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SUMMARY RECORD OF THE 58th MEETING

Chairman: Mr. ABRASZEWSKI (Poland)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 3.30 p.m.

AGENDA ITEM 106: ADMINISTRATIVE AND BUDGETARY CO-ORDINATION OF THE UNITED NATIONS WITH THE SPECIALIZED AGENCIES AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (continued)

(b) IMPACT OF INFLATION AND MONETARY INSTABILITY ON THE REGULAR BUDGET OF THE UNITED NATIONS (continued) (A/C.5/37/39; A/C.5/37/L.31, L.34 and L.35)

1. The CHAIRMAN invited delegations which wished to do so to explain their votes on draft resolution A/C.5/37/L.31, adopted by the Committee at its preceding meeting.

2. Mr. GRODSKY (Union of Soviet Socialist Republics) said that his delegation had voted in favour of the draft resolution because it made a contribution towards solving the problem of the impact of inflation and monetary instability on the budget of the United Nations. In particular, the draft resolution recognized the need for a new procedure which would establish the responsibility of certain Governments for the resultant additional costs to the United Nations budget.

3. It was unfortunate that the report of the Secretary-General on the subject (A/C.5/37/39) did not respond to the concerns expressed by the General Assembly in the resolution it had adopted at the preceding session. In particular, there was no mention in the report of the responsibility of some States for inflation and its impact on the budget or of the need for procedures different from those currently in use to cover the additional costs resulting from inflation and monetary instability. The draft resolution was a clear expression of the Fifth Committee's determination to take corrective action. It was to be hoped that future reports of the Secretary-General would meet the expectations of the General Assembly and include his views on the causes of inflation and monetary instability and proposals for new, fairer measures for covering the costs arising therefrom.

4. Mr. ZINIEL (Ghana) said that his delegation had abstained in the vote on draft resolution A/C.5/37/L.31, although it agreed that inflation was a very troubling phenomenon. It supported a study of the issue, as called for in the draft resolution and in the proposed amendments in document A/C.5/37/L.34. However, his delegation could not judge what the causes of inflation were until such a study was made. In that connection, it was somewhat uncomfortable with paragraphs 2 and 3 of the draft resolution since they tended to prejudge the outcome of the proposed study. That was the main reason why, while supporting the call for a study, his delegation could not support the draft resolution as a whole. It had favoured the adoption of the amendments put forward by the Egyptian delegation and had supported the motion for division of the proposal.

5. Ms. ZONICLE (Bahamas) said that her delegation had abstained in the vote on the draft resolution, because, while sharing the concern of the sponsors over the negative impact of inflation and monetary instability on the budget of the United Nations, it could not support the inefficient use of United Nations resources. The draft resolution would have the Secretary-General, inter alia, seek to identify the

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causes of inflation and the culprits and carry out an in-depth study of the whole question. However, the reports of numerous United Nations bodies which dealt more directly with the question of inflation, such as UNCTAD, UNCITRAL and the Economic and Social Council, showed that the concerns reflected in the draft resolution were already being addressed in a comprehensive, critical and balanced manner. Her delegation agreed that the Secretary-General should continue to seek procedures for decreasing the impact of inflation on the United Nations budget, as called for in the draft resolution, but that could be taken into account in the foreword to the budget proposals for the next biennium.

6. Mr. STAUR (Denmark) drew the attention of members to the statement made by his delegation on behalf of the ten States members of the European Economic Community the preceding week concerning draft resolution A/C.5/37/L.31. That draft resolution confidently suggested that the developed countries alone were to blame for inflation and monetary instability and should therefore compensate other Member States for the alleged losses caused by those economic phenomena. However, the international economy was more complex than the sponsors of the draft resolution would have members believe. Obviously, the draft resolution dealt only superficially with financial issues; its real thrust was political. In the past, the Fifth Committee had recognized that it was impossible to apportion the responsibility for those phenomena and that inflation - the pervasive evil of contemporary times - respected no frontiers, whether political, geographical or ideological. The delegations of the Ten had, therefore, voted against the draft resolution and regretted that the recorded vote requested by one member of the Committee had not taken place.

7. Mr. MACARTNEY (Canada) said that his delegation had voted against the draft resolution because it consisted primarily of polemics and failed to come to grips with the real issues or to suggest realistic solutions. The refusal to allow a separate vote to be taken on specific provisions of the draft resolution constituted a denial of freedom of expression and was a blot on the United Nations and what it stood for. His delegation also regretted that not all the recorded votes requested had been taken.

