

MC/2177

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NINETIETH SESSION

IOM SOCIAL SECURITY SCHEME

Amendment to the Staff Regulations for Officials and Employees

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I. BACKGROUND

1. Because of the Organization's initially temporary nature, Member States instituted for its officials and for its employees at Headquarters a compulsory saving scheme – the Provident Fund – to which both the Organization and the staff contributed respectively 15.80 per cent and 7.90 per cent of the pensionable salary, such salary being the same as that used by the United Nations for computing contributions to and benefits deriving from the United Nations Joint Staff Pension Fund (UNJSPF). IOM maintains the Provident Fund for Officials in US dollars and that for Employees in Geneva in Swiss francs. The Provident Fund account bears compound interest on a monthly basis.

2. The Provident Fund was also extended to some 40 Field Offices, mainly in countries where the national social security scheme was non-existent or below acceptable standards.

3. In the early eighties, the IOM Council asked the Administration to convene a meeting of a small group of government experts to study IOM's retirement benefits in view of the erosion of the Provident Fund due to a number of factors, such as inflation and currency fluctuations. While the group of experts recommended as a long-term solution the affiliation to a pension fund – the United Nations Joint Staff Pension Fund (UNJSPF) – the staff was not in favour and it was decided to maintain the *status quo*.

4. Before the discussions on joining a pension fund, in the seventies the staff had requested the possibility to invest part of their Provident Fund holdings in investment schemes available on the market. The IOM Council agreed to this, on the understanding that staff members would release the Organization from any liability in the event of losses. Staff members were, therefore, asked to sign such a waiver. The experience with the investment plan selected at the time was negative. As of the end of 2000, staff members have, upon request, the possibility to invest their part of the Provident Fund in mutual funds proposed by banking institutions. As was done in the seventies, staff members assume exclusive responsibility for the risks associated with such investments. This experience with the selected investment plans is so far not encouraging.

II. RECENT DEVELOPMENTS

5. At the end of 2003, an internal Joint Provident Fund Task Force submitted a report to the Director General proposing a continuation of the Provident Fund and a wider diversification of investment options. These recommendations were based on a questionnaire to which 15.25 per cent of Provident Fund Members had responded.

6. After consultation between the Staff Association Committee (SAC) and the Director General's Office (DGO), it was felt that staff members should be presented with two options, one being the Provident Fund, the other being a pension fund. A Working Group on Social Security (WGGS) was established, composed of two members each from the Administration and the SAC.

7. The WGSS concluded that a reliable and secure social security scheme could only be a system providing:

- (a) periodic payments of pension upon retirement, rather than a one-time lump sum payment;
- (b) periodic payments of pension in case of incapacity to work or death while in service;
- (c) protection against deterioration of the purchasing power of saving schemes such as the Provident Fund due to inflation and/or currency depreciation.

8. The WGSS discarded the option of establishing an independent IOM pension fund. While feasible, this option would be administratively cumbersome and expensive. A review of existing pension funds in the private sector and in international organizations led to the conclusion that the United Nations Joint Staff Pension Fund (UNJSPF) was the preferred option, not only because of the range of its benefits, but also because IOM follows the UN conditions of service for its staff (with the exception of the social security chapter).

9. Based on the above assessment, the WGSS began negotiations with the UNJSPF on affiliation modalities. Meetings were held in New York and Geneva in late 2004/early 2005 and resulted in flexible conditions of affiliation (see below, paragraph 16). The staff was regularly informed of the various steps taken and briefings held.

10. At the Ninety-third Session of the Subcommittee on Budget and Finance, held on 10 May 2005, the Deputy Director General reported on the status of the matter as follows: "In its recent statements before the governing bodies, the Staff Association Committee has spoken about the low returns generated on the Provident Fund and expressed concern about the impact of this on the financial sustainability of staff members upon retirement. A Working Group of representatives of the Staff Association Committee (SAC) and the Administration has been looking at the possibility of joining the United Nations Joint Staff Pension Fund. The Administration will provide you with more information as negotiations with the United Nations Pension Fund and discussions with the staff progress."

11. Subsequently, members of the WGSS visited large Field Offices whose staff members are enrolled in the Provident Fund, to explain the main features of a pension scheme and the benefits offered by the UNJSPF. Members of the Provident Fund were also asked to express their opinion as to the appropriateness for IOM and themselves to join the UNJSPF. The following Field Offices were visited: Kyiv, Sarajevo, Tirana, Budapest, Almaty, Manila, Jakarta, Cairo, Addis Ababa, Nairobi, Accra, Bangkok, Phnom Penh, Ho Chi Minh, Dhaka, Colombo, Islamabad and Tehran. Where relevant, staff members from IOM Missions in neighbouring countries were also invited to attend the briefings; some 600 field staff members could benefit from the briefings.

12. Out of the 1,510 Provident Fund members, 521 responded to the questionnaire, namely 34,5 per cent. 65 per cent favoured an affiliation to the UN Pension Fund (338), while 27 per cent (139) were against and the remaining 8 per cent had no opinion. The Provident Fund assets of the staff members having responded to the questionnaire amount to some USD 50 million. The staff members favouring an affiliation to the UN Pension Fund represent some 82 per cent of these USD 50 million, while those not in favour represent some 11 per cent. The total Provident Fund assets are approximately USD 93 million.

III. THE ISSUE

13. As indicated above, a secure and reliable social security scheme should provide regular payments of pension in case of retirement, disability and death, such payments being adjusted periodically to cost-of-living increases.

14. A further consideration is that any social security scheme should apply to all staff members of the Organization, consistent with the equal treatment or non-discriminatory policy advocated by IOM. At present, out of some 5,000, only 1,510 staff members participate in the Provident Fund, while the others are affiliated to a national scheme or have no coverage at all.

15. A sound social security scheme has to be adopted by the Administration and approved by Member States, not only for existing, but also for future staff. After over 50 years of a so-called provisional scheme, the time has come to opt for a modern system giving all staff members the same treatment and the security upon retirement they deserve.

IV. PROPOSED AFFILIATION TO THE UNJSPF

16. The WGSS, on behalf of the IOM Administration and the SAC, was able to obtain flexible conditions of affiliation. In particular, Provident Fund members would have the option, but not the obligation, to validate past years of IOM service with their Provident Fund balance; they would also have the option to validate only part of their past service. A further flexibility concerns staff members in the age range 57 to 62: they would have the option to either join the UNJSPF or not. Finally, staff members working on specific projects, limited in time and non replicable (e.g. the claims programmes) would have the option, but not the obligation, to join the UNJSPF. Other limited exceptions to compulsory affiliation, if objectively justified, can still be considered by the UNJSPF.

17. Financial implications for IOM Member States and for the majority of staff members would remain unchanged insofar as rates of contributions to the UNJSPF and to the Provident Fund are identical, namely 15.80 per cent for the employer and 7.90 per cent for the staff member. The contributions of local staff in the Field Offices will have to be based on pensionable rather than base salaries upon IOM's affiliation to the UNJSPF.

18. The steps leading to an IOM affiliation to the UNJSPF are as follows: (i) approval at the forthcoming Council by IOM Member States of an affiliation to the UNJSPF through a relevant amendment to Staff Regulations for Officials and Employees; (ii) submission by IOM Director General of IOM's request to the UNJSPF, a request to be examined by the Board of the UNJSPF at its next session in mid-2006; (iii) transmittal by the UNJSPF Board of a positive recommendation to the United Nations General Assembly (UNGA) and adoption of a relevant resolution by the UNGA in autumn 2006, admitting IOM to the UNJSPF; (iv) admission of IOM to the UNJSPF on 1 January 2007, with retroactive effect to 1 January 2006, for the purpose of validating past years of service, according to negotiations already held with the UNJSPF.

19. The position of the Staff Association has been reflected in many statements to IOM governing bodies. The SAC supports an affiliation of IOM to the UNJSPF, based on the application modalities negotiated with the UNJSPF in which the SAC members of the WGSS fully participated.

20. Considering the long-standing dissatisfaction of the staff with the Provident Fund, the positive views on the possible IOM affiliation to the UNJSPF expressed by the Staff Association, the results of the consultations reflected in paragraph 12 above, and the time factor related to the finalization of an affiliation to the UN Pension Fund, the WGSS recommended to the Director General that IOM proceed with an affiliation to the UN Pension Fund, and that an appropriate document containing this recommendation be submitted to the Subcommittee on Budget and Finance at its 1-2 November 2005 session. This recommendation was endorsed by the Director General.

V. RECOMMENDATIONS

21. The Administration therefore submits the following recommendations to IOM Member States for their approval :

- (a) to request the Director General to submit to the UNJSPF Board IOM's request for affiliation to the UNJSPF;
- (b) to authorize the Director General to accordingly amend the Staff Regulations for Officials and Employees upon completion of the process of affiliation to the UNJSPF;
- (c) to invite the Administration to pursue its efforts towards further improving, insofar as practicable, modalities of affiliation, and to keep the governing bodies informed of the outcome.

22. A draft resolution is annexed for IOM Member States' consideration.

Annex

DRAFT RESOLUTION
ON THE IOM SOCIAL SECURITY SCHEME

The Council,

Recognizing the need to provide a more reliable and secure social security coverage to IOM staff members,

Having received and examined document MC/2177, submitted by the Director General, on the IOM social security scheme,

Having taken into account the comments and recommendations of the Subcommittee on Budget and Finance (MC/...),

Resolves :

1. To request the Director General to submit to the Board of the United Nations Joint Staff Pension Fund (UNJSPF) a request for IOM's affiliation to the UNJSPF;
2. To authorize the Director General to accordingly amend Staff Regulation 6.1 for Officials, and Staff Regulation 6 for Employees, effective upon completion of the process of affiliation to the UNJSPF;

3. To invite the Administration to pursue its efforts towards further improving, insofar as practicable, the modalities of affiliation to the UNJSPF and to keep the governing bodies informed accordingly.