan  
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**SUBJECT: Modified operational rules for group II duty stations**

### **Introduction**

1. The purpose of this circular is to inform all stakeholders of the Post Adjustment System of the decision of the International Civil Service Commission at its 97<sup>th</sup> session<sup>1</sup> to transition at the earliest possible occasion all group II (field) duty stations for application of the modified **Four-Month Review (FMR), 10-Point rule (TPR)** and calculation of the **Personal Transitional Allowance (PTA)**, as approved by the Commission at its 90th session<sup>2</sup>, and as clarified by the Commission at its 97<sup>th</sup> session<sup>3</sup>, following the necessary preparatory work by the secretariat to update the monitoring and calculation templates for the implementation of the modified operational rules.
2. The earliest possible occasion for the application of the new operational rules will be **July 2024**, on the occasion of the next FMR.
3. Operational rules set the Post Adjustment Multiplier (PAM), used in salary setting, on the basis of the evolution of the Post Adjustment Index (PAI), and other key indicators related to the evolution of the cost of living at a duty station.

### **What is changing?**

#### ***Four-Month Review (FMR)***

4. While the core of the FMR calculations does not change, the FMR was modified by adding a “**system of caps-and-delays**” to PAM decreases, so that a first occurrence of a PAM decrease lower than -3 points, would be limited to -3 points only. There cannot be capping at the following FMR, except if a new cost-of-living survey is implemented in between the two FMRs, since the

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<sup>1</sup> ICSC/97/R.13.

<sup>2</sup> ICSC/90/R.16.

<sup>3</sup> ICSC/97/R.13.

implementation of survey results resets the trajectory of the PAM on the basis of fresh cost-of-living data. If at a FMR with no capping is applied, capping becomes possible again at the following FMR.

5. Annex I provides the policy statement of the new FMR as well as examples of its application.

6. It should be noted that, in order to allow stakeholders to understand whether the setting of a PAM was obtained by applying a capped decrease, the associated reason for change as published in the monthly Consolidated Post Adjustment Circular requires to use a separate code, “CFMR”.

7. **IMPORTANT NOTE:** the same separate code will also be used in the monthly issuance of post adjustments with the XML file. Organizations which use the XML file as part of their payroll processes are urged **to update in their software the list of valid values accepted in the “reason” tag by adding CFMR as valid value.**

### ***10-point rule (TPR)***

8. Before its modification, the 10-point rule was designed to act in case of sudden and abrupt devaluations of the local currency, so that if at any FMR the calculated change were lower than -10 points, instead of implementing it, the PAM would be frozen and a new place-to-place survey had to be conducted and implemented within 4 four months, with its results superseding the normal updating of the PAM.

9. While the scenario described above still applies, the 10-point rule was modified to address not only sudden devaluations of the local currency occurring at one FMR, but also steady reviews that would progressively decrease the PAM over time.

10. Operationally, the modified 10-point rule will extend the scope of application of the original design of the rule, by considering not only the potential, calculated PAM change at any FMR, but also the implemented PAM changes of the prior two FMRs, and should the accumulated change of the PAM originating from **two** or **three** consecutive reviews breach the threshold of -10 PAM points, instead of implementing the change, the PAM would be frozen and a new place-to-place survey would be conducted and implemented within four months. For the purpose of application of the modified TPR, the accumulated PAM change will begin to be tracked starting in July 2024.

11. As with the previous design, the new 10-point rule includes the provision that if no survey is conducted and implemented within four months, except for reasons of *force majeure* beyond the control of the duty station, then the PAM would be reduced of 10 points at the next FMRs until reaching, and without breaching, the value of the PAI minus 100.

12. Annex II provides the policy statement of the new 10-point rule as well as examples of its application.

### ***Calculation of the Personal Transitional Allowance (PTA)***

13. In the 2021 survey round, the calculation of the Personal Transitional Allowance (PTA) was modified to provide better stability and predictability for existing staff. Previously, the PTA was a fixed amount of multiplier points for six months following the application of the Gap Closure

Measure upon implementation of negative survey results. Under the new approach, the PTA is calculated every month to ensure that the Net Take-Home Pay (NTP) for existing staff does not decrease but also does not exceed its initial maximum setting in the first month of the new application.

