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**Hundred and Twenty-fourth Session of the Programme Committee and
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Rome, 21 May 2018

**Date of Implementation of the United Nations Resolution on the
Mandatory Age of Separation**

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Executive Summary

This document sets out relevant information and a proposal for the implementation of the MAS of 65 years for FAO staff recruited before 1 January 2014:

- The staffing of FAO, which comprises 75% of its resources, relates directly to the Organization's ability to address global challenges and priorities including the 2030 Agenda for Sustainable Development, and adapt to new ways of working.
- Putting in place the new ways of working through interdisciplinary teams and a robust mobility policy requires drive and flexibility to renew the human resources of the Organization, both in terms of defining budgeted positions and recruiting the staff to fill them.
- Management considers that the implementation of the mandatory age of separation foreseen in UNGA Resolution 70/244 should take into account the objectives and related priorities and policies that the governing bodies have established for the Organization, in relation to the staffing, technical capacity, gender balance, geographic representation, cost savings, efficiency and effectiveness needed to achieve these objectives.
- In setting the implementation date for MAS for staff employed before 1 January 2014, the governing bodies of the Common System organizations are taking decisions in respect of their staff in light of their specific circumstances and interests: 1 January 2020 for IFAD and WIPO; 1 January 2019 for ICAO and WHO; and 1 January 2018 for others.
- From the perspective of FAO, the ideal date of implementation of MAS at 65 years for staff employed before 1 January 2014 is **1 January 2021**. This would provide the Organization maximum flexibility to adjust its staffing and related technical capacity to programme priorities and ways of working in 2018-19, as well as to facilitate attainment of its goals on gender balance and geographic representation in its workforce.
- Following the June 2019 Conference, it would also enable the new Director-General and his/her senior management team to elaborate eventual adjustments to the Programme of Work and Budget 2020-21 for approval by the Council in December 2019, and to begin implementation of such adjustments during the course of 2020.
- Finally, an implementation date of 1 January 2021 would lead to cost savings, including from staff costs, as well as other potential savings relating to staff benefits and entitlements. An analysis of related data is being undertaken, and will be presented to the Programme and Finance Committees, and to the Council.

Background

1. FAO accepted the Statute of the International Civil Service Commission (ICSC), and is part of the United Nations Common System of Salaries, Benefits and Allowances. The Statute of the ICSC foresees two types of situations. First, situations where either the ICSC or the United Nations General Assembly (UNGA) take decisions on matters pertaining to salaries, benefits and allowances, which are binding upon the organizations, including their governing bodies. Second, the Statute foresees areas where the Commission makes recommendations to the organizations.¹ In the exercise of its functions, the ICSC is guided by an objective of applying common personnel standards, methods and arrangements.

2. One of the elements of staff employment is the mandatory statutory age at which staff must be separated from active service. The mandatory age of separation is approved by the competent legislative bodies of the organizations (the Council in the case of FAO), taking into account the above institutional framework, as well as FAO's specific needs and priorities.

3. The mandatory age of separation (MAS) for staff, a matter for which there has never been uniformity, has evolved over time, both at FAO and within the United Nations System:

- a) The FAO Council in 1958 set the MAS for FAO staff at the age of 62, based on a thorough analysis, prior to creation of the ICSC and acceptance of its Statute in 1975.²
- b) It was only in 1989 that the ICSC recommended to the UNGA and to the legislative bodies of other organizations of the Common System that the MAS be increased from 60 to 62 years for staff recruited on or after 1 January 1990.
- c) In 2013, the Council set the MAS of FAO staff recruited on or after 1 January 2014 at 65 years, in line with a resolution of the UNGA (Resolution 67/257) and ICSC recommendation, following a thorough review and analysis by the competent UN entities, in particular the Board of the United Nations Joint Staff Pension Fund (UNJSFP), with which it concurred.³
- d) In 2014, by Resolution 69/251, the UNGA endorsed the recommendation of the ICSC, to raise the MAS to 65 years for staff recruited before 1 January 2014, taking into account the acquired rights of staff, and requested the ICSC to revert to it on an implementation date after consultations with all the organizations of the common system.
- e) In 2015, by Resolution 70/244 of 23 December 2015,⁴ the UNGA endorsed the recommendation of the ICSC that: “(...) *the mandatory age of separation for staff recruited before 1 January 2014 should be raised by the organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff*”.

