International Civil Service Commission

Revised 14 February 2018

POST ADJUSTMENT CHANGES FOR GROUP I DUTY STATIONS

Questions and Answers

Question 1: Did the increase in the US federal civil service salaries promulgated on 1 January 2018 have any impact on the post adjustment classification of Geneva and other duty stations?

Answer: No, it did not. This is because the link between salary movements in the two civil services (UN and US) is not direct, but is manifested through the US/UN net remuneration management mechanism, which requires that the margin be kept within a range (between 113 and 117) through the operation of the post adjustment system. If it were to exceed 117, the Commission would impose a salary freeze in New York and scale back post adjustment indices of all other duty stations accordingly, in other to maintain purchasing power parity of salaries. If it were to fall below 113, the Commission would grant a salary increase for New York and scale up the post adjustment indices of all other duty stations accordingly, in order to maintain purchasing power parity of salaries.

Pursuant to General Assembly resolutions 70/244, 71/264 and 72/255, the secretariat continued monitoring the margin since it was last reported to the General Assembly by the ICSC Chair at the time of the introduction of the 2017 ICSC annual report, at which time it stood at 113.7. The following developments relevant to the margin calculation have occurred since then:

1. A salary increase in the comparator service (2.29 per cent in gross terms) and the new tax provisions in the United States effective 1 January 2018;

2. An increase in the post adjustment multiplier for New York as of 1 February 2018 (from 64.5 to 66.9).

Based on these developments the margin between the net remuneration of officials in the Professional and higher categories of the United Nations in New York and officials in comparable positions in the United States federal civil service in Washington, D.C., for 2018 was estimated at 113.1, i.e. the margin has remained within the 113-117 range, thus not requiring any special action by the Commission.

This means that the post adjustment classifications of all group I duty stations established on 1 February 2018, were based exclusively on the basis of the normal operation of the post adjustment system, that is, according to the evolution of cost of living at the duty station. **Thus the increase in the comparator civil service did not have any impact on the post**

adjustment classifications of group I duty stations, established on 1 February 2018.

It may be recalled that the margin management mechanism implemented on 1 February 2017, resulted in an increase of about 2.04 per cent in the post adjustment indices of all duty stations. This action was required to ensure that the margin did not fall below 113. This time around, the margin was already at 113.1 and so there was no need for any action by the Commission.

Question 2: What were the results of the post adjustment classification reviews of group I duty stations conducted on 1 February 2018? How were the revised post adjustment multipliers determined?

Answer: The updated post adjustment indices were compared to the pay indices that are adjusted for exchange-rate fluctuations alone. Under the current Commission-approved operational rules, real salary increases are granted to group I duty stations for which the updated post adjustment index exceeds the prevailing pay index (exchange rate-only adjusted post adjustment multiplier plus 100). Otherwise, the prevailing pay index is maintained. The review conducted on 1 February 2018 led to real salary increases in 13 (out of 48) group I duty stations, but maintained status quo for the remaining 35 group I duty stations.

For example, for Japan, the updated post adjustment index (PAI) was 183.3 while the prevailing pay index was 180.0, meaning that actual pay was below that warranted by the post adjustment index. Therefore, there was a real salary increase of about 1.73 per cent to align actual pay with the post adjustment index.

On the other hand, for Geneva, the updated post adjustment index was 176.2 while the prevailing pay index was 181.6, meaning that actual pay was higher than justified by the index; therefore, there was no change in salary.

Table 1 of ICSC/CIRC/GEN/02/2018 provides the complete list of Group I duty stations and the results of the review for each.

Question 3: What is the mechanism for revising the personal transitional allowance (PTA) for Geneva, Madrid, and Rome? How were the revised PTAs derived?

Answer: In accordance with the provisions of the gap closure measure approved by the Commission at its 85th session, to mitigate the impact on net take-home pay (NTP) of significantly negative survey results, the PTAs applicable to Switzerland, Italy and Spain, were also reviewed on 1 February 2018.

The precise mechanism for revision of the PTA, and the consequent reduction of the NTP in local currency, was explained in document ICSC/CIRC/GEN/04/2017-rev 1 of 31 July 2017, published on the ICSC website:https://icsc.un.org/resources/cold/par/cable/aug1%202017.pdf (see, especially, point 3.e of the document).

Example: Geneva:

The prevailing pay index as of 1 February 2018 is 100 + PAM = 100 + 81.6 = 181.6

However, existing staff (i.e., staff on board as of 1 August 2017) received a PTA of 8.7 additional multiplier points, from August 2017 through January 2018, so the pay index for existing staff before reduction was 100 + 81.6 + 8.7 = 190.3

The pay index for existing staff, reduced by 3% is 0.97*190.3 = 184.6

The new PTA is defined as the difference between the reduced pay index for existing staff and the prevailing pay index, which is 184.6 – 181.6 = 3.0.

If this difference turned out to be negative, it would be set to zero, i.e., the PTA would be phased out.