14. This change means that for the first six months after the implementation of survey results, the PTA will bridge the full gap between the new benchmark NTP and the prevailing NTP at that time. Following this period, the NTP for existing staff will be gradually reduced by 3% every four months, with the PTA adjusted to reflect the difference between the NTP for existing staff and the newcomers. This monthly adjustment process will continue until the NTP for existing staff will coincide with the statutory one.

15. This revised approach ensures a smoother transition to lower pay levels for existing staff when negative survey results necessitate reductions, offering greater pay stability during adjustment periods and eliminating the possibility of undue higher levels of NTP in certain circumstances.

16. Annex III provides the policy statement of the new PTA calculation as well as examples of its application.

## **Conclusions**

17. The secretariat of the ICSC would like to acknowledge the tremendous work on and contributions made to the new operational rules by the representatives of the UN Common System Organizations and Staff Federations, who participated in the dedicated working groups and sessions of the Commission when the rules were discussed, finetuned and adopted and, subsequently, clarified by the Commission for operational implementation.

18. One of the effects of the combined application of the new FMR and TPR rules will be to guarantee that, in case of steady currency devaluations, decreases of the PAM due exclusively to its normal updating would be maintained to less than 10 PAM points within any rolling period of 12 months. However, these provisions do not exclude decreases of the PAM higher than 10 PAM points within any rolling period of 12 months, when further decreases due to the process of consolidation of PAM points into the net base salary scale<sup>4</sup>, or the implementation of new cost-of-living surveys, were to be added to the functioning of the FMR.

19. The descriptions of the modified operational rules, and examples of application, will also be reflected in the Post Adjustment Booklet<sup>5</sup> published on the web site of the ICSC.

20. Since the modifications of the FMR and TPR required to establish their priority of application, the Commission decided that the TPR would have priority over the FMR. The practical implications of this decision are shown with the examples of application in Annex II.

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<sup>4</sup> It is important to clarify that the process of consolidation, triggered by the implementation of a new and higher net base/floor salary scale, although it may reduce the nominal value of the PAM, it does not have any significant effect on the level of net remuneration.

<sup>5</sup> <https://icsc.un.org/Resources/COLD/Booklets/PABooklet.pdf>

## Annex I Examples of modified Four-Month Review (FMR) application

The new policy statement of the four-month review rule is now modified as follows<sup>6</sup>

*The post adjustment multiplier is reviewed every four months, in March, July and November. At a four-month review rule, if the current post adjustment index is higher than the prevailing pay index, the new post adjustment multiplier is set as the post adjustment index minus 100. Otherwise, the new pay index is obtained by adjusting the old pay index according to the movement, since the last review, of the post adjustment index owing to the evolution of the exchange rate only.*

### Adding as modification:

*At any statutory review, cap to minus 3 post adjustment multiplier points the decrease of a first four-month review, while allowing for a full decrease of the next four-month review, unless this would be minus 7 post adjustment multiplier points or more, in which case the 10-point rule would be triggered.*

### Example 1

	1 <sup>st</sup> FMR July	2 <sup>nd</sup> FMR November	3 <sup>rd</sup> FMR March
Calculated FMR change	-3.5	1.2	0.7
Capped?	Capped	Not Applicable	Not Applicable
Implemented change	-3.0	1.2	0.7
Actual accumulated change	-3.0	-1.8	-1.1

In this hypothetical example for Duty Station K:

At the **1<sup>st</sup> FMR** in July, the calculated change is a decrease of -3.5 points. According to the modified FMR rule, this decrease is capped at -3.0 points. Therefore, the implemented change is -3.0 and the actual accumulated change is -3.0 points (assuming that the accumulated change from previous FMRs was zero). At the **2<sup>nd</sup> FMR** in November, the calculated change is an increase of 1.2 points. This full increase is implemented. The implemented change is 1.2 points, whereas the actual accumulated change becomes -1.8 points (-3.0 + 1.2 = -1.8). At the **3<sup>rd</sup> FMR** in March, the calculated change is an increase of 0.7 points. This increase is fully implemented. Therefore, the implemented change is 0.7 points, whereas the actual accumulated change is -1.1 points (-1.8 + 0.7 = -1.1).