4. Implementation of Resolution 70/244 by FAO is subject to review and approval by the Council, and must ultimately take the form of an amendment to the FAO Staff Regulations. This document sets out relevant information and a proposal for the implementation of the MAS of 65 years for FAO staff recruited before 1 January 2014.

¹ Thus, under provisions such as Articles 10 to 13 of the Statute either the ICSC or the General Assembly take decisions. Under Article 16, the ICSC may, after appropriate consultations, make such recommendations to the organizations on other matters as it may consider necessary to achieve the objectives of the Statute.

² CL 29/ REP paragraphs 175-177, CL 29/17, CL 29/30

³ CL 148/REP paragraph 12d, CL 148/6, FC 151/12

⁴ UNGA Resolution 70/244 of 23 December 2015, “*United Nations common system: report of the International Civil Service Commission*”; <https://undocs.org/A/RES/70/244>.

A. Basis for UNGA Resolutions on MAS

5. The 2013 UNGA resolution on MAS was the end-result of a thorough process, including through review by five different UN entities starting in 2008: the JIU, the ACABQ, the UN Secretariat, the ICSC and the UNJSPF. In addition, the UNJSPF undertook a thorough quantitative analysis, including an actuarial valuation and a review by a working group, which estimated that raising the MAS of new staff at UN institutions recruited after 1 January 2014 would improve the actuarial situation of the Fund.⁵

6. In contrast, the 2014 and 2015 UNGA resolutions, which effectively sought to raise “retroactively” the MAS of serving staff recruited before 2014 to 65 years of age from 1 January 2018, do not seem to have such basis. No detailed underlying quantitative or actuarial analysis by the competent UN bodies has been found to support the ICSC recommendation. In particular, no potential significant financial benefit for the UNJSPF has been identified, nor was the 2015 UNGA resolution requested by the UNJSPF, as was the case in 2013. Rather, the ICSC based its recommendation to the UNGA on its own deliberations, including the views of three staff federations. The UN agencies repeatedly expressed reservations to the ICSC through the HR Network of the CEB in 2013, 2014 and 2015.⁶

7. Therefore it is incumbent upon the Director-General to make known to the FAO governing bodies the implications of raising the MAS to 65 years for FAO staff recruited before 1 January 2014, so that they can take an informed decision in light of all pertinent considerations when exercising their statutory functions.⁷

B. Implications for FAO

Context

8. At the outset, it is underlined again that the Organization accepted the Statute of the ICSC in 1975 and is part of the United Nations Common System of Salaries, Benefits and Allowances. FAO is, therefore, fully committed to aligning its policies and practices with those adopted for the Common System. It is further underlined that the Organization is committed to implementing Resolution 70/244. It is a matter of finding an appropriate timing in order to balance the needs and priorities of FAO as a member-based Organization and the interests of its staff and the Common System.

9. The 2013 decision to set the MAS of FAO staff recruited after 1 January 2014 at 65 years had no immediate programmatic, budgetary or financial impact on the Organization. Application of the new MAS to newly recruited staff provides, on an ongoing basis, the opportunity for the Organization and the concerned staff to set expectations and plan accordingly. This is not the case with the implementation of the new MAS for staff recruited before 1 January 2014 as per Resolution 70/244, which places considerable constraints on the management of the Secretariat.

10. The governing bodies have given a clear mandate and guidance to the Director-General to make demonstrable progress on a challenging set of objectives to rid the world of hunger and poverty and make agriculture more productive and sustainable. As a knowledge Organization with its feet on the ground, FAO delivers its mandate through a corpus of highly qualified and diverse staff, recruited

⁵ Pension Board Sessional Reports (59, 2012) and (60, 2013), JSPB/59/R.35 and JSPB/60/R.31.

