

*executive committee of
the directing council*

*working party of
the regional committee*



**PAN AMERICAN
HEALTH
ORGANIZATION**



**WORLD
HEALTH
ORGANIZATION**

117th Meeting
Washington, D.C.
30 September 1995

Provisional Agenda Item 5

CE117/2 (Eng.)
15 September 1995
ORIGINAL: ENGLISH

**OTHER MATTERS: BUDGETARY IMPLICATIONS ARISING FROM THE
CLOSURE OF THE PAN AMERICAN ZOO NOSES CENTER**

Background

At the 116th Meeting of the Executive Committee in June 1995, the Secretariat provided some preliminary information (Document CE116/29) concerning the financial implications arising from the closure of the Pan American Zoonoses Center (CEPANZO).

The Center closed on 30 April 1991 and the PAHO staff were dismissed. Indemnities and accrued annual leave costs were paid to the affected staff. On 10 November 1992, a number of former staff members of CEPANZO filed a complaint against the Organization with the Administrative Tribunal of the International Labor Organization (ILO) in Geneva. In Judgment 1374 dated 13 July 1994, the Tribunal decided the case against the Organization. In summary, the Tribunal concluded that the reduction in force (RIF) procedure had been erroneously applied, that the then Chief of Personnel had issued notices of termination to the staff that were not valid, and, consequently, that all contracts were automatically renewed. The Organization was ordered to reinstate the former staff members, a total of 30, as of the date of separation from service (30 April 1991). The complainants were to be paid salaries, allowances, and other benefits due under the contracts, as well as 10% interest from the dates at which each amount fell due, minus any indemnities or occupational earnings received since their termination. PAHO was also to pay each complainant US\$ 500 in costs and to carry out anew the reduction in force.

In accordance with the Judgment, the former staff members were reinstated and paid salaries. New reduction in force procedures were instituted, new termination notices

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were given, and on 30 November 1994, 28 staff members were again terminated. Back pay, interest, contributions to health insurance and pension, less occupational earnings, totaled \$5,107,468. These costs include annual leave and normal termination entitlements.

The remaining issue at the time of the 116th Meeting of the Executive Committee was whether or not the Organization was required to pay the additional actuarial costs payable to the United Nations Joint Staff Pension Fund as a consequence of the Judgment. The calculation of the actuarial costs is a complex process which must be done separately for each individual according to his or her circumstances. In June 1995, the Organization had just learned that additional actuarial costs needed to reinstate the staff members into the UN Staff Pension Fund amounted to approximately \$4,750,000 for the persons involved.

The Director indicated his interest at that time in seeking a formal request for clarification from the ILO Tribunal with regard to the Organization's liability for actuarial costs payable to the United Nations Joint Staff Pension Fund as a result of the Judgment.

Resolution of the Issue

During the course of the summer, the Organization and a representative of the affected staff met to determine if it were possible to reach a negotiated settlement. Of the \$4,750,000 in actuarial costs, approximately \$3,540,000 represented incremental costs to the Organization. The balance of approximately \$1,200,000 represented costs payable by the staff and contributions of the Organization to the Pension Fund which had already been obligated but not yet paid.

As a result of the discussion, the Organization was able to reach an agreement with the affected staff which resulted in lowering the incremental costs to PAHO to \$2,806,000, instead of \$3,540,000. The Director balanced this solution against an estimated incremental cost to PAHO of \$3,960,000 in June 1996, if the ILO were to have held the Organization responsible at that date for the entire amount. After carefully weighing all of the factors in this complex case, the Director concluded that it was in the interest of the Organization and the affected staff to reach a negotiated settlement with an incremental cost of \$2,806,000. That agreement has been concluded and effected.