8. Mr. KELLER (United States of America) noted that the draft resolution seemed to have no financial implications since none had been suggested by the Secretariat. He therefore assumed that the study called for in the draft resolution would be carried out from within existing resources. While noting with appreciation the changes agreed to by the sponsors of the draft resolution, his delegation maintained that they did not go far enough. The amendments in documents A/C.5/37/L.34 and L.35 were sound since they were addressed to the real issue, namely, the management of United Nations resources in the face of inflation. The proposed amendments were also notably free of polemics and made no attempt to assign blame to one group of countries. His delegation therefore regretted that much of the polemical language remained in the text of the draft resolution as adopted. Lastly, it regretted the undemocratic nature of the decision to refuse to allow a separate vote on various paragraphs.

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9. Mr. KEMAL (Pakistan) said that he was gratified that the sponsors of draft resolution A/C.5/37/L.31 had accepted a number of suggestions put forward by his delegation with regard to the fourth preambular paragraph and paragraph 3. He regretted, however, that he had been unable to vote in favour of the draft resolution and had had to abstain because of difficulties with the second preambular paragraph, which singled out certain developed countries. In point of fact, the United Nations made expenditures in practically all the developed countries and not only in those in which it had headquarters. Moreover, the second preambular paragraph could not be reconciled with the principle of collective financial responsibility. For as long as the Organization had existed, all Member States had collectively borne the burden of inflation and monetary instability through the workings of the scale of assessments calculated by the Committee on Contributions, which had procedures for taking into account the effects of those phenomena on individual assessments. Since roughly 90 per cent of the regular budget of the Organization was paid by the developed countries, it followed that they bore roughly the same proportion of the impact of inflation and monetary instability. He wondered whether the intent of the draft resolution was to increase that proportion even further.

10. His delegation had supported the request by the Egyptian delegation for a separate vote on certain paragraphs because, had that request been approved, some delegations might have been able to abstain on individual paragraphs and to support the resolution as a whole.

11. Mr. EL SAFTY (Egypt) said that his delegation had voted against the draft resolution not because it disagreed with its contents but because the language of some paragraphs created problems for many delegations. His delegation would have preferred the adoption of a resolution on the subject by consensus and regretted that it had not been possible to do so. That was why his delegation had proposed a separate vote on various paragraphs and it was unfortunate that many delegations had not been given an opportunity to express their views on them.

12. Mr. GODFREY (New Zealand) said that his delegation had voted against the draft resolution, which would ask the Secretary-General to continue to study the question of inflation and its impact on the budget of the United Nations. It would have preferred a more balanced resolution and would have voted in favour of the amendments contained in documents A/C.5/37/L.34 and L.35 had it been given an opportunity to do so. Alternatively, it had been prepared to support the Egyptian proposal.

13. Like the delegation of the Bahamas, his delegation wondered whether the issue was of the highest priority in a time of scarce resources. Many studies had already been made on the subject of inflation and monetary instability, and few economists were in agreement as to what the causes were or what could be done to mitigate their effects. The time of the Secretariat would be better spent in other ways.

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14. Mrs. DORSET (Trinidad and Tobago) said that she had voted in favour of the draft resolution although she had reservations with regard to the language of some preambular paragraphs. She would have preferred a more balanced text and a separate vote to have been taken on certain paragraphs. She regretted that the compromise proposal put forward by the representative of Egypt, which might have resulted in a resolution commanding wider support, had not been given a chance.

15. Mr. DBAIER (Tunisia) said that his delegation's vote in favour of the draft resolution reflected its support for the general thrust of the text. He would have preferred certain ideas in the draft resolution to have been more appropriately worded.

16. Mr. BENZEITUN (Libyan Arab Jamahiriya) said that his delegation had voted in favour of the draft resolution because the phenomenon of world-wide inflation was causing tremendous suffering in the developing countries. The industrialized countries were well aware of the situation but when the General Assembly adopted resolutions calling on them to shoulder their responsibility for inflation and monetary instability, they cast negative votes. It was to be hoped that the study requested in the draft resolution would help to shed some light on the subject.

17. Mr. GOH (Singapore) said that it would have been preferable for the Committee to have had the benefit of a legal opinion before taking a decision on the status of the draft amendments in documents A/C.5/37/L.34 and L.35. Accordingly, his delegation had abstained in the vote on the procedural question relating to those documents.