⁶ See Reports of the ICSC for the years 2013, 2014, 2015 <https://icsc.un.org/library/default.asp?list=AnnualRep>. It is of particular importance to note the observations of the agencies in 2015: “Recalling article 16 of the statute of the (ICSC), the Network pointed out that any implementation date agreed for the United Nations common system (...) would be indicative at best, as the final decision on the matter rested with the governing bodies of the organizations”, paragraph 21, Report of the ICSC for 2015.

⁷ The HR network at the March 2018 ICSC session stressed that “the ICSC mandate should be exercised as foreseen in its Statute. There should be a clear distinction between topics which should be brought to the UNGA for decision, matters on which the ICSC can decide on its own and matters on which the ICSC can issue recommendations to organizations. Under article 16 of the ICSC Statute, the ICSC can, after appropriate consultations, make recommendations to organizations. Regrettably the ICSC, despite reminders of the statutory foundation, decided to bring the matter to the UNGA for decision, which seems to have led to some misunderstandings as to the role of the UNGA vis-à-vis the role of the Governing Bodies of Specialized Agencies”.

on merit but with consideration for gender balance and geographic representation. The governing bodies have set targets for the recruitment of staff in this regard, to be achieved within a flat nominal budget relying on efficiencies for any increase in professional staffing and effectiveness.

11. Thus the staffing of FAO, which comprises 75% of its resources, relates directly to the Organization's ability to address global challenges and priorities including the 2030 Agenda for Sustainable Development, and adapt to new ways of working.

12. In the recent past, FAO has undergone a process of renewal involving in-depth evaluation of its operational and governance structures and its programmatic priorities. As a result, the governing bodies have adopted long-term strategic plans and policies, including the renewal of human resources, to enhance the delivery of FAO's mandate.

13. Most recently, in 2017, the governing bodies endorsed a reviewed Strategic Framework and Medium Term Plan 2018-21, which consolidate changes made since 2012 in the strategic direction and operations of the Organization. FAO has moved away from narrow technical programmes in silos to cross-cutting Strategic Programmes with impact at country level. Putting in place the new ways of working through interdisciplinary teams and a robust mobility policy requires drive and flexibility to renew the human resources of the Organization, both in terms of defining budgeted positions and recruiting the staff to fill them.

14. This approach was demonstrated in the PWB 2018-19 approved by the Conference in July 2017, where 58 new technical posts were created from the abolition of an equal number of non-technical posts, and a further 76 vacant professional posts were downgraded in order to allow the recruitment of highly qualified younger professionals.⁸

15. Such flexibility will be required again in the 2020-21 biennium to allow the Organization to continue to adapt to its new ways of working. In June 2019, the Conference will concomitantly (a) elect a new Director-General and (b) approve a Programme of Work and Budget (PWB) for the 2020-21 biennium. As per the established planning and programming cycle of FAO, the new Director-General and his/her senior management team may elaborate adjustments to this PWB, which would be submitted for approval by the Council in December 2019. Accordingly, the new Director-General would need at least the first year of the 2020-21 biennium to begin implementing these adjustments, and would require the flexibility from implementation of the new UNGA resolution on MAS to the end of 2020.

16. Accordingly, it is considered that the implementation date for retroactive application of the mandatory age of separation foreseen in Resolution 70/244 should take into account the objectives and related priorities and policies that the governing bodies have established for the Organization, in relation to the staffing, technical capacity, gender balance, geographic representation, efficiency and effectiveness needed to achieve these objectives.

Staffing

17. As of 1 January 2018, FAO had 1,121 staff in the Professional and higher categories on PWB budgeted posts subject to geographic distribution. On average, about 4% of these staff reach 62 years of age every year and would retire under the current FAO Staff Regulations. The distribution of such mandatory retirements in the three-year period 1 January 2018 to 31 December 2020 by grade, length in service, gender and region of nationality is summarized below:

- a) 124⁹ retirements at the mandatory age of separation of 62 are expected, representing 12% of the total staff subject to geographic distribution.
- b) 22% of the expected retirements concern staff in the higher category (D-1 and above), and 78% in the Professional category.

