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UNITED NATIONS JOINT STAFF PENSION FUND

REPORT OF THE STAFF BENEFIT COMMITTEE SUBMITTING REGULATIONS FOR A PERMANENT PENSION SCHEME

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/I. RECAPITULATION

I. RECAPITULATION

1. At its second session, the General Assembly considered a report by the Staff Benefit Committee presenting proposals for a permanent pension scheme (document A/398). After a report on these proposals had been received from the Advisory Committee on Administrative and Budgetary Questions (A/C.5/201) the Assembly adopted on 20 November 1947 resolution 162 (II) which necessitated the preparation by the Staff Benefit Committee of new proposals in view of the Assembly's decision to retain the age of sixty years as the retiring age for members of the Secretariat. Under the terms of this resolution, the Assembly decided that the existing Provisional Joint Staff Pension Scheme* should continue unchanged on a provisional basis for a further period of one year, requested the Advisory Committee to examine further the whole question and to report to the third regular session thereon, and declared that a permanent pension scheme should be promulgated, if possible in 1948.

The Advisory Committee studied the question at its first session in 1948, and has included its findings in Chapter V of its First Report of 1948 to the General Assembly (A/534).

II. THE PRESENT POSITION

2. The fact of primary importance reported in document A/398 was that a complete actuarial evaluation of the Provisional Scheme at present in force had revealed that it would cost 24.51 per cent of salaries instead of 21.00 per cent, as estimated by the Working Party which drew it up and as reported to the Assembly when that Scheme was adopted provisionally.

3. The main objective of the Staff Benefit Committee after receiving this information was to devise a scheme which would come within the cost of 21 per cent accepted provisionally by the Assembly and which would preserve as far as possible the types and rates of the benefits contained in the Provisional Scheme. The Secretary-General had informed the Committee that he was proposing to the Assembly that the age of retirement should be raised from sixty to sixty-five years. The acceptance of this increase in the age of retirement would have solved all cost problems and would have enabled benefits to be improved generally. The first scheme submitted in document A/398 was, therefore, based on a retiring age of sixty-five years.

4. The Assembly at its second session, however, decided against raising the retiring age to sixty-five, and the Committee has therefore

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* General Assembly resolution 82 (I) of 15 December 1946.

/endeavoured

endeavoured in this report to set up a revised scheme based on a retiring age of sixty years which will come within an overall cost of 21 per cent of salaries, for the benefits contained in the Provisional Scheme. This revised Scheme is set out formally in Annex 1 to this report entitled: "Draft Regulations of the United Nations Joint Staff Pension Fund". In the margin of the Annex, notes are given indicating the differences as compared with the existing Provisional Scheme.

III. UNANIMOUS AGREEMENT ON TYPES OF BENEFITS

5. In the course of the search to find means of realizing the necessary economy, the Committee reviewed in great detail every benefit included in the Provisional Scheme. Unanimous agreement was ultimately reached among the representatives of the General Assembly, of the Secretary-General and of the participants, who constitute the Staff Benefit Committee, on the nature and type of benefits which they felt represented the minimum requirements for a scheme appropriate to the United Nations. These agreed benefits are the following:

Retirement pension:	To be based on length of service, rising to a maximum of 50 per cent of average salary during the last ten years of service.
Disability pension:	Same as the retirement pension but not to be less than 33-1/3 per cent of final average salary.
Widows' pensions :	When husband dies in active service: 50 per cent of a disability pension. When husband dies after service retirement: 50 per cent of husband's retirement pension. When husband dies after disability retirement: 50 per cent of husband's disability pension.
Benefit payable to any designated beneficiaries :	A sum equal to the participant's own contributions to the Fund plus interest. This benefit to be payable on death of a participant in active service, only when no widow's pension is payable.
Withdrawal benefit:	During first five years: The return of participant's own contributions plus interest: in cash. After five years: The actuarial equivalent, in a lump sum, of the retirement pension to which participant has become entitled.

/IV. COST

IV. COST OF BENEFITS

6. The Committee, with one member dissenting*, approved a rate of accrual for retirement pension of one-sixtieth of the final average salary for each year of service rendered to the United Nations. This rate of accrual and the age of retirement are the two elements the choice of which practically determines the whole cost of any pension plan. The accrual rate of one-sixtieth part (1/60) of salary for each year of service, and a retiring age of sixty form the basis of the existing Provisional Scheme. On that basis the cost of the benefits defined in the above paragraph expressed as a percentage of salaries would be 20.88 per cent, as set out in the following table:

* Mr. A. J. Altmeyer, who dissented from the majority view, submitted a statement of his views to the Committee which is attached to this report as Annex 2.