Throughout these three FMRs, the cap was applied only once at the **1<sup>st</sup> FMR**. The subsequent reviews did not require capping because they involved increases in the PAM.

<sup>6</sup> Please refer to ICSC/90/R.5, ICSC/90/R.16 and ICSC/97/R.13.

## Example 2

	<b>1<sup>st</sup> FMR July</b>	<b>2<sup>nd</sup> FMR November</b>	<b>3<sup>rd</sup> FMR March</b>
<b>Calculated FMR change</b>	<b>-3.2</b>	<b>1.0</b>	<b>-3.4</b>
Capped?	<b>Capped</b>	Not Applicable	<b>Capped</b>
Implemented change	<b>-3.0</b>	1.0	<b>-3.0</b>
Actual accumulated change	<b>-3.0</b>	-2.0	<b>-5.0</b>

In this hypothetical example for Duty Station K:

At the **1<sup>st</sup> FMR** in July, the calculated change is a decrease of -3.2 points. Under the modified FMR rule, this decrease is capped at -3.0 points. Therefore, the implemented change is -3.0 points, and the actual accumulated change is -3.0 points (assuming that the accumulated change from previous FMRs was zero). For the **2<sup>nd</sup> FMR** in November, the calculated change is an increase of 1.0 points. This increase is fully implemented, resulting in an actual accumulated change of -2.0 points ( $-3.0 + 1.0 = -2.0$ ). At the **3<sup>rd</sup> FMR** in March, the calculated change is a decrease of -3.4 points. Since the previous FMR did not entail capping, the modified rule allows the decrease to be capped again at -3.0 points. Therefore, the implemented change is -3.0, whereas the actual accumulated change becomes -5.0 points ( $-2.0 + -3.0 = -5.0$ ).

Throughout these three reviews, the cap was applied twice: once at the **1<sup>st</sup> FMR** in July and again at the **3<sup>rd</sup> FMR** in March. The **2<sup>nd</sup> FMR** in November review did not require capping as it involved an increase in the PAM.

## Example 3

	<b>1<sup>st</sup> FMR July</b>	<b>2<sup>nd</sup> FMR November</b>	<b>3<sup>rd</sup> FMR March</b>
<b>Calculated FMR change</b>	<b>1.2</b>	<b>-5.2</b>	<b>0.8</b>
Capped?	Not Applicable	<b>Capped</b>	Not Applicable
Implemented change	1.2	<b>-3.0</b>	0.8
Actual accumulated change	1.2	<b>-1.8</b>	-1.0

In this hypothetical example for Duty Station K:

At the **1<sup>st</sup> FMR** in July, the calculated change is an increase of 1.2 points. Since this is a positive change, it is fully implemented. Therefore, the implemented change is 1.2 points, leading to an actual accumulated change of 1.2 points (assuming that the accumulated change from previous FMRs was zero). During the **2<sup>nd</sup> FMR** in November, the calculated change is a significant decrease of -5.2 points. According to the modified FMR rule, the first decrease can be capped at -3.0 points, since the previous FMR did not entail capping. Therefore, the implemented change is capped at -3.0 points instead of the full -5.2 points. This results in an actual accumulated change of -1.8 points ( $1.2 + -3.0 = -1.8$ ). For the **3<sup>rd</sup> FMR** in March, the calculated change is an increase of 0.8 points. This increase is fully implemented. Therefore, the implemented change is 0.8 points. The actual accumulated change becomes -1.0 points ( $-1.8 + 0.8 = -1.0$ ).

In these three reviews, the cap was applied only once at the **2<sup>nd</sup> FMR** in November to limit the decrease. The **1<sup>st</sup> FMR** in July and **3<sup>rd</sup> March** reviews did not require capping as they involved increases in the PAM.