⁸ C 2017/3 MTP 2018-21 / PWB 2018-19 paragraphs 108-113

⁹ The figure of 138 retirements cited in previous papers relates to the period from 18 December 2017 to 31 December 2020

- c) Over half of expected Professional retirements - 58% - are at grade P-5 (56) and 30% at grade P-4 (29). The grade point average (GPA) of expected Professional retirements is 4.41.
- d) All expected retirements are either at the higher or top steps of the grades, and length-in-service with FAO averages 18 years.
- e) Expected retirements are fairly evenly distributed across the spectrum of occupational areas, in headquarters and decentralized offices.
- f) Male staff members account for 69% of the expected retirements, while female staff members account for 31%.
- g) Nearly half (60) of the expected retirements are nationals of European countries (48%), 14 of which from over-represented countries and 2 from under-represented countries. Other geographic regions account for a significantly smaller proportion: North America (16%), Africa (14%), Asia (9 %), Latin America and the Caribbean (8%), Near East (2%) and Southwest Pacific (2%).

18. The trends of expected retirements at MAS of 62 years for staff recruited before 1 January 2014 offer opportunities to address the technical capacity, gender balance, geographic representation and efficiency and effectiveness of the staffing of FAO.

Technical capacity

19. Staff are recruited primarily on merit - for their technical quality to meet the requirements of the Organization. In 2016-17, the Independent Assessment of FAO's Technical Capacity recognized the improvements made since 2012, but also pointed to the challenge for FAO of procuring the right type of expertise in a rapidly changing environment and ways of working.

20. In the context of FAO's reviewed Strategic Framework and Medium Term Plan aligned with the Sustainable Development Goals, there is an urgent need to develop the Organization's internal technical capacity in new areas of expertise, including in agroecology, AMR, biodiversity, climate change, food systems, migration, and social protection. A start was made in the PWB 2018-19,¹⁰ but more needs to be done.

21. This technical expertise gap has at times been glaringly exposed, most recently in FAO's first submission to the Green Climate Fund (GCF). Although now approved, this submission was initially rejected because it was considered to be overly focused on traditional rural development approaches, rather than more current climate change requirements. Similarly, FAO at times faces difficulties in the implementation of specific field projects due to inadequate technical capacity in its newer areas of engagement.

22. Management is making strenuous efforts to improve the qualifications and experience of FAO staff, and FAO has broadly improved on most indicators of staff qualifications and experience. There has been an increase in the proportion of new recruits holding advanced academic degrees at the masters, doctorate or post-doctorate level. This mirrors a general evolution in most national administrations, where the level of qualifications of public officials has increased. That said, efforts must continue to ensure the highest level of technical expertise in the Secretariat.

23. FAO keeps a small percentage (not less than 15%) of its budgeted Professional and above level posts vacant to be able to respond to these challenges. Such vacancies arise mainly due to the steady rate of mandatory retirements (about 4% per year). If the MAS of 65 years was applied from 1 January 2018, these 124 vacant posts would not be available to profile and fill to meet these requirements, as was done in the PWB 2018-19 in the context of a flat budget.

24. The downward shift of the Professional grade point average (to 3.43 in PWB 2018-19) needs to continue in order to provide space to promote new recruits, as well as contribute to savings for reinvestment. Given the relatively high GPA of retirees, vacating these posts at 62 over the next four years provides opportunity to: 1) further downgrade vacant posts, 2) promote well performing junior

¹⁰ C 2017/3 PWB 2018-19 Table 4

staff, and 3) recruit new and younger Professionals with appropriate technical expertise required by the Organization.

25. In this regard, Management systematically assesses the continued need for vacated posts, re-profiling and, where appropriate, reclassifying posts at a lower grade (in addition to the transfer of positions from administrative to technical areas). It is highlighted that FAO now attracts young recruits, possessing a very high level of qualifications, suitable for positions at lower grades. This is also a means of absorbing high performing Junior Professional Officers and Associate Professional Officers at the end of their initial assignments. Efforts to secure the required skills would be undermined by a lack of flexibility in the recruitment by Management of new staff.