/TABLE

TABLE SHOWING COSTS OF AGREED BENEFITS BASED ON RETIREMENT AGE OF SIXTY FOR MEN AND WOMEN AND ACCRUAL RATE OF 1/60 PER ANNUM

Benefit	Cost Expressed as a Percentage of Salaries
Retirement pension: On basis of a pension of 1/60 of final salary for each year of service subject to a maximum pension of 50 per cent of final salary	12.62%
Disability pension: Same as retirement pension but subject to a minimum of 33-1/3 per cent of final salary.	3.13%
Widows' pensions:	
When husband dies in active service:	
50 per cent of a disability pension.	2.24%
When husband dies after service retirement:	
50 per cent of husband's retirement pension.	1.52%
When husband dies after disability retirement:	
50 per cent of husband's disability pension.	.30
Benefit payable to any designated beneficiaries	
A sum equal to the participant's own contributions to the Fund plus interest. This benefit to be payable on death of a participant in active service, only when no widow's pension is payable.	.50
Withdrawal benefit	
During first five years:	
The return of participant's own contributions plus interest; in cash	.06
After five years:	
The actuarial equivalent, in a lump sum, of the retirement pension to which participant has become entitled	.51
Total cost of benefits	20.88%

All benefits are based on the average salary during the last ten years of service.

/7. The basis

7. The basis of the actuarial calculations which gave the cost of the various benefits as shown above is a set of tables of mortality, disability, etc. which were developed by an International Commission of Actuaries* for application to a body of men and women like the Secretariat, drawn from all parts of the globe and residing in the United States of America.

8. The reduction of the total cost of the Provisional Scheme (24.51 per cent) to the figure of 20.88 per cent shown above was achieved by the introduction of the following changes as compared with the existing Provisional Scheme:

(a) The salary to be used as a basis for the retirement pension was changed from the average salary during the last five years of service to the average salary during the last ten years. This change is in accordance with a recommendation of the delegation of Canada to the General Assembly and of the Advisory Committee on Administrative and Budgetary Questions in a letter to the Secretary-General dated 21 November 1947.

(b) The benefits provided in the original Scheme for dependents other than widows were cancelled (sections 7 (d) and 7 (e) of the Scheme).

(c) The death benefit payable to any designated beneficiaries which appears in the foregoing table is a new benefit designed to give as much provision as possible for dependents where there is no widow.

9. In the opinion of the majority of the Committee, a pension scheme based on the plan described above meets the essential needs of the Secretariat of the United Nations. At the same time it represents a minimum, and the reduction or elimination of benefits would seriously affect the social security which an international institution such as the United Nations owes to its staff.

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* The members of this Commission were:

Dr. R. B. Robbins	- United States of America, Chairman
Dr. Hans Wyss	- Consulting Actuary to the League of Nations
Dr. Gastao Quartin Pinto de Moura	- Brazil
Mr. George B. Buck	- United States of America, Working Actuary, to the Commission.

/10. In this

10. In this connection the majority of the Committee had particularly in mind the following considerations which it feels it is opportune to place on record in the present report.

11. Any discussion of a pension system for the staff of an international institution must take into account the fact that in such an institution the qualitative requirements as to staff, the rate of staff turnover and therefore the average individual career differ appreciably from what is to be found in a national administration.

12. While the Preparatory Commission recommended that the staff should consist largely of persons who will make their careers in the Secretariat, it also recognized that it would not be possible to recruit the entire Secretariat on a life-service basis. It envisaged the necessity of making appointments of specialists in technical fields and of persons with experience in special political fields.

13. The experience of the League of Nations, of the International Labour Office, and so far of the United Nations shows that these differences exist in practice. An international institution has to recruit individuals who have already attained a certain maturity. It does seek the co-operation of authoritative specialists for limited periods who cannot be recruited unless they consent to suspend for a time, and sometimes to break off entirely, their careers in their own countries.

14. In either case, the international civil servant who has left his home country and his home employment experiences difficulties unknown to his colleague who has remained at home when he has to take up work again in his own country.

15. Any pension system adopted by an international institution should take account of these facts, the main effects of which are:

(a) The career of the international civil servant on the average is shorter than that of his national service colleagues, say, twenty-five years instead of thirty-five or forty.

(b) A certain proportion of international civil servants are destined to serve the institution for only a limited number of years.

16. Normally it is possible for officials to be recruited and for professional relations to progress favourably only if the international institution can offer to its staff a pension system which (a) provides adequate social security for those making their career in the institution, especially an appropriate pension capable of being acquired by the retiring age; (b) provides, for those destined only to stay in the service for a limited period, adequate social protection during that period and, on termination of service, benefits sufficient to facilitate to a reasonable degree the resumption of a career in their own country.

/17. It was these

17. It was these special needs which led the League of Nations in 1930 to adopt a pension scheme in which: (a) the retirement pension was calculated at the rate of one-fiftieth of the salary for each year of service; (b) the official always had the option between a retiring annuity or a capital sum of equivalent value; (c) the benefit payable in the event of retirement before the age limit was a capital sum slightly higher than the actuarial reserve; (d) the salary taken as a basis for pensions was the average salary for the last three years of service. This system remains in force for officials of the International Labour Office who entered the service before 1940.