#### Example 4

	<b>1<sup>st</sup> FMR July</b>	<b>2<sup>nd</sup> FMR November</b>	<b>3<sup>rd</sup> FMR March</b>
<b>Calculated FMR change</b>	<b>-1.8</b>	<b>1.0</b>	<b>-3.8</b>
Capped?	Not Applicable	Not Applicable	<b>Capped</b>
Implemented change	-1.8	1.0	<b>-3.0</b>
Actual accumulated change	-1.8	-0.8	<b>-3.8</b>

In this hypothetical example for Duty Station K:

At the **1<sup>st</sup> FMR** in July, the calculated change is a decrease of -1.8 points. Since this decrease does not exceed the cap threshold of -3.0 points, it is fully implemented. Therefore, the implemented change is -1.8 points, resulting in an actual accumulated change of -1.8 points (assuming that the accumulated change from previous FMRs was zero). During the **2<sup>nd</sup> FMR** in November, the calculated change is an increase of 1.0 point. This positive change is fully implemented. The implemented change is 1.0 point, leading to an actual accumulated change of -0.8 (-1.8 + 1.0 = -0.8). At the **3<sup>rd</sup> FMR** in March, the calculated change is a significant decrease of -3.8 points. According to the modified FMR rule, this decrease is capped at -3.0 points because the previous FMR did not entail capping. Therefore, the implemented change is -3.0 (-0.8 + -3.0 = -3.8).

Throughout these three reviews, the cap was applied only once at the **3<sup>rd</sup> FMR** in March. The **1<sup>st</sup> FMR** in July and **2<sup>nd</sup> FMR** November reviews did not require capping as they involved a moderate decrease and an increase, respectively.

#### Example 5

	<b>1<sup>st</sup> FMR July</b>	<b>2<sup>nd</sup> FMR November</b>	<b>3<sup>rd</sup> FMR March</b>
<b>Calculated FMR change</b>	<b>-4.8</b>	<b>-3.2</b>	<b>-3.7</b>
Capped?	<b>Capped</b>	Not Applicable	<b>Capped</b>
Implemented change	-3.0	-3.2	<b>-3.0</b>
Actual accumulated change	-3.0	-6.2	<b>-9.2</b>

In this hypothetical example for Duty Station K:

At the **1<sup>st</sup> FMR** in July, the calculated change is a decrease of -4.8 points. Since this decrease exceeds the cap threshold of -3.0 points, it is capped at -3.0 point. Therefore, the implemented change is -3.0 points, resulting in an actual accumulated change of -3.0 points (assuming that the accumulated change from previous FMRs was zero). During the **2<sup>nd</sup> FMR** in November, the calculated change is a decrease of -3.2 points. This negative change is fully implemented, as at the

previous FMR capping was triggered, inhibiting the possibility of capping at the following FMR. The implemented change is -3.2 points, leading to an actual accumulated change of -6.2 ( $-3.0 - 3.2 = -6.2$ ). At the **3<sup>rd</sup> FMR** in March, the calculated change is again a significant decrease of -3.7 points. According to the modified FMR rule, this decrease is capped at -3.0 points because the previous FMR did not entail capping and because the *potential* accumulated PAM change, obtained as the sum of actual accumulated change and of the calculated FMR change did not reach or breach the threshold of -10 points ( $-6.2 - 3.7 = -9.9$ ) in a rolling period of 12 months. Therefore, the implemented change is -3.0, and the actual accumulated change -9.2 ( $-6.2 - 3.0 = -9.2$ ). Had the **3<sup>rd</sup>** calculated FMR change been a decrease of -3.8 points or worse, the 10-point rule would have been triggered.

Throughout these three reviews, the cap was applied twice at the **1<sup>st</sup> FMR** in July and the **3<sup>rd</sup> FMR** in March. The **2<sup>nd</sup> FMR** November reviews could not be capped as the previous FMR was already capped.