26. In terms of effectiveness, new recruits generally have the latest education and can bring to the Organization recent experience with other public and private entities, increasing their effectiveness in addressing technical issues and working in partnerships. Furthermore, new recruits are generally younger than existing staff and more able and willing to participate in the Organization's mandatory mobility policy, which requires that staff change geographic location assignment to transfer knowledge among the Organization's locations and to provide for growth and experience of the staff themselves.

27. Such efforts to improve efficiency and effectiveness of staff would be compromised by the immediate implementation of a new MAS for staff members employed before 1 January 2014.

28. There are instances where it may be desirable to extend staff beyond the MAS in the interests of the Organization. FAO takes a rigorous approach in this regard. The Director-General authorizes, in exceptional cases, extension of the mandatory age of separation, such as to meet specific programme or administrative needs identified by Division Directors through the chain of command. The requests must provide detailed information on the performance of the staff member and the reasons for which extension is sought, including why the usual requirement of succession planning has not been met and why it is deemed preferable to extend the appointment of the staff member.

Gender balance

29. The governing bodies, including the Conference, have urged the Director-General in particular, and Management in general, to actively and urgently address gender imbalance within the Secretariat to achieve gender parity. In this regard, FAO remains committed to continuing its efforts towards gender parity in the workforce and aligning its approach with the System-Wide strategy. FAO supports the development of a customized implementation plan, informed by the Organization's specific context and challenges as a specialized agency.

30. Since 2012, particular attention has been given to women candidates in the recruitment and appointment process, including the mandatory inclusion of women candidates for interview and appointment for positions. This has resulted in near 50/50 balance along gender lines of new staff recruited from 2012 to end 2017. At the end of December 2017, female staff accounted for 43% in professional positions and 26% for senior positions.¹¹

31. A significant majority of expected Professional and above retirements (69%) involve male staff. Raising MAS to 65 for staff employed before 1 January 2014 will deprive Management of much needed flexibility to pursue effectively balance in the gender composition of the Organization's staff.

Geographic representation

32. In taking decisions on recruitment to international professional positions, the primordial criterion of merit has always been followed to ensure that the Organization is able to fill all positions with the best qualified candidates. At the same time, in accordance with Article VIII paragraph 3 of the FAO Constitution, due attention continues to be given to ensuring an equitable geographic representation of member countries in the Secretariat of the Organization.

¹¹ CL 2019/8 PIR 2016-17 Annexes 2 and 5

33. FAO's methodology for calculating the geographic distribution representation was adopted by the Conference at its 32nd session in November 2003. Under this methodology, 40% of posts are distributed on the basis of membership, 5% on the basis of member country population and 55% in proportion to the scale of assessments.

34. During 2016-17, the number of non-, under- and over-represented countries in the Secretariat of FAO was reduced to a considerable extent, thus increasing the number of equitably-represented countries. Moreover, many countries that were chronically under-represented are now equitably represented.

35. At the end of 2017, the percentage of equitably-represented countries was 77%. In appointing the staff, and subject to the paramount importance of securing the highest standards of efficiency and of technical competence, the Organization gives priority to recruiting personnel on as wide a geographical basis as is possible, making particular efforts to recruit candidates from non- and under-represented countries.

36. Members have requested more systematic correction of geographic distribution imbalances. As mentioned above, of the retirements expected to take place from 2018 to 2021 of staff members recruited before 1 January 2014, 48% concern nationals of European countries, including 14 from over-represented countries. These retirements open up opportunities for recruitment of nationals of under-represented or non-represented countries.

Cost savings

37. The Independent External Evaluation and the Immediate Plan of Action for FAO Renewal placed considerable emphasis on the need to carry out systematic delayering and to review the overall staff structure of the Organization, as a means to secure greater efficiency and savings. As mentioned above, when a post becomes vacant, the related functions are systematically reviewed. These efforts result in both efficiency savings and increased effectiveness.

38. In terms of savings related to the cost of staff, there are two main sources. First, concerning budgeted posts, the systematic review of post functions and downgrading of vacant budgeted posts explained above results in savings for reinvestment, as was done in the PWB 2018-19. Such review and downgrading of posts depends in part on long-serving staff vacating posts at MAS of 62 years.