18. The main features of the League of Nations scheme just described were certainly well designed to meet the special requirements of an international institution. Certain delegations to the General Assembly as well as the staff representatives on the Committee recommended the adoption of some features of that scheme, in particular the basis for calculating the retirement pension which was 1/50 of the final average salary for each year of service.

19. However, in view of the cost involved under present-day conditions the Committee felt unable to go as far as this in the new scheme for the United Nations. The position of the investment market in 1930 when the League scheme was set up made it possible to establish a pension fund based on the expectation of a rate of earnings of 4-1/4 per cent. Today, experts consider it inadvisable to count upon a rate of more than 2-1/2 per cent. It has also been considered advisable to use more conservative annuity tables. Consequently, certain cuts in the scale of benefits are inevitable if the cost of the system is to be kept within the prescribed limit.

20. The present figure of 21 per cent for an overall contribution which was adopted by the original Working Group and approved by the General Assembly for the Provisional Scheme, has sometimes been criticized as being too high. Such criticism seems to be founded upon comparisons with the social insurance schemes of certain national administrations.

21. The Committee feels bound to point out that such comparisons are hardly admissible. In the first place, as explained above, the special needs of an international institution necessarily make the coverage required in an appropriate scheme more costly than that of a national pension scheme. In the second place, national systems do not depend solely on ordinary contributions for their financing. Such funds frequently have other sources of income in the form of regular subsidies, guarantees etc. which are difficult to assess and are lost sight of in any comparison. An institution which cannot avail itself of the same facilities as those possessed by a

/State

State must provide its officials with such protection as can be financed solely by the autonomous fund specifically provided for the purpose.

V. ORPHANS' BENEFITS

22. The possibility of paying benefits to orphans and children of beneficiaries through the Pension Scheme was again considered. Under existing arrangements allowances are paid to orphans out of the general budget of United Nations as follows:

(a) To a child orphaned of one parent: $200.00 per annum

(b) To a child orphaned of both parents $400.00 per annum

These allowances are payable normally up to eighteen years of age, but up to twenty-two years of age if the child is in full attendance at a college or university.

23. When the Provisional Pension Scheme was under consideration by the Joint Sub-Committee of the Fifth and Sixth Committees in December 1946, the Sub-Committee placed on record two notes with regard to children's allowances:

(a) It requested that the wisdom of paying children's allowances in respect of the children of retired or deceased staff members from the general budget rather than through the Pension Fund be examined.

(b) The view was expressed that these allowances were inadequate. (The rates were then $144 and $288 and not $200 and $400 as stated above, which are the rates currently payable).

The considered view of the Staff Benefit Committee and its advisors was that the Pension Fund should not take over the payment of a benefit the liability for which had been assumed by another authority, and in accordance with certain rules which were not part of the regulations of the Pension Fund.

24. In order to enable the General Assembly to proceed to a decision on this question the Staff Benefit Committee gives below the cost of paying these allowances and proposals for the distribution of that cost between the Organization and the participants.

25. The Staff Benefit Committee also feels that the current rates are inadequate and recommends that these allowances should be at the rate of $300 per annum for a half orphan, and $600 for a full orphan.

26. The Actuaries reported to the Committee that the cost of orphans' benefits on this basis could be estimated to cost 0.75 per cent of salaries during the first few years.

27. If the General Assembly decides to adopt these proposed orphans' benefits and to make them payable through the Pension Fund, the Committee proposes that the total contribution for the Pension Scheme be raised to 21.75 per cent of salaries. It also proposes that this increased amount be distributed between the Organization and the participants as before, namely, on the basis

/of two-thirds

of two-thirds and one-third or 14.50 per cent and 7.25 per cent as against the present rates of 14 per cent and 7 per cent. The representatives of the participants have agreed to the raising of their contribution from 7 per cent to 7.25 per cent. The actuarial estimate of the cost, over a long period, of the orphans' benefits payable under current staff regulations from the general budget of United Nations, is in excess of 0.50 per cent of salaries, so that the additional 0.50 per cent which would be payable to the Pension Fund to provide against these benefits would not represent any increased burden on the Organization in the long run.

28. The fact remains, however, that there are no orphans' benefits payable from the general budget at the present moment and the charge will not be a heavy one for some years. An increased contribution to the Pension Fund would, however, be an immediate additional charge on the general budget. The Committee feels that these practical considerations reinforce its views on principle, and that the wisest and most economical course might be to leave these obligations on the general budget so long as they are few and inexpensive. As soon as they increase to a considerable number and a more exact estimate of the cost can be obtained, orphans' benefits could be taken over by the Pension Fund on a suitable basis for administration by the Fund.

VI. ADMINISTRATIVE AND OTHER CHANGES IN THE PROVISIONAL SCHEME RECOMMENDED BY THE COMMITTEE

29. So far, this report has dealt only with the basic financial readjustments which are required in the Provisional Scheme before it could be set up as a permanent scheme. The Staff Benefit Committee has also effected many changes of an administrative nature which were deemed advisable. In the following paragraphs the reasons for these changes are explained in detail.