18. His delegation agreed that there was an urgent need to study the impact of inflation and monetary instability on the budget of the United Nations. However, draft resolution A/C.5/37/L.31 was not balanced and contained too many controversial paragraphs. He regretted that the Egyptian amendments had not been accepted by the sponsors since they would have solved his delegation's problems with the second and third preambular paragraphs and paragraph 2. Accordingly, his delegation had abstained in the vote on the draft resolution and had voted in favour of the motion for division of the proposal.

19. Mr. BANGURA (Sierra Leone) said that his delegation had abstained in the vote on draft resolution A/C.5/37/L.31 and would have voted in favour of the Egyptian amendments to the second preambular paragraph had they been put to the vote. However, he supported the request for a study contained in the draft resolution.

20. Mr. de BURGOS-CABAL (Brazil) said that his delegation had been unable to vote in favour of draft resolution A/C.5/37/L.31 for two reasons. First, the draft resolution was superfluous since the countries which, according to the sponsors, should bear the responsibility for inflation and monetary instability already paid approximately 75 per cent of the budget. They were thus already penalized and, in accordance with the general principles of law, no one could be penalized twice for the same offence. Second, it was impractical since, even assuming that the study requested of the Secretariat should establish the responsibility of certain countries or a group of countries for inflation, it would be impossible to move the United Nations offices to countries where there was no inflation.

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21. The CHAIRMAN informed the Committee that the sponsors of documents A/C.5/37/L.34 and L.35 had notified him that they did not intend to press for a vote on their proposals.

AGENDA ITEM 111: PERSONNEL QUESTIONS (continued)

(c) OTHER PERSONNEL QUESTIONS (continued)

Repatriation grant (continued) (A/37/675; A/C.5/37/54)

22. Mr. KUTTNER (United States of America), referring to new regulations 12.3 and 12.4 of the Staff Regulations recommended by the Advisory Committee in document A/37/675, proposed the addition of the words "the full text of" at the beginning of proposed regulation 12.3, and the amendment of proposed regulation 12.4 so as to establish that provisional rules and amendments would enter into force on 1 January following the year in which the Secretary-General's report was considered by the General Assembly. The latter amendment would give the Assembly the option of deferring consideration of a report if it was submitted too late for careful review.

23. Mr. PLYUSHKO (Ukrainian Soviet Socialist Republic), referring to the proposed changes in the Staff Regulations, said that a new text for article VIII had recently been considered by the Staff/Management Co-ordination Committee. At the thirty-sixth session, the attention of Member States had been drawn to the expansion by the former Secretary-General of his powers through the establishment of that Committee and the assigning to it of illegal functions. The Committee was now beginnning to impose its will on Member States. The Fifth Committee, which had the right to approve proposals concerning the staff, was being asked to rubber-stamp the proposal of the Staff/Management Co-ordination Committee, but it was for the Fifth Committee itself to decide whether it was necessary to change the Staff Regulations and, if so, its views on how to do so should be decisive. In the parliaments of Member States, questions relating to the formulation, adoption or amendment of new laws were decided in accordance with established and strictly observed procedures. In the present case, however, the situation was reversed. The staff had prepared a new text which reflected its interests alone and was in violation of the Charter and other Staff Regulations.

24. The plenary Assembly and the Fifth Committee were legislative bodies, and the proposals adopted by them concerning the staff were just as binding upon the staff as were laws adopted by the parliaments of Member States upon their citizens.

25. The Fifth Committee had not had the opportunity to give careful consideration to the proposed changes in the text of article VIII which could have serious implications for the United Nations. He therefore proposed that the International Civil Service Commission, which was authorized to consider such questions under article 15 of its Statutes, should study the proposal and make recommendations on it. Since article VIII as currently drafted also applied to the specialized agencies, it was impossible to dispense with the Commission in considering the proposal, for it had been established to deal with questions affecting the staff of

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both the United Nations and its specialized agencies. Finally, the legalization of strikes within the United Nations, as demanded by the irresponsible representatives of the staff, was in violation of the Charter and ignored the fact that staff in the Professional category were paid the highest salaries in the world and staff in the General Service category received wages equivalent to the highest paid in the host country of United Nations Headquarters.

26. Mr. KUDRYAVTSEV (Union of Soviet Socialist Republics) referred to the question he had asked at a previous meeeting regarding the financial implications of the proposal to amend Staff Regulation 8.2. According to the new text, joint staff/management machinery would be established at both local and Secretariat-wide levels. The expenses of the Staff Council were currently covered by the United Nations budget. Representatives of the staff were provided office space free of charge and released from their normal work within the United Nations. Now it was proposed that such staff should travel between other duty stations and Headquarters, and he wondered how the cost of those trips would be paid. In its statement before the Committee on 2 December, his delegation had proposed that all expenditures for staff activities should be covered by the staff itself, and he wished to reiterate that proposal.