39. Second, concerning the actual cost of staff within each grade, this depends on the salary step level and the benefits received. The staff costs in the PWB 2018-19 were calculated assuming a MAS of 62 for staff recruited before 1 January 2014. Increasing the MAS for these staff would result in additional costs.

40. The step level is based on the years of service at grade, ranging up to step 13 for the Professional and higher categories. Almost all the expected retirements between 2018 and 2021 concern staff whose step is in the upper half of their grade level and nearly half of the total expected retirements are at the highest step. Indeed, most staff members approaching retirement receive the highest salary for their grade and will continue to do so until retirement.

41. By contrast, and in accordance with established rules and practice, newly-recruited staff members are generally appointed at step 1 of their grade. Foregoing this opportunity for cost savings by raising the MAS to 65 years would result in estimated unbudgeted staff cost increases. While the focus of this document is on staff in the Professional and higher categories, similar considerations apply to the General Service category.

42. Staff in the Professional and higher categories are entitled to a range of benefits that are part of the actual cost of staff for the Organization. The cost of benefits for each such staff related to the salary level include FAO's contribution to the UNJSPF and ASMC, and the cost of living adjustment. Raising the MAS to 65 years for staff recruited before 1 January 2014. The cost of benefits not related to salary level are incurred on a case-by-case basis only if conditions exist for the individual staff member. These include entitlement travel (e.g. home leave), family allowance, and education grant.

43. The impact of application of the MAS age of 65 for staff employed prior to 1 January 2014 with respect to the staff social security schemes is a complex matter. As outlined in *Annex*, the net cost burden to the Organization increases with a greater retirement age, which is the opposite in the case of national government employees. This is due to fact that FAO serving staff members do not pay an equivalent of “income tax.” On the other hand FAO retirees are a zero cost burden to the Organization, as their pension benefits are paid by the UNJSPF – not by FAO.

44. In addition, the Organization has commissioned an actuarial review of the potential impact on the cost of After Service Medical Coverage (ASMC), which indicate that such change in the MAS would have only a marginal impact upon existing liabilities, both for the Organization and the beneficiaries. Increasing the mandatory age of retirement to 65 years for staff recruited before 2014 at FAO is estimated to bring negligible savings to the ASMC past liability (around 0.005% - 0.011%), and may even increase the liability of the Organization. Furthermore, it appears from information provided by the UN Joint Staff Pension Fund that such change in the MAS would have only a marginal impact on the Fund’s actuarial valuation.¹²

C. Position of other UN Specialized Agencies

45. In setting the implementation date for MAS for staff employed before 1 January 2014, the governing bodies of Common System organizations are taking decisions in respect of their staff in light of their specific circumstances and interests: 1 January 2020 for IFAD and WIPO; 1 January 2019 for ICAO and WHO; and 1 January 2018 for ILO, UNESCO, UNIDO, and the UN.

46. The range of implementation dates reflects the varying circumstances and interests of the UN specialized agencies. It also demonstrates the flexibility accorded by their governing bodies, acting within their authority, to address their needs, while striving to attain commonality on MAS for all staff within a reasonable period of time.

D. Proposal

47. From the perspective of FAO, the ideal date of implementation of MAS at 65 years for staff employed before 1 January 2014 is **1 January 2021**. This would provide the Organization maximum flexibility to adjust its staffing to programme priorities and ways of working in 2018-19; allow the new Director-General after the 2019 Conference to elaborate and begin implementing eventual adjustments to the Programme of Work and Budget in 2020; as well as facilitate attainment of its goals on gender balance and geographic representation in its workforce.

48. The proposal of 1 January 2021 will enable FAO to implement the UNGA Resolution 70/244 in line with its statutory obligations, and within the context of a harmonized approach across the UN Common System. This balanced approach will help meet the needs of both the Organization and its staff in a reasonable timeframe. As a matter of fact, this balanced approach to the matter echoes the views and conclusions of the ICSC itself when it commenced the review of the issue of MAS.¹³

¹² For instance, in a slightly different context, see Report of the ICSC for 2014, paragraph 95.

¹³ The ICSC emphasized that the issue of mandatory age of separation was a complex one involving a wide range of considerations, “such as (a) geographical distribution; (b) gender balance; (c) rejuvenation of the workforce; (d) career development and succession planning; (e) the actuarial situation of the Pension Fund; (f) the financial situation of the organizations”, Report of the ICSC for 2009, A/64/30, paragraph 17.

Suggested Action

49. Members are invited to:
- a) review this document and make such comments and observations thereon as appropriate;
 - b) underline that the implementation date of the new mandatory age of separation of 65 for staff recruited before 1 January 2014 should be set taking into account the specific situation of FAO as explained in this document;
 - c) agree to the proposal that the mandatory age of separation for FAO staff, recruited before 1 January 2014, be raised to 65 years with effect from 1 January 2021, taking into account the acquired rights of staff and that the FAO staff regulations be amended accordingly in due course.

Annex: Impact of MAS on Social Security Schemes for FAO staff

1. Some Members have emphasized that the immediate implementation of the new mandatory age of separation would have a beneficial impact upon social security schemes and, in particular, would significantly reduce the medical insurance liability of FAO.
2. The Organization has commissioned an actuarial review of the potential impact of an increase in the mandatory age of separation to 65 in respect of staff hired before 2014. The actuaries have evaluated: (i) the estimated impact of a change to age 65 effective on 1 January 2018; and (ii) the estimated impact of a change to age 65 effective on 1 January 2021.
3. The figures are based on the retirement assumptions from the 31 December 2016 valuation. The “**active accounting liability**” corresponds to the liability in respect of serving staff.¹⁴ The “**accounting service cost**” reflects the accrued cost of medical benefits for current staff.¹⁵
4. The actuarial valuation shows that both the “active accounting liability” (currently at USD 467 Million) and the “accounting service cost” (currently USD 33 Million) would remain substantially the same whether implementation of the new mandatory age of separation took place in 2018 or 2021. In other words, deferral to 1 January 2021 would have a modest or negligible impact upon the medical insurance liability.
5. In fact, the above confirms that changes in mandatory age of separation have only a marginal impact upon existing liabilities, both for the organizations and the beneficiaries.¹⁶ In general, under the financing mechanisms of the medical insurance schemes, both the UN organizations and the staff members (or former staff members) contribute to the schemes. However, the change in mandatory age of separation would significantly increase the liability of the Organization because, in order to benefit from After Service Medical Coverage (ASMC), a staff member has to serve for a period of ten years if separating after age 55. Immediate implementation of mandatory age of separation for staff recruited prior to 2014 would result in entitlement to ASMC for an increased number of staff.
6. This is consistent with conclusions set out in a report of the Secretary-General to the UNGA on the management of after-service health insurance liabilities, although the extent to which these conclusions were considered in the review of the proposed change in mandatory age of separation for staff recruited prior to 2014 remains uncertain. The report underlined that the impact of raising the mandatory age of separation for staff recruited before 1 January 2014 on the liabilities of the UN would be less than 1 per cent (0.85 percent) of the 2011 valuation.¹⁷
7. The impact upon the UNJSPF of the increase in the mandatory age of separation in respect of all staff is obviously outside the scope of this document. However, it is recalled that the UNJSPB requested, in 2012 and 2013, an increase in the mandatory age of separation only for staff recruited on or after 1 January 2014. Furthermore, the consulting actuary of the UNJSPF indicated in 2014 that the increase in the mandatory age of separation for all staff would lead to a reduction in the actuarial deficit of the Fund in the range of 0.13 per cent of pensionable remuneration, or USD 13.5 million per year.¹⁸ The UNJSPF actuaries have confirmed that the

¹⁴ Retired staff are not accounted for because, since they have already retired, the change is immaterial from the perspective of the estimates. The latest actuarial valuation of staff related liabilities, which integrates various scenarios reflecting changes in the mandatory age of separation and was made available to Members, dates back to 31 December 2010. 2011 Actuarial Valuation of Staff Related Liabilities, 143rd Session of the Finance Committee (Rome 7 -11 May 2012).