Granting of a pension before retirement age

30. A serious weakness in the Provisional Scheme from the social point of view was the fact that a withdrawal benefit could only be paid in the form of cash until the participant reached the age of fifty-five years and had served for ten years. The Committee felt that it was a much better policy, socially at least, to give a withdrawing participant the option to take his benefit in the form of an immediate or deferred annuity at as early a stage as this could reasonably be done. The rule finally adopted was that a withdrawing participant could elect to take an immediate annuity provided his age at withdrawal plus his years of service were equal to the age of retirement, that is, sixty years. In other words, an annuity could be paid when the participant had served one-half of the time between his age on joining and the age of retirement.

/Rates of

Rates of interest

31. The treatment of interest was found to be inconsistent in the Provisional Regulations. In the revised draft, interest, whether charged against a participant or allowed in his favour, is always computed at 2-1/2 per cent per annum and is compounded annually.

Increased coverage of scheme

32. In the course of the Assembly discussion in 1946 the view was expressed that the personnel coverage given by the Pension Scheme should be made as wide as possible. The revised regulations have been designed to meet this requirement as explained in the following sub-paragraphs:

The rule included in the original Scheme provided that members of the Secretariat who are engaged on indeterminate contracts, or on fixed-term contracts for one year or more, are included in the Pension Fund on acceptance of contract. An additional proviso has been included in the revised regulations to the effect that staff members engaged on a temporary basis shall be included as soon as they have completed one year of service.

The representatives of the participants expressed the view that staff members engaged on a temporary basis who are members of the Provident Fund, should not be automatically included in the Pension Fund at the completion of one year's service, but should be given the option to remain in the Provident Fund.

The regulations as drafted, however, give the Organization the right to examine and exclude special individual cases if there are good grounds for doing so.

33. These provisions with regard to admission to the Fund are designed to meet all long-term social security obligations of the Organization toward the staff member as soon as they can reasonably be held to have arisen.

Service in unhealthy areas

34. The Committee considered the type of case dealt with in section 18 of the Provisional Regulations covering service in unhealthy areas. It was felt that exceptional damage to health suffered as a direct result of duty with the Organization was in the same class as accidents suffered while travelling by air, or by any other means of transport in the course of duty, or while travelling in politically unsettled areas. The view taken by the Committee was that it was the business of the Pension Fund to cover normal long-term social security obligations and not special risks while in the pursuit of special duties. The normal benefits claimable out of the Pension Fund by participants suffering such accidents would, for a long initial period of service, be quite inadequate. It was also held to be the clearly

/expressed

expressed intention of the Working Party who considered schemes of insurance generally that there was to be a distinct fund set up for such purposes. It was therefore decided to remove this section from the Pension Scheme entirely.

Administration of the Pension Fund

35. Article 21 of the revised regulations changes the composition of the Joint Benefit Committee dealt with in section 22 of the Provisional Regulations. It is now proposed that the representation should be nine members appointed by the United Nations and three members appointed by each member organization. It was felt that this rule would produce a more realistically representative Committee.

Provisions for amending the Regulations

36. When the recommendation was made to the General Assembly that the original Scheme should be accepted as a provisional Scheme for one year only, section 37 of that Scheme was re-drafted to emphasize the fact that the Provisional Regulations were subject to amendment at the end of that year and that acquired rights could be modified by such amendment, with the exception of benefits which had actually become payable to widows or to other beneficiaries.

37. It is hoped that the Scheme which will be adopted by the General Assembly on this occasion will be adopted as a permanent Scheme. The Committee therefore felt that greater protection could and should be given in the permanent regulations to the acquired rights of participants. The revised section 37 therefore contains provision for the Joint Staff Pension Board to propose amendments of the regulations to the Assembly, and to make observations with regard to any amendments submitted to the Assembly from any other source.

Name of Fund

38. The name of the Fund and the designations of the administrative bodies responsible for it were considered. The Committee suggests that the following names, as used in the revised draft, be adopted:

The United Nations Joint Staff Pension Fund

The United Nations Joint Staff Pension Board

The United Nations Staff Pension Committee

Regulations of the United Nations Joint Staff Pension Fund

Pensions of small annual value

39. It has become clear that a number of older-age participants will reach retiring age with rights to a very small monthly pension. The pension may be so small as to be almost valueless as a pension, while its capital value is a substantial sum which could be used in a way to provide a much greater benefit to the participant than the small pension would mean. For

/example,

example, a member of the staff retired recently with rights to a pension of $69.32 per annum or $5.78 per month. The capital value of this pension is $1,064.06. The beneficiary is entitled to take one-third of this value in a lump sum which would reduce the monthly pension to $3.85. The Committee feels that the granting of the whole value in cash would be justified on all counts in such a case. The participant is probably the best judge in such circumstances. The Committee has therefore amended the regulations so that a retiring participant will have the option to take the whole capital value of his pension in a lump sum, when the amount of the pension is less than $120 per annum or $10 per month. This option should be permitted retroactively, with the approval of the Staff Benefit Committee in each case, so that any small pensioners who so desire can be removed from the pension roll at any time. This amendment to the regulations would produce some savings in administration costs.