## Annex II Example of modified 10-Point rule (TPR) application

The new policy statement of the 10-point rule is now modified as follows<sup>7</sup>

*If a potential decrease of minus 10 or more post adjustment multiplier points would be due within a year, thus from one, two or three consecutive negative reviews, the post adjustment multiplier should be frozen and a new out-of-cycle place-to-place survey conducted within four months, and this would take precedence over the provisions of the four-month review rule. Except for reasons of force majeure, if a place-to-place survey is not conducted within four months, at each of the next four-month reviews, the post adjustment multiplier is reduced by 10 post adjustment multiplier points, unless this would bring the post adjustment multiplier less than post adjustment index minus 100, in which case the post adjustment multiplier becomes equal to the post adjustment index minus 100.*

### Example 1

	1 <sup>st</sup> FMR July	2 <sup>nd</sup> FMR November	3 <sup>rd</sup> FMR March
<b>Calculated FMR change</b>	<b>-3.2</b>	<b>1.0</b>	<b>-8.0</b>
Potential accumulated change	-3.2	-2.0	<b>-10.0</b>
Capped?	<b>Capped</b>	Not Applicable	<b>TPR freeze</b>
Implemented change	-3.0	1.0	<b>0.0</b>
Actual accumulated change	-3.0	-2.0	<b>-2.0</b>

In this hypothetical example for Duty Station K under the modified 10-Point Rule (TPR):

At the **1<sup>st</sup> FMR** in July, the calculated change in the PAM is a decrease of -3.2 points. According to the modified FMR rule and TPR, since this decrease is less than 10 points but greater than -3.0 points, it is capped at -3.0 points. Therefore, the implemented change is -3.0 points, leading to an actual accumulated change of -3.0 points (assuming that the accumulated change from previous FMRs was zero). During the **2<sup>nd</sup> FMR** in November, the calculated change is an increase of 1.0 point. This positive change is fully implemented at 1.0 point, resulting in an updated actual accumulated change of -2.0 points ( $-3.0 + 1.0 = -2.0$ ). At the **3<sup>rd</sup> FMR** in March, the calculated change is a significant decrease of -8.0 points. This decrease, when combined with the actual accumulated change of -2.0 points ( $-3.0 + 1.0 = -2.0$ ) from the first two FMRs, results in a *potential* cumulative decrease of -10.0 points ( $-3.0 + 1.0 - 8.0 = -10.0$ ). Since the *potential* cumulative decrease exceeds 10 points, the 10-Point Rule (TPR) is invoked. Under the **TPR**, the decrease is frozen at 0.0 points for this review, and the implemented change is 0.0 points. The actual accumulated change remains at -2.0 points, unchanged from the previous review, and a new place-to-place survey is triggered.

Throughout these three reviews, the cap was applied at the **1<sup>st</sup> FMR** to limit the initial decrease, and the TPR was invoked at the **3<sup>rd</sup> FMR** given the priority of application of the TPR over the

<sup>7</sup> Please refer to ICSC/90/R.5, ICSC/90/R.16 and ICSC/97/R.13.



FMR. This example illustrates how the **TPR** can be applied to stabilize the net take-home pay of existing staff by limiting the impact of substantial decreases in the PAM and trigger a new place-to-place survey to check the actual cost of living at the duty station.

### Example 2

	1 <sup>st</sup> FMR July	2 <sup>nd</sup> FMR November	3 <sup>rd</sup> FMR March
<b>Calculated FMR change</b>	<b>-4.5</b>	<b>-7.2</b>	
Potential accumulated change	-4.5	<b>-10.2</b>	Place-to-Place Survey implementation
Capped?	<b>Capped</b>	<b>TPR Freeze</b>	
Implemented change	-3.0	<b>0.0</b>	
Actual accumulated change	-3.0	<b>-3.0</b>	

In this hypothetical example for Duty Station K under the modified 10-Point Rule (TPR):

At the **1<sup>st</sup> FMR** in July, the calculated change in the PAM is a decrease of -4.5 points. According to the modified FMR rule and TPR, since this decrease is less than 10 points but greater than -3.0 points, it is capped at -3.0 points. Therefore, the implemented change is -3.0 points, leading to an actual accumulated change of -3.0 points (assuming that the accumulated change from previous FMRs was zero). During the **2<sup>nd</sup> FMR** in November, the calculated change is a significant decrease of -7.2 points. When combined with the previous accumulated change of -3.0 points from the **1<sup>st</sup> FMR**, the *potential* cumulative decrease reaches -10.2 points ( $-3.0 - 7.2 = -10.2$ ). Because the *potential* cumulative decrease exceeds the 10-point threshold, the 10-Point Rule (TPR) is invoked. Under the TPR, any decrease that meets or exceeds the 10-point threshold, whether individually or cumulatively over two or three successive reviews, is not implemented. Therefore, the decrease is frozen at 0.0 points for this review, and the implemented change is 0.0 points. The actual accumulated change remains at -3.0 points ( $-3.0 + 0.0 = -3.0$ ), unchanged from the previous review and a new place-to-place survey is to be conducted in duty station K and implemented within four months, most likely replacing the **3<sup>rd</sup> FMR** in March.