27. The CHAIRMAN said that the Committee would revert to that subject at a later stage and that the Secretariat would reply to that question at that time.

AGENDA ITEM 113: UNITED NATIONS PENSION SYSTEM (continued) (A/37/9, A/37/674; A/C.5/37/16)

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (continued)

(b) REPORTS OF THE SECRETARY-GENERAL (continued)

28. Mr. LANDAU (Austria) said that his delegation felt strongly that the present structure of the United Nations Joint Staff Pension Board provided an excellent basis for arriving at solutions. While such solutions might involve some sacrifice, they demonstrated that no single group represented on the Board could impose its will on the others. The package before the Committee was designed to spread the burden among Member States, present beneficiaries and present and future participants in the Fund. He agreed with the view expressed in paragraph 15 of the Board's report (A/37/9) that attempts to withdraw from the package the part affecting one particular group could only lead to similar attempts by the other groups and ultimately destroy the package. Moreover, to postpone action would be to endanger the financial soundness of the pension system.

29. His delegation fully supported the different measures recommended by the Board for reducing the actuarial imbalance though it regretted that the rate of accumulation for new participants in the system had to be reduced for the first 10 years of their service. Support must be given to the measures involving changes in the system of pension adjustments and raising the interest rate used in calculating lump-sum commutations. In that connection he referred to paragraph 10 of the Advisory Committee's report (A/37/674) which explained that, as the interest rate was used for discounting future entitlements, raising the interest rate would

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result in the payment of smaller lump-sum amounts. Raising the interest rate would therefore help reduce the actuarial imbalance. He had noted that the Board had recommended that the interest rate should be raised from 4 to 4.5 per cent in respect of service performed after 31 December 1982, and not to 5 per cent as recommended by its Committee of Actuaries. He therefore recommended that the rate of interest to be applied in the calculation of the lump-sums should be continuously monitored by the Board through that Committee and it looked forward to receiving the Board's specific comments and recommendations on that matter.

30. While his delegation could give general support to the Board's proposal that the mandatory age of separation should be raised to 62, it saw no need to change the statutory age of retirement at that point since the executive heads of most organizations of the system had discretionary powers enabling them to grant extensions to staff members who wished to serve beyond the statutory retirement age of 60. Once the General Assembly had received the views of the International Civil Service Commission on the matter it could take a decision on the subject. Meanwhile it would be only logical to ensure that any executive head who did not, as yet, have the necessary discretionary authority should be given such authority. At the same time, his delegation favoured maintaining present provisions which permitted a participant to retire early at the age of 55.

31. While a number of Member States were concerned that the granting of extensions would delay attainment of the objective of the equitable geographical distribution of posts, his delegation doubted whether the impact of such a liberalization would be very significant. According to an earlier report of the Secretary-General (A/36/495) only about 2,900 posts in the Professional and higher categories - about 11.5 per cent of the total of 25,000 posts at the Professional and General Service categories - were subject to geographical distribution. In the light of those and other considerations it did not make sense to retire specialists in the language services only to rehire them soon afterwards at a good salary. Such persons at the same time received their pensions but did not make further contributions to the Fund. It was hardly surprising, given such practices, that there should be a growing actuarial imbalance. The very least that should be done was to restore to the Secretary-General the full discretionary authority which the heads of other organizations already possessed.

32. His delegation welcomed the measures adopted by the Board to make more stringent the conditions under which supplementary payments could be granted to pensioners living in high cost-of-living countries. It believed that the need for such supplementary payments would disappear in the not too distant future.

33. In response to General Assembly resolution 36/118, the Board had also been dealing with other matters involving the financial obligations of pensioners to their spouses or former spouses. He noted with satisfaction that the Board was continuing to study the various proposals and that it would report its conclusions to the General Assembly and hoped that it would do so no later than the thirty-ninth session.

34. With regard to a related problem, namely, the fact that a participant who married for the first time after retirement - or who was widowed after retirement

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and then remarried - had no survivorship protection for his spouse, while not wishing to add to the Fund's financial liabilities, he suggested that a solution might be found by giving participants the possibility of opting for such survivorship protection through some reduction in their pension benefit. That was not a revolutionalry idea since persons who were widowers at the time of their retirement already had such an option.

35. His delegation had noted the comments on the investments of the Fund made by the Advisory Committee in paragraphs 31 and 32 of its report. It firmly believed that the future investments policy must continue to be based on the criteria of safety, profitability, liquidity and convertibility applied equally to investments in developed and developing countries and it agreed that, where the criteria were equally satisfied, priority should be given to investments in developing countries.

36. Finally, noting that the Secretary-General was assisted by an Investments Committee whose members were selected on a wide geographical basis and were confirmed by the General Assembly, he said that his delegation firmly believed that optimum results of the investment policy could best be obtained if the Secretary-General was free to exercise his best judgement without interference.

37. Mr. SLORDAHL (Norway), speaking on behalf of Denmark, Finland, Iceland, and Sweden as well as his own country, said that he would concentrate on the actuarial imbalance of the Pension Fund. Since the growing imbalance in the Fund was caused not only by the poor return on investments over the past 20 years but also by a liberalization of benefit provisions, the Nordic countries felt that the burden of measures to restore the balance must be shared equitably amoung pensioners, participants, member organizations and Member States. They agreed that remedial action must be taken without delay and considered the package of measures proposed by the Pension Board an important first step towards eliminating the imbalance. They expected that the Board would continue considering the issue with a view to proposing further steps to restore the actuarial balance completely.

38. Noting that one element of the package was the raising of the age of mandatory retirement from 60 to 62 years, they pointed out that discussion of the age of separation should take place only in the wider context of an overall retirement policy. Any hasty decision on the subject taken outside such a context might create problems. They therefore welcomed the news that the International Civil Service Commission planned to examine the issue in depth and report to the Assembly at its next session.

39. Finally, they supported the proposal put forward by a previous speaker that the Board should consider, as an exceptional measure, an extra-actuarial evaluation as at 31 December 1983.

40. Mr. PLYUSHKO (Ukrainian Soviet Socialist Republic), referring to the recommendations made by the United Nations Joint Staff Pension Board to eliminate the actuarial imbalance of the Fund, said that the haste urged by the Board in the adoption of decisions on such important questions which could have serious financial implications for Member States was surprising. It would be unwise to adopt measures which might have to be reconsidered in the future, as recommended in

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document A/37/9, paragraph 48. The improvement and stabilization of the actuarial balance of the Fund was not merely an immediate problem but was also connected with the functions and operating methods of that body.

41. Member States contributed 14 per cent of the Fund's resources; the fact was that the deductions from earnings used for pensioners contributed 7 per cent of their pensionable remuneration. Therefore, in adopting any steps, the Committee must primarily be guided by existing General Assembly resolutions, including resolution 3526 (XXX), which clearly stated that any increase in the existing and future financial obligations of Member States in connection with the pension system was unacceptable. The Board's proposal to amend article 26 of the Regulations of the Fund would contravene that resolution.

42. Paragraph 18 of the report (A/37/9) indicated that the Board had noted the arguments advanced in the Fifth Committee at the thirty-sixth session in favour of raising the age of mandatory separation from service. A number of delegations had opposed such a change, however. It would be interesting to know whether their views had been taken into account. The adoption of that proposal would do little to correct the actuarial imbalance of the Fund, but would have a very adverse affect on staffing policy throughout the United Nations system.

43. As for the measures involving reductions in future benefits, and in particular the rate of accumulation for new participants in the Fund and the raising of the interest rate in the computation of periodic benefits, his delegation had no objection to their adoption.

44. The major factors responsible for the serious financial situation of the Fund were the imbalance between contributions to and payments from the Fund and the low rate of return on investments. Methods of overcoming that situation had often been mentioned: strict observance of the proper type and amount of pensions and compliance with the basic criteria for investment of the Fund's capital: profitability, liquidity and convertibility.

45. Mr. KUDRYAVTSEV (Union of Soviet Socialist Republics) said that the reports before the Committee showed that the Fund's main problem at present was its actuarial situation. The actuarial deficit currently amounted to 7.3 per cent of pensionable remuneration, or approximately $1 billion. His delegation was greatly concerned about that situation and believed that the General Assembly must intervene immediately in order to adopt measures to improve it.

46. The true reason for the Fund's actuarial difficulties was the unacceptably high rate of payment to participants. The type and size of pension payments were constantly eroding the Fund and the disproportion between contributions to and payments from the Fund increased every year.

47. Another reason for the Fund's difficult actuarial situation was the generally low rate of return on the Fund's investments. It was clear that any steps to rectify the situation would be effective only if they took due account of the reasons for the deficit. From the proposals made by the Board to overcome the actuarial imbalance, however, it was clear that those reasons had not been duly taken into account.

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48. The Board was proposing to place the heaviest burden for offsetting the deficit on future participants in the Fund and on Member States, but the deficit had been created mainly because of unjustifiably high payments to current participants. The shortcomings of the Board's proposals were therefore: that the true culprits responsible for the deficit, namely the current participants in the Fund, would be playing an exceedingly small role in restoring the actuarial balance, whereas those who had not been involved in creating the deficit, namely Member States and the future participants in the Fund, would have to offset the bulk of the deficit. That approach was unjust, improper and therefore unacceptable to his delegation.

49. Paragraph 14 of the report revealed that the Board had considered applying article 27 of the Regulations, in other words, restoring the actuarial balance through additional contributions by Member States. Furthermore, the report did not even mention General Assembly resolution 3526 (XXX), which was fundamental. His delegation emphatically rejected that approach to the solution of the actuarial problem, since it was at variance with General Assembly resolution 3526 (XXX). That clear directive from the General Assembly should be strictly complied with in determining ways and means of covering the Fund's actuarial deficit that would involve all the parties concerned, including the Board. It was inexplicable and abnormal that the Board should have ignored the directives in the General Assembly resolution and should be considering offsetting the deficit at the expense of Member States.

50. His delegation also disagreed with the proposal to amend article 26 of the Regulations in such a way that the current practice of refunding to member organizations one half of their contributions made in respect of participants who were separated from service after less than five years would be revised and that all, and not one half, of the contributions would remain in the Fund. That approach was untenable, since it would lead to the illegal retention in the Fund of sums which should be refunded to organizations and ultimately to Member States. Even the existing practice of compensation of one half of contributions upon the withdrawal from the Fund of participants who had served for less than five years was discriminatory, since the other half of the contributions remained in the Fund. Those assets should logically and rightly be used for pension payments to participants who had withdrawn from the Fund; however, they were used for pension payments to participants who had remained in the Fund and who had no claim whatsoever to those assets. The Board was now proposing that even the first half of those assets should remain in the Fund, which would lead to further discrimination. It was abnormal and improper that some participants in the Fund were underwriting pension payments to other participants. That situation was at variance with General Assembly resolution 3526 (XXX) and was unacceptable to his delegation.

51. His delegation opposed the Board's proposal to raise the age of separation from the service from 60 to 62. The adoption of that proposal would have an adverse effect on the staffing policy in the United Nations, primarily in terms of equitable geographic representation of Member States.

52. The recommendations made by the Board were no surprise, because they were part of a long-term trend followed in the matter of pension payments to current

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participants in the Fund and because of the shortcomings in the Board's current composition. One third of its members represented the staff, one third were executive heads (who also represented the staff) and only one third represented international organs, and through them, Member States. Thus, two thirds of the Board's members represented the staff who desired a steady increase in the size of pension payments to current participants in the Fund. That situation could hardly be called satisfactory or normal and his delegation believed that equity must be restored by a reduction in the number of staff representatives and an increase in the number of representatives of Member States. If that was done, with due heed being paid to the principle of equitable geographical distribution, the situation could only improve and pension problems would be solved if not only the unjustified interests of the participants in the Fund but also the interests of Member States were taken into account.

53. His delegation had no objection to the Board's other recommendations concerning the reduction of the rate of accumulation for new participants and the raising of the interest rate used for the calculation of single payments to participants in the Fund.

54. Mr. KUTTNER (United States of America) observed that the very serious financial problems facing the United Nations pension system were the result of its generosity, the low return on its investments and inflation. In view of the Fund's current actuarial imbalance and the changes advocated by the Committee of Actuaries, the Board had recommended a number of changes in the Fund's Regulations which his Government considered to be generally reasonable and worthy of the Assembly's approval.

55. The new rate of accumulation for new participants, proposed in paragraph 35 of the Board's report (A/37/9), was similar to that followed in the United States Civil Service. As to the proposal to raise the interest rate in the computation of periodic benefits (para. 36), his delegation agreed with the Committee of Actuaries that the new rate should be 5 per cent, although it would accept a smaller change in the interest of unanimity. A larger change should, however, be put into effect in future, perhaps at the thirty-eighth session of the General Assembly. Although the proposal concerning the cost-of-living index (para. 38) would make many pensioners unhappy, his delegation believed that, considering the problems facing the Fund, it was appropriate.

56. Other changes involving sacrifices by member organizations and Governments included the proposal to eliminate article 26 of the Fund's Regulations (para. 41). As a result, the Fund would be able to keep approximately $1 million that it currently returned to the United Nations each year, while approximately $8 million would be retained by the United Nations system as a whole. His delegation had reservations about that proposal, because it had been decided in previous General Assembly resolutions that no changes should be made in the pension system, if they increased the current or future liabilities of Member States.

57. His delegation supported the proposal that article 21 of the Regulations should be revised in order to reduce the period required to qualify for participation in the Fund (para. 26) because, while giving employees greater access

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to the Fund, that revision would also serve to reduce the actuarial imbalance. However, the proposed revision of article 24 (paras. 28-30) concerning the restoration of prior contributory service was not clearly worded: it could be interpreted to mean that only prior service of less than five years could be restored or that no service could be restored unless the employee had a total of less than five years of service at the time of his separation following his re-employment. Although his delegation could accept either revision as a valid and equitable way to reduce costs, it would appreciate clarification on the exact intent of the proposal. His delegation also supported the proposed revision of article 25 (b) of the Regulations (para. 31) concerning contributions during leave without pay.

58. As to the Fund's investments, which were clearly related to its actuarial situation, his delegation believed that the loss of 7.85 per cent from 31 March 1981 to 31 March 1982, coupled with the fact that, in the past 22 years, the Fund's investments had earned only 5.7 per cent a year, was a cause of concern and raised many questions. Although world economic conditions had been poor, many investors and investment houses had been earning larger returns during the reporting period. Moreover, since the Fund had an Investments Committee composed of highly regarded investment advisers from around the world and since two very well-known financial houses handled its transactions, it was curious that it had not earned better returns on its investments. Accordingly, he wondered whether the composition of the Investments Committee should be changed, whether different financial houses should be employed or whether, in view of the Fund's large portfolio, it should have additional financial houses to handle its transactions. He expressed the hope that the necessary changes would be made in order to produce a larger return on the investments.

59. His delegation welcomed the fact that, according to the Secretary-General's bulletin to the staff of 2 December 1982, the Fund's secretariat would be asked to issue a quarterly report to the staff, including information on the Fund's investments. The owners of the Fund's portfolio were the staff, and it was therefore appropriate for staff members to be informed of such matters. His delegation also believed that the members of United Nations Pension Committees around the world should be informed every three months of the situation of the Fund's holdings. Those reports should include significant information on equities and bonds purchased and sold as well as on gains and losses.

60. His delegation strongly supported the Board's recommendation concerning an increase in the retirement age (para. 21), not only because it would improve the Fund's actuarial imbalance but also because the time had come for the United Nations to make such a change. Even if the retirement age was increased to 62, there would continue to be promotions for deserving staff and the geographical distribution of professional staff would not be affected. Most staff members were at the peak of their professional performance at age 60 and should be allowed to continue to contribute their talents at least until age 62. In that connection, he observed that the retirement age of 62 established by the Food and Agriculture Organization was having good results.

(Mr. Kuttner, United States)

61. With regard to the extension of pension coverage to officials other than staff members (para. 32), his delegation felt that it would be useful to know just which positions would be covered by the proposed change. Since there had been very specific and important reasons why some individuals and organizations had been excluded from the Fund, his delegation would express its position on that issue once the scope of the proposed change had been better defined.

62. The scheme and procedures for the implementation of the first stage of application of a special index for pensioners were important and would place pensioners residing in different countries on a more equal financial basis. His delegation also welcomed the new arrangements for proof of residence by pensioners and looked forward to receiving a report on the results of that procedure at the General Assembly's thirty-eighth session. However, his delegation regretted the fact that the Board seemed unable to come to grips with the problem of the financial obligations of pensioners to their spouses or former spouses. A regulation similar to that in force in the comparator civil service, which was working well, would eventually be needed to cover the interests of spouses or former spouses.

63. His delegation supported the application for membership in the Fund submitted by the European and Mediterranean Plant Protection Organization. It also supported the Board's recommendation concerning the Emergency Fund (para. 113) and believed that, while there should be separate coverage for spouses and former spouses of pensioners, the Emergency Fund could be used to help such individuals in cases of hardship.

64. Mr. RYSER (International Labour Organization), referring to the Fund's investments, reminded the Committee that, at the thirty-sixth session of the General Assembly, two of the main contributors to the budgets of the United Nations and of the International Labour Organisation had regretted the low return on those investments. At its recent 221st session, the ILO Governing Body had also expressed concern on that score. Moreover, at the twenty-ninth session of the Joint Staff Pension Board, the ILO representatives had expressed their disappointment about the negative return for the year ending 31 March 1982 and about the poor results produced in previous years, all of which had exacerbated the Fund's actuarial deficit.