Older age entrants

40. It is clear from a general survey of the original Scheme that its authors held it to be desirable that a minimum pension of one-third (33-1/3 per cent) of final salary should be within the reach of all staff members on retiring from the service of the United Nations. On the normal basis this is not possible for staff members entering the service after the age of forty years. The authors of the Provisional Scheme introduced section 19 to remedy that situation as far as possible. The effect of section 19 was that if participants were willing to increase their own contributions according to age (double for age fifty and above) the Secretary-General could add the amount required to obtain a pension of 33-1/3 per cent of final salary for those who had entered at ages up to fifty, and twice the pension otherwise obtainable for those who had entered at a later age than fifty.

41. The actuarial investigation of costs showed that section 19 was too expensive to be included in a general contributory scheme. The following proposal suggests a means of preserving the intention of section 19 without any cost to the Organization:

(a) Participants should be allowed to purchase additional annuity by deposits of money at any time during or after service. The standard rate of interest, 2-1/2 per cent per annum compounded annually, would be allowed on these deposits. Upon retirement, an additional annuity should be given in exchange for the total amount of these deposits on the basis of the actuarial equivalent of the additional annuity at cost.

The benefits accruing to participants under this proposal are:

(i) Additional annuity is provided at basic cost by the Pension

/Fund,

Fund, which is approximately 20 per cent less than the cost at which it could be obtained commercially,

(ii) The facility with which deposits can be made and the attractive rate of 2-1/2 per cent per annum will go far to ensure that participants with any degree of foresight will avail themselves of the opportunity.

An extension of this proposal to the following effect was also considered by the Committee:

(b) If it is desired to maintain the further intention of section 19 as regards the Organization providing a certain amount of the cost of the additional annuity, this could be done by allowing participants with rights to less than 33-1/3 per cent pension to purchase the amount required to make up that percentage at a reduced rate.

42. The Committee unanimously recommends that permission to purchase additional annuity at full cost as set out in (a) above should be granted to participants. An article to that effect has been added to the Scheme (article 17).

43. With regard to the proposal contained in (b) above, the Committee feels that in the face of the high estimates of the cost of the scheme as it stands, it is impossible to make any worthwhile contribution of the kind suggested.

ANNEX 1

DRAFT REGULATIONS
OF THE
UNITED NATIONS JOINT STAFF PENSION FUND*

Article 1
DEFINITIONS

The changes in this paragraph are purely drafting changes.

(a) "Member organization" means a specialized agency referred to in Article 57, paragraph 2, of the Charter which has been admitted to the United Nations Joint Staff Pension Fund under Article 27 of these regulations.

(b) "Age of retirement" means the age at the end of the month in which the participant reaches the age of sixty years or such later age as may be determined in the staff regulations applying to the participant concerned for the termination of appointment by retirement, or in his conditions of appointment.

Drafting changes.

(c) "Pensionable remuneration" means the basic remuneration of a participant stated in his terms of employment to be pensionable. It shall not include any special grants or allowances, such as children's allowances, education grants, expense allowances, cost-of-living allowances, payments for overtime, fees, honoraria and payments for any expenses incurred in the service of the United Nations or of a member organization. If part or the whole of the basic pensionable remuneration is paid in kind, the value of such payments, if not stated in the terms of employment, shall be determined by the Joint Staff Pension Board.

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* The marginal notes indicate the differences as compared with the existing Provisional Scheme.

/Pensionable

/(d) "Final

Pensionable remuneration is now the average salary during the last ten years of service instead of the last five.

(d) "Final average remuneration" means the average annual pensionable remuneration of the participant during the last ten years of contributory service before the termination of employment. Where the participant has less than ten years of contributory service the final average remuneration shall mean the average pensionable remuneration during the actual period of contributory service.

Drafting changes only.

(e) "Contributory service" means the actual time spent in continuous employment with the United Nations or a member organization or with two or more of these organizations, for which contributions have been paid on the pensionable remuneration in accordance with Article 15, and such periods of non-pensionable service as may be treated as contributory service under Article 3, and contributory service restored under Article 11.

Intervals of not more than thirty calendar days in the period of service shall not be considered as breaking the continuity of service. The time covered by these intervals shall not be included in the period of contributory service.

(f) "Actuarial equivalent" means a benefit of equal value when determined on the basis of the mortality tables and the rate of interest last adopted by the United Nations Joint Staff Pension Board under Article 28.

Article 2

PARTICIPATION

This paragraph relates to the United Nations only and widens the field of coverage. Participation is no longer limited to holders of contracts for one year or more.

Every full-time member of the staff of the United Nations shall be subject to these regulations if he enters employment under a contract for one year or more, or when he has completed one year of employment, provided that he is under sixty years of age at the time of entering such employment and that his participation is not excluded by his contract of employment.

/The foregoing

The foregoing provision shall apply to the Registrar and every full-time officer of the International Court of Justice.