It should be pointed out that **these figures could change between now and mid-February 2018**, depending on the possible updates of the operational exchange rates published by the United Nations Treasury.

Following exactly the same procedure, the PTAs for Italy and Spain were phased out, effective 1 February 2018. The calculation of the revised PTAs is shown in ***Table 2 of ICSC/CIRC/GEN/02/2018.*** Note that the PTA for Switzerland is expected to be phased out at the next review on 1 June 2018.

Question 4: What is the actual reduction in net take home pay (NTP) for existing staff in Geneva, Madrid, and Rome; following both the review of the post adjustment classifications of group I duty stations; and the revision of the PTA for these three duty stations, effective 1 February 2018?

Answer: Compared to January 2018, the actual reduction in NTP in local currency for existing staff is 3.6% for Geneva, 2.6% for Madrid, and 2.9% for Rome. See the table below for the details.

	Italy, Rome			**Spain, Madrid**			**Switzerland, Geneva**		
	Jan-18	**Feb-18**	**change (%)**	**Jan-18**	**Feb-18**	**change (%)**	**Jan-18**	**Feb-18**	**change (%)**
NBS+6% (US$)	6,986	6,986		6,986	6,986		6,986	6,986	
PC (US$)	1,077	1,093		1,077	1,093		1,077	1,093	
Exch. Rate	0.837	0.805		0.837	0.805		0.978	0.933	
Pay Index /a	145.6	147.1		137.8	139.6		182.7	184.6	
Net Rem. (US$)	10,172	10,277	1.0%	9,627	9,753	1.3%	12,764	12,897	1.0%
NTP (US$)	9,095	9,184	1.0%	8,550	8,660	1.3%	11,687	11,804	1.0%
NTP (local curr.)	7,613	7,393	-2.9%	7,157	6,972	-2.6%	11,430	11,013	-3.6%

NBS+6% = Net Base Salary plus 6% allowance (spouse or single parent)

/a for existing staff

Question 5: Why are the actual reductions in net take home pay (NTP) in local currency for existing staff effective 1 February 2018, different from the figures projected in July 2017?

Answer: The actual figures are slightly different from those projected back in July 2017, because the projections were based on the assumption of constant exchange rates between

August 2017 and February 2018. As it turned out, the exchange rates changed on a monthly basis throughout this period. Other contributing factors include the increase in staff share of pension contribution from USD 1,076.8 in July 2017, to USD 1,092.5 in February 2018 (for a staff member in grade P4, step VI).

Question 6: Why are the actual reductions in NTP for existing staff effective 1 February 2018, higher than the maximum 3% reduction stipulated in the Commission's revised gap closure measure?

Answer: This question reflects a fundamental misunderstanding of the Commission's decision regarding the gap closure measure, and confuses two issues that are completely different. The 3 per cent mentioned in the gap closure measure refers to the percentage reduction of the pay index of existing staff, which is a step in the process of determining the new PTA. As shown in the example in the response to Question 3, **the pay index of existing staff is reduced by 3%**, then the prevailing pay index is subtracted from it to obtain the new PTA. This does not bear any relationship to the reduction of the NTP in local currency for existing staff, which, as explained in Question 4 above, could be higher or lower than 3%. **A reduction in the *pay index* of existing staff by 3% does not translate into a "*maximum reduction of NTP by 3%*"**

Question 7: What will be the overall net reduction in NTP in local currency for existing staff in Geneva in June 2018, when the PTA is expected to be phased out?

Answer: Under the hypothetical assumption that the CHF/USD exchange rate will remain the same from February to June 2018, the additional net reduction in net take home pay in Swiss Francs for existing staff in Geneva would be **1.8%** (relative to February 2018). Thus, the overall net reduction in net take home pay in CHF, following the implementation of the results of the 2016 cost-of-living survey would be **5.2%**. Please see the table below for the details of the calculation. **It should be remembered that the figures for June 2018 are projections based on 1 February 2018 exchange rate, and may change whenever these exchange rates change between February and June 2018**.

	Switzerland, Geneva			
	Aug-17	**Feb-18**	***Jun-18 /b***	**Overall change (%)**
NBS+6% (US$)	6,919	6,986	6,986	
PC (US$)	1,077	1,093	1,093	
Exch. Rate	0.962	0.933	*0.933*	
Pay Index /a	187.0	184.6	*181.6*	
Net Rem. (US$)	12,939	12,897	*12,687*	*-1.9%*
NTP (US$)	11,862	11,804	*11,595*	*-2.3%*
NTP (local curr.)	11,411	11,013	*10,818*	*-5.2%*
NTP (local curr.) t/t change		-3.5%	*-1.8%*	

NBS+6% = Net Base Salary plus 6% allowance (spouse or single parent)

/a for existing staff

/b projections subject to assumptions. Projected overall reduction from August 2017 to June 2018 (which is 5.2%), does not correspond exactly to the sum of the reductions in the two time periods: August 2017 to February 2018 (3.5%); and February 2018 to June 2018 (1.8%)