In this example, the **TPR** was invoked at the **2<sup>nd</sup> FMR** in November to prevent a large cumulative decrease from being implemented, demonstrating how the TPR can stabilize the net take-home pay by limiting the impact of substantial decreases in the PAM and trigger a new place-to-place survey to check the actual cost of living at the duty station.

## Annex III Calculation of the Personal Transitional Allowance (PTA)

The new policy statement the Gap Closure Measure (GCM) is now modified as follows<sup>8</sup>

*As a transitional measure, a personal transitional allowance is introduced for existing staff, for the first six months, equivalent, in multiplier points, to the full gap between the benchmark net take-home pay (NTP) and the prevailing net take home pay at the time of implementation of survey results. Thereafter, the net take-home pay applicable to existing staff is reduced by 3 per cent every four months, with the personal transitional allowance set equivalent, in multiplier points, to the difference between the levels of the net take-home pay applicable to the existing staff and to the rest of the staff population, until at a revision point in time, the net take-home pay for existing staff would coincide with that for all staff at the duty station.*

### Example 1

Month of application	Implemented PAM	PTA Revision	Target NTP*	NEW		OLD	
				PTA	Achieved NTP* for existing staff	PTA	Achieved NTP* for existing staff
Jul-24	30.2		9459	12.4	9459	12.4	9459
Aug-24	30.2		9459	12.4	9459	12.4	9459
Sep-24	30.2		9459	12.4	9459	12.4	9459
Oct-24	30.2		9459	12.4	9459	12.4	9459
Nov-24	28.4		9459	14.2	9459	12.4	9322
Dec-24	28.4		9459	14.2	9459	12.4	9322
Jan-25	31.0	1 <sup>st</sup>	9175	2.5	9174	2.5	9174
Feb-25	31.0		9141	2.5	9140	2.5	9140
Mar-25	29.8		9141	3.7	9140	2.5	9046
Apr-25	29.8		9141	3.7	9140	2.5	9046
May-25	29.8	2 <sup>nd</sup>	8867	0.2	8865	0.2	8865

\*P4, step VI with spouse/single parent allowance in USD

In this hypothetical example for Duty Station K under the new PTA calculation:

In **July 2024**, Duty Station K implemented a cost-of-living survey with a GCM due to a low survey result, leading to a PTA of 12.4 points to align the NTP for existing staff with the target level. In **November 2024**, during the FMR, the PAM decreases from 30.2 to 28.4. Under the *old* PTA system, the allowance would remain at 12.4 points, resulting in a lower achieved NTP for existing staff. However, the new rule recalculates the PTA to 14.2 points, keeping the achieved NTP consistent with the target, thus protecting staff from sudden drops in their take-home pay. In **January and February 2025**, there are adjustments due to the consolidation of salary scales and revision of pensionable remuneration scales respectively, which prompted revisions in the target NTP. Coinciding with the 1<sup>st</sup> revision of PTA, the target NTP is reduced by 3%, thus the new PTA

<sup>8</sup> ICSC/90/R.16.

becomes 2.5 points, aligning the achieved NTP with the revised target level. In **March 2025**, the PAM changes during the FMR and it leads to the new PTA calculation to adjust the PTA to 3.7 points, whereas the old PTA calculation would have maintained a static PTA of 2.5 points. Finally, in **May 2025**, the second PTA revision under the new approach recalculates the PTA to 0.2 points, reflecting the ongoing adjustments to maintain the achieved NTP aligned with the target level.

This example illustrates that under the new PTA calculation, the PTA is consistently recalculated to maintain the achieved NTP for existing staff close to the target level, ensuring greater stability and alignment during periods of transition due to survey results.