Member organizations are left free to determine the conditions under which their full-time officials under sixty years of age shall become participants in the Fund.

Every full-time member of the staff of each member organization who is under sixty years of age at the time of his appointment shall, under conditions determined by the competent authority of the member organization, be subject to those regulations.

Article 3

RECKONING OF NON-PENSIONABLE SERVICE

An addition has been made to this article to allow participants to make good past contributions by means of deferred payments. Drafting changes have also been made.

When a person who has been in the employment of the United Nations or of a member organization in a non-pensionable capacity becomes subject to these regulations, his period of service before he became subject to these regulations shall be treated as contributory service to the extent to which he pays into the Joint Staff Pension Fund a sum or sums equal to the contributions which he would have paid had he been subject to these regulations throughout this period, plus 2-1/2 per cent compound interest, provided that there is continuity of service. For the purposes of this article, intervals of not more than thirty calendar days in the period of service shall not be considered as breaking the continuity of service. The time covered by these intervals shall not be included in the period of contributory service.

The earliest date from which employment with the United Nations can be reckoned is the first day of February 1946.

Article 4

RETIREMENT BENEFITS

Drafting changes only.

Upon retirement on reaching the age of retirement, a participant shall be entitled during the remainder of his life to an annual retirement benefit, payable monthly, equal to one-sixtieth of his final average remuneration multiplied by

/the number

the number of years of his contributory service not exceeding thirty years.

A participant may, with the consent of the Joint Staff Pension Board, prior to the date the first payment of his retirement benefit becomes due, elect to receive a lump sum not greater than one-third of the lump sum which is the actuarial equivalent of the retirement benefit payable to him, and his retirement benefit shall be reduced accordingly.

A new paragraph has been added to provide an option for the receipt of the whole benefit in a lump sum in the case of retirement benefits of less than one hundred and twenty dollars per annum.

A participant who is entitled to a benefit under this article which is less than one hundred and twenty dollars per annum may at any time, with the consent of the Joint Staff Pension Board, receive the whole benefit payable to him in the form of a lump sum which is the actuarial equivalent of his benefit.

Article 5

DISABILITY BENEFITS

Drafting changes only.

A participant who, before reaching the age of sixty, becomes unable to perform his duties satisfactorily due to serious physical or mental impairment, shall be entitled, subject to Article 8, while such disability continues, to a disability benefit calculated and payable in the same manner as a retirement benefit. This disability benefit shall be not less than the smaller of:

(a) one-third of the final average remuneration, or

(b) the retirement benefit to which he would have been entitled if he had remained in service until he had reached the age of sixty and his final average remuneration had remain unchanged.

/Article 6

Article 6

COMMENCEMENT AND DISCONTINUANCE OF DISABILITY BENEFIT

Drafting changes and clarification as to administration of disability benefit.

The Joint Staff Pension Board shall determine, in accordance with Article 5 and the procedure laid down in the administrative rules made under these regulations, when a participant qualifies for a disability benefit. The participant shall not, however, be entitled to a disability benefit so long as he is entitled to receive any larger payments under the staff regulations applying to him.

Until the recipient of a disability benefit reaches the age of sixty, the Joint Staff Pension Board may require evidence of the continuance of disability and review his eligibility to a disability benefit in the light of such evidence. Where the Board decides that the recipient is no longer eligible for a disability benefit, it shall, after giving such notice as it considers proper to each case, discontinue the disability benefit. Where the disability benefit is discontinued and the recipient is not re-employed by the United Nations or a member organization, the Board, after taking into consideration all the circumstances existing while the benefit was being paid and at the time the benefit was discontinued, may grant to the recipient a withdrawal benefit not exceeding the amount of the withdrawal benefit which he would have received under Article 9, if he had become entitled to a withdrawal benefit at the time he began to receive disability benefit.

Article 7

DEATH BENEFITS

There has been added paragraph (b) which limits the widow benefit to the value of the benefit payable in respect /of a widow

(a) If a married male participant dies while in service, his widow shall be entitled, subject to Article 8, to a widow benefit amounting, except as provided in paragraph (c) below, to half of the benefit which would have been paid to the participant had he qualified for a disability /benefit

of a widow not more than twenty years younger than her husband.	benefit at the time of his death. This benefit shall cease on the widow's remarriage.
	(b) If a married man who is a recipient of a retirement or disability benefit dies, his widow, provided she was his wife at the time of the cessation of his service with the United Nations or member organization, shall be entitled, except as provided in paragraph (c) below, to a widow benefit half as large as the benefit being paid to the deceased at the time of his death.
	(c) If a widow eligible for a benefit under paragraph (a) or (b) is younger than the deceased by more than twenty years, the annual amount of the benefit shall be reduced so that the value of the benefit shall be the actuarial equivalent of the benefit which would have been payable to a widow twenty years younger than the deceased.
No change.	(d) Upon ceasing to be entitled to a widow benefit by reason of remarriage, the widow shall be entitled to a lump sum payment equal to twice the annual amount of her widow benefit.
This benefit payable to a designated beneficiary is a new feature.	(e) Upon the death in service of a female participant, or of a male participant who leaves no widow, there shall be paid to any person or persons who had been designated to the Joint Staff Pension Board by the participant as the beneficiary or beneficiaries a sum equal to: (1) his own contributions to the Pension Fund with compound interest at 2-1/2 per cent per annum, plus (2) such amount as may have been transferred on his account to the Pension Fund from the Provident Fund at the time of his entry into the Pension Fund, without interest.
	(f) Participants referred to in paragraph (e) shall be entitled to designate more than one beneficiary, in which case the participants

/shall determine

shall determine the proportion of the benefit to be paid to each of the beneficiaries.