65. At the Board's thirtieth session, the ILO representatives had made several suggestions concerning ways of improving the Fund's returns. Therefore, he expressed the hope that, in accordance with article 19 of the Fund's Regulations, the Secretary-General would take those suggestions into account and would continue to make every effort to ensure the payment of benefits to pensioners.

66. Mr. HADID (Algeria) said that his delegation had studied the documents before the Committee with considerable interest, particularly in view of the legitimate concern of staff members about pension matters and given the Fund's current actuarial imbalance. In that connection, he drew attention to paragraph 3 of General Assembly resolution 35/216 B, and observed that, although the reports of the Secretary-General (A/C.5/37/16) and of the Board (A/37/9) contained useful information, there were also lacunae.

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(Mr. Hadid, Algeria)

67. The inventory of investments in the Secretary-General's report was not sufficiently detailed and could therefore not be used as a basis for an in-depth exchange of views on means of strengthening the Fund's operations or of securing any long-term improvement in the Fund's actuarial situation. For example, the inventory contained a column listing the market value of investments, but no column listing the book value; the second column was necessary in order to determine the relative market value. The Fund's actuarial situation could not be isolated from its overall investment choices, particularly with regard to the reguirements of geographical and sectoral diversification, safety and profitability, whether the investments were made in developing countries or elsewhere.

68. His delegation had been surprised by the statement in the Secretary-General's report to the effect that, since there was no officially accepted definition of a transnational company, General Assembly resolutions on investments in such companies could not be implemented (A/C.5/37/16, paras. 21-22). He drew attention to the fact that, a few years earlier, the relevant report of the Secretary-General had contained detailed statistics on the proportion of investments made in transnational corporations. Accordingly, he asked whether there had been any new developments to obscure the concept of "transnational corportaions" to the point that such investments could not longer be identified.

69. He also drew attention to the fact that paragraph 6 of the Secretary-General's report referred to the average compound return of 5.78 per cent over the previous 22-year period, while paragraph 51 of the Board's report spoke of a positive total return averaging 5.78 per cent for the same period. He asked whether those two concepts referred to the real or to the nominal rate of return and, if they referred to the latter, what the approximate real rate of return had been for that period. Moreover, he asked whether the negative real rate of return mentioned in paragraph 31 of the Secretary-General's report meant that, in calculating that rate, the effects of inflation had been deducted from the value of the Fund's assets.

70. Mr. MAJOLI (Chairman, Standing Committee of the United Nations Joint Staff Pension Board) drew attention to the draft resolution contained in annex XI to the Board's report and observed that it seemed to meet the concerns of all the interested parties.

71. Its preambular paragraphs stressed that, in order to improve the Fund's actuarial balance, some burdens must be shared equitably by member organizations, participants and beneficiaries. With regard to operative part I, he stressed that the second paragraph expressed only a recommendation concerning the age of separation and that, as the Chairman of the Board had indicated in his statement on 26 November, the General Assembly would not have to make any change in that respect at its current session. Moreover, other speakers, including the representative of Denmark, speaking on behalf of the members of the European Community, had interpreted that paragraph in a similar manner. Therefore, it would be for the General Assembly to consider that question at its thirty-eighth session in the light of the conclusions reached by the International Civil Service Commission and of the opinions member organizations submitted to the Board.

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(Mr. Majoli)

72. As to the fears expressed by the representative of Zaire that an increase in the age of retirement would limit the advantages enjoyed by retirees, he explained that staff members who so desired could still retire earlier and would receive the same pensions as those to which they would be entitled under the present regulations. In that connection, he drew attention to the principle of flexible retirement set forth in recommendation 40 of the United Nations World Assembly on Aging and to General Assembly resolution 37/51, which recognized that the aged were an asset to society. Those provisions seemed to imply that the elderly should not be "put out to pasture" prematurely but should be free to retire early, if they so desired.

73. The CHAIRMAN noted that the Committe had thus concluded its debate on agenda item 113 and would return to it subsequently in order to take decisions.

ORGANIZATION OF WORK

74. Mr. MURRAY (United Kingdom) requested that, in accordance with rule 154 of the rules of procedure, the Committee should be kept informed of the cumulative total of new appropriations approved during the Assembly's current session and of any new appropriations expected before the end of the session.

75. The CHAIRMAN said that he would ask the Deputy Controller to provide those figures at the Committee's next meeting.

The meeting rose at 6.15 p.m.