



Agenda item 71

## REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Tenth report of the Advisory Committee on Administrative  
and Budgetary Questions to the General Assembly at its  
seventeenth sessionGeneral

1. The Advisory Committee has considered the annual report of the Joint Staff Pension Board<sup>1/</sup> which contains the financial statements of the Fund for the year ended 30 September 1961 and the report of the Board of Auditors of the United Nations thereon, as well as statistics concerning the operations of the Fund during that year and an account of the proceedings of the eleventh session of the Joint Staff Pension Board (held in New York from 24 April to 4 May 1962) and the resolutions adopted by the Board at that session.
2. The Advisory Committee notes that sections I to IV of the report contain significant information on the organization and operation of the Fund during the year ended 30 September 1961.<sup>2/</sup> In section V (paragraphs 2-28) the Board recommends the approval by the General Assembly of a number of amendments to the Regulations of the Fund. These amendments are shown in annex V of the report together with the comments and explanations of the Board. Furthermore, as indicated

<sup>1/</sup> Official Records of the General Assembly, Seventeenth Session, Supplement No. 8 (A/5208)

<sup>2/</sup> During the year ended 30 September 1961 the number of participants in the Fund increased from 11,128 to 11,765 and the number of associate participants from 3,387 to 4,611. During the year, the principal of the Fund increased from \$105,385,113 to \$121,748,420. The effective yield on the investment of the Fund's assets was at the annual rate of 3.88 per cent. [For a definition of associate participation, see Ibid., annex IV, page 23].

in paragraphs 34-37, the Board recommends that the General Assembly approve a draft resolution [resolution 6 (XI) reproduced in annex IV of the Board's report, see also paragraph 7, foot-note 3, of that report] authorizing an interim adjustment of pensions in payment.

Comments and recommendations by the Advisory Committee

3. Most of the amendments are of a formal nature and merely aim at eliminating inconsistencies or anomalies which have come to light since the application of the revised Regulations of the Fund on 1 April 1961.

4. However, in the opinion of the Advisory Committee, four amendments deal with questions of substance. These are:

(a) An amendment to article II. 1(c)(ii) which would permit an associate participant serving under fixed-term appointments to become a full participant when he receives an appointment which extends his employment to or beyond five years rather than after he has completed a minimum of five years of employment. The Committee is informed that, under the existing regulations, validation of past services at a later date, i.e. after at least five years, often places a heavy financial burden on a participant called upon to pay all contributions due on such past service. Although the amount of contributions which the member organizations would be called upon to pay under the new system would be no larger than that under the present system, the amendment recommended by the Board would have some financial implications inasmuch as such payments would begin at an earlier stage. Consequently, if an associate participant who had become a full participant under the amended rule - i.e. as soon as he had received an appointment which extended his employment to or beyond five years - were to leave the service of a member organization before five years, the organization in question would have paid to the Fund on his behalf contributions at the rate of 14 per cent instead of 4.5 per cent;

(b) An amendment to article V changing the definition of disability in order to ensure co-ordination of action taken under the Staff Regulations to terminate a disabled participant or associate participant and action taken under the Regulations of the Joint Staff Pension Fund to award him a disability benefit. Both actions should in the Board's opinion be based on the same medical evidence. The Board interprets the term "incapacitated for further service" as meaning

incapacitated for service in a member organization. The Committee understands that there have been cases in the past where participants were terminated by member organizations for health reasons but failed to qualify for a disability benefit. It also appears that some member organizations subject all staff to a medical examination on separation whereas others do not. In the latter case, great difficulty arises when claims are filed subsequent to separation on the ground of a disability allegedly incurred while in service. The Advisory Committee would urge a standarization of procedure by all member organizations in this regard;

(c) An amendment to article XII concerning re-employment which considerably simplifies the text of that article as a result of the changes in other related articles and the suppression, in article XII, of the restriction concerning the repayment of cash settlements received under article X. The Board noted that no such restriction had been recommended by the Pension Review Group and that its introduction on 1 April 1961 had created severe hardship for many former participants who again became participants after a short break in service and were unable to restore their previous contributory service. The Advisory Committee understands that this has been especially the case for General Service staff for whom transfers between organizations are rare. For such staff re-employment by another organization requires resignation from one organization and re-employment in the other which entails a total loss of past contributory service;

(d) An amendment to article XXII which would increase the membership of the Board from eighteen to twenty-one so that each member organization has at least one seat on the Board. The Committee notes that under the existing system four agencies are represented by two persons only.

5. In the light of the above considerations, the Advisory Committee would recommend that the General Assembly approve the amendments to the regulations of the Joint Staff Pension Fund as submitted by the Board.

6. The Advisory Committee has also considered the second request of the Joint Staff Pension Board, namely, that the General Assembly approve an interim upward adjustment of pensions in payment. This proposal has its origin in paragraph 6 of section III of resolution 1561 (XV) where the General Assembly requested the Joint Staff Pension Board "to study, at its next session, methods by which any future adjustments in benefits, after their award, might be made".

This study was undertaken by the Standing Committee, but the complexity of the problem appeared such that, upon the recommendation of the Standing Committee, the Board decided that a further detailed study should be made. It considered, however, that, pending completion of the study, temporary action was desirable to offset the depreciation of pensions in payment. It accordingly decided to recommend that the General Assembly be asked to authorize, effective 1 January 1962 and up to and including the year beginning 1 January 1964, a 1 per cent annual increase in pension payments, such increases, however, not to be applied in certain cases where minimum or maximum benefits were concerned.

7. The Advisory Committee has been informed that, for the life of the pensioners, the cost of this increase in benefits and annuities in payment would be fully covered by the Special Reserve for Pension Adjustments set up under the terms of resolution 1561 (XV). This proposal would therefore have no financial or actuarial implication for the Fund and the Advisory Committee sees no objection from an administrative and budgetary standpoint to approval by the General Assembly of the formula proposed by the Board in its resolution 6 (XI).<sup>3/</sup>

8. The Advisory Committee has taken note of the suggestion made by the Board of Auditors in paragraph 5 of its report,<sup>4/</sup> that "consideration should be given to the possibility of requesting the Fund's member organizations to make monthly provisional payments based on the approximate average of the last six months, in order to prevent loss of potential interest". The Committee understands that this suggestion has been prompted by the relatively high amount of contributions receivable from member organizations (more than \$2 million at 30 September 1961), entailing for the Fund a substantial loss of income from interest. The rule is that contributions must normally be paid within fourteenth days after the end of

3/ The text of the operative paragraph of this resolution is the following:

"Recommends that as a temporary solution, effective 1 January 1962, a 1 per cent annual increase in pension payments be paid up to and including the year beginning 1 January 1964, this annual increase not to apply to the minimum amount of retirement benefits under article IV (b)(i), of widows' (or disabled widowers') benefits, under article VII (4) (a) or to the minimum and maximum amounts of children's benefits under article VIII (2) and (3)".

4/ Official Records of the General Assembly, Seventeenth Session, Supplement No. 8 (A/5208), annex II.

the month for which such contributions are due. Had this rule been strictly applied, the amount receivable from organizations at 30 September 1961 would not have exceeded some \$1.3 million. The Advisory Committee understands that all participating organizations are now following the suggestion of the Board of Auditors and are paying their contributions regularly on an estimated basis without waiting for an actual accounting based on the payrolls of all their offices in various parts of the world.

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