Article 8

ELIGIBILITY FOR DISABILITY AND DEATH BENEFITS

Drafting changes only.

The Joint Staff Pension Board shall require every entrant or re-entrant, before admission to coverage by the benefits provided under Articles 5 and 7, to undergo a medical examination to be prescribed in the administrative rules made under these regulations, unless the Board decides to accept the findings of a medical examination previously undergone by the entrant.

Section D of the Transitional Provisions of the Provisional Scheme has been incorporated here.

On the basis of the medical examinations referred to in the preceding paragraph the Joint Staff Pension Board shall decide whether the participant concerned shall be entitled to the benefits provided under Articles 5 and 7 immediately, or shall not be entitled to those benefits until he has five years' contributory service; provided that, when a participant who has been declared by the Joint Staff Pension Board not to be entitled to the benefits provided in Articles 5 and 7 until he has five years' contributory service ceases to be employed by the United Nations or by a member organization, prior to his having five years' contributory service, as the result of disability or death, he or his designated beneficiary shall be paid a sum equal to (1) his own contributions to the Pension Fund with compound interest at 2-1/2 per cent per annum, plus (2) such amount as may have been transferred on his account to the Pension Fund from the Provident Fund at the time of his entry into the Pension Fund, without interest.

/Article 9

Article 9

WITHDRAWAL BENEFITS

Drafting changes only.

If a participant leaves the service of the United Nations, or of a member organization, prior to reaching the age of sixty, for reasons other than disability, death, or dismissal for serious misconduct, as defined in the staff regulations, he shall be entitled to the following withdrawal benefits:

No change.

(a) If the participant has less than five years of contributory service he shall be paid a sum equal to

(1) his own contributions to the Pension Fund with compound interest at 2-1/2 per cent per annum, plus

(2) such amount as may have been transferred on his account to the Pension Fund from the Provident Fund at the time of his entry into the Pension Fund, without interest.

The period of continuing coverage after withdrawal has been reduced from one month for each year of service to a fixed period of four months.

(b) If the participant has five or more years of contributory service he shall be entitled, four months after his service ceases, to a lump sum payment which shall be the actuarial equivalent at the date his service ceased of the retirement benefit payable at age sixty calculated on the basis of his contributory service and final average remuneration, provided that the amount to be received under this clause shall be not less than the amount receivable under paragraph (a) above. During that period of four months he shall be eligible for a death benefit based on his contributory service at the date he ceased to be employed by the United Nations or by a member organization, but a widow benefit will be payable only if his widow was his wife at the time his service ceased.

/If he dies

If he dies during this period of four months and a death benefit becomes payable under Article 7, no further benefit shall be payable.

No change.

(c) At the request of a participant the Joint Staff Pension Board may pay the lump sum due under (b) at a date earlier than that prescribed, but the participant shall cease to be eligible for death benefits on the date that such payment is made.

The effect of this new paragraph is to give a participant the option at withdrawal to take a pension instead of a lump sum, provided he has been in the service of the organization for one-half of the time between the date of entering the service and the date he is due to retire.

(d) Any participant whose years of contributory service when added to his age at withdrawal equal sixty years may elect to receive, in lieu of the lump sum due under (b), his withdrawal benefit in the form of a retirement benefit which is the actuarial equivalent of such lump sum.

Article 10

SUMMARY DISMISSAL FOR SERIOUS MISCONDUCT

No change.

A participant who has been summarily dismissed for serious misconduct in conformity with the Staff Regulations shall receive:

(1) his own contributions to the Pension Fund with compound interest at 2-1/2 per cent per annum, plus

(2) such amount as may have been transferred on his account to the Pension Fund from the Provident Fund at the time of his entry into the Pension Fund, without interest, provided that, on the recommendation of the Secretary-General of the United Nations, or of the competent authority of the member organization concerned, the Joint Staff Pension Board may, to the extent so recommended, grant to such participant a

Return of own contributions at least

/is now guaranteed

/a lump sum

is now guaranteed to participants summarily dismissed.

a lump sum equal to either the whole or a part of the remainder of the benefit he would have been entitled to under Article 9, had he ceased to be employed for reasons other than summary dismissal for serious misconduct.

Article 11

RE-EMPLOYMENT

The changes here have been made purely for the purposes of actuarial precision. Deferred payment facilities for repayments have been introduced.