¹⁵ The “accounting service cost” is a standard component of staff costs and arises each year as active staff members provide their services in exchange for these benefits to be paid in the future. It is the increase in the present value of a defined benefit obligation resulting from employee service in the current period. The “active accounting liability” represents the part of the total liability for ASMC that is attributable to active (working) participants not yet eligible to retire.

¹⁶ The conditions of the financing of the medical insurance scheme by the participants are in FAO substantially the same and only marginally change depending on whether the participant is an active staff member or a retiree.

¹⁷ See *Managing after-service health insurance liabilities. Report of the Secretary-General, A/68/353*, 27 August 2013, paragraphs 24 to 27.

¹⁸ Report of the International Civil Service Commission for 2014, paragraphs 92 to 95.

decisions of several organizations to defer implementation of the increase in the mandatory age of separation did not modify this estimate.

8. FAO has sought to obtain further information – including on detailed actuarial valuations and other studies which may have been commissioned or made available to the ICSC – but without success.
9. There could be an inaccurate view of the social security schemes in the UN System, as compared to national systems. There are significant differences between funded and unfunded pension or social security schemes:
 - a) **Funded schemes** finance benefits by drawing down on segregated and earmarked assets. They can be exactly funded, under-funded or over-funded, depending on the size of the accumulated assets in relation to the pension or other benefits.
 - b) **Unfunded schemes** finance benefits from the ongoing contributions paid by future beneficiaries (future pensioners in the case of pensions), or by ongoing revenues such as taxes or transfers.¹⁹
10. Most national systems implement unfunded schemes, whereas UN System organizations rely on funded schemes. Raising the national retirement age usually leads to savings in national budgets or impacts positively upon budgets. However, raising the age of separation in UN organizations may have no impact or no significant impact, or could even increase costs for the organizations.
11. While in the case of a national Government a worker paying taxes makes a positive contribution to the national budget, in the case of FAO a staff member is “only” a net cost to the Organization’s budget while employed. There is no “additional income” for the Organization from the work of a staff member because a staff member “does not pay taxes” to FAO, and makes pension contributions to the UNJSPF – not to FAO. After retirement, a national retiree tends to become a net cost burden to the national budget, drawing increasingly on national resources in the form of pension and other benefits. By contrast, for pension purposes an FAO staff member becomes a zero cost to the Organization after retirement. This is because FAO does not pay the retiree’s pension.²⁰
12. In FAO’s case, the only financial obligation of the Organization after retirement is the ASMC²¹. Increasing the mandatory age of retirement to 65 years for staff recruited before 2014 at FAO is estimated to bring negligible savings to this liability (around 0.005% - 0.011%), as indicated above²², and may even increase the liability of the Organization.

¹⁹ In French these schemes are, perhaps more literally, referred to as “**systèmes par capitalisation**” et “**systèmes par répartition**”.

²⁰ Although it makes a contribution towards the medical insurance.

²¹ The ASMC liability represents FAO’s share of the cost of medical insurance claims that it is required to pay on behalf of retirees over their expected remaining lifetimes based on their past service with FAO. It should be distinguished from current service cost, which is a standard component of staff costs and is covered in each biennium’s Regular Programme budgetary appropriations. FAO’s ASMC liability has never been met from the budgetary appropriations or the Programme of Work. Whilst the PWB provides funding for the current service costs (i.e. the amounts which will be earned by staff members during the current biennium), there is only a partial funding mechanism to fund that part of the liability earned by staff members in prior periods (i.e. the past service liability). From the 2004-05 biennium, the Conference approved separate additional assessments of USD 14.1m towards partial funding of the ASMC liability and these were continued through to the biennium 2016-17. No additional assessment was approved by the Conference for 2018-19.

²² Since 2003, FAO has in place a mechanism that makes this a zero budgetary cost, by linking staff medical insurance premiums to the costs of the ASMC. However, there is a pre-2003 ASMC liability, which currently stands at approximately USD 1.2 billion. Increasing the mandatory age of retirement to 65 years for staff recruited before 2014 at FAO is estimated to bring negligible savings to this liability (around 0.005% - 0.011%).