If a person who has ceased to be employed by the United Nations, or a member organization, becomes a participant on a new appointment, the following provisions shall apply, subject to Article 8:

(a) If the participant received a lump sum withdrawal benefit:

(1) He shall pay into the Pension Fund in a manner acceptable to the Joint Staff Pension Board a sum or sums equivalent to the withdrawal benefit received, with compound interest at 2-1/2 per cent per annum;

(2) The repayments so made shall be credited as additional contributions in accordance with the provisions of Article 17.

(b) If the participant was in receipt of a withdrawal benefit under Article 9 (d):

(1) Payment of that benefit shall cease;

(2) The lump sum which is the actuarial equivalent of such discontinued benefit at the date upon which payments were discontinued shall be credited as an additional contribution in accordance with the provisions of Article 17.

(c) If the participant was in receipt of a disability benefit:

(1) Payment of that benefit shall cease;

(2) He shall re-enter the Pension Fund

/as a participant

as a participant with credit for the contributory service which he had when disability began.

Article 12

PRESERVATION OF PENSION RIGHTS

Drafting changes only.

Any agreement adjusting the provisions of these regulations which the Secretary-General proposes to conclude with a Member Government with a view to securing continuity of pension and staff benefit rights of participants, shall be communicated to the Joint Staff Pension Board by the representatives of the Secretary-General on that Board, for observations, prior to the approval of such an agreement by the General Assembly.

Article 13

ESTABLISHMENT OF A PENSION FUND

Important drafting changes.

A Fund shall be established to meet the liabilities resulting from these regulations. All moneys deposited with bankers, all securities and investments and all other assets which are the property of the Fund shall be deposited, acquired and held in the name of the United Nations. The Fund shall be administered separately from the assets of the United Nations by the Joint Staff Pension Board in accordance with these regulations, and shall be used solely for the purposes provided for in these regulations.

Article 14

PAYMENTS INTO THE FUND

Drafting changes only.

The Fund shall be maintained by:

(a) The contributions of the participants;

(b) The payments of the United Nations and of the member organizations;

(c) The yield from the investments of the Fund;

(d) Any other receipts appropriate to the purposes of the Fund.

/Article 15

Article 15

CONTRIBUTIONS OF PARTICIPANTS

Drafting changes only.

Seven per cent of the pensionable remuneration of each participant shall be deducted from his remuneration and paid each month to the Pension Fund.

During any period of sick leave on full or half pay, participants shall continue to contribute to the Pension Fund by deduction from such payments on the basis of their full pensionable remuneration.

During any period of authorized leave without pay or sick leave without pay, a participant may have such periods included in his contributo[ry] service by paying his own contribution and the contribution that would normally be payable under Article 16 of these regulations by the United Nations or a member organization on the basis of his full pensionable remuneration. In cases approved by the Secretary-General in the case of the United Nations staff, or by the competent authority in the case of the staff of member organizations, the United Nations or the member organizations may continue to pay the contribution otherwise due under Article 16 of these regulations notwithstanding that the participant is not in receipt of pensionable remuneration, and in such cases the participant will pay only his own contribution.

Article 16

PAYMENTS BY THE UNITED NATIONS AND EACH MEMBER ORGANIZATION

Drafting changes only.

The United Nations and each member organization shall pay to the Pension Fund in respect of the participants employed by them:

(a) Each month a contribution of an amount equal to 14 per cent of the total monthly pensionable remuneration of these participants;

(b) Each month such additional contributions

as are necessary to maintain the Fund in a position to meet the obligations in respect of participants to whom the provisions of Article 3 apply.

Article 17

VOLUNTARY DEPOSITS BY PARTICIPANTS

This is a new article providing for voluntary deposits to be made in order to purchase increased benefits.

(a) In addition to the contributions deducted from the remuneration of a participant as provided in Article 15, any participant may, subject to the approval of the Joint Staff Pension Board and under such conditions as the Board may prescribe, deposit in the Pension Fund in a lump sum and/or by an increased rate of contribution an amount computed to be sufficient to purchase an additional retirement benefit which, together with his prospective regular retirement benefit as provided herein, will provide for him a total retirement benefit not to exceed one-third of his final average remuneration at the age of retirement. Interest at such rates as may be set from time to time by the Board shall be allowed on such contributions.

(b) Such additional contributions, together with the interest thereon, shall be credited to the participant's individual account in the Pension Fund and shall be used to provide an additional benefit payable in the same form and at the same time as any regular benefit to which he may become entitled under these regulations and such additional benefit shall be the actuarial equivalent of the amount so credited at the time such benefit becomes payable.

(c) Any married male participant who has contributed under the provisions of this article and who becomes entitled to a retirement or disability benefit may, prior to the commencement of payment of such benefit, elect to receive, in lieu of the additional benefit payable in

/accordance

accordance with (b) of this article, a benefit payable only during his own lifetime which is the actuarial equivalent of the benefit including the prospective widow benefit otherwise payable.

Article 18

DEFICIENCY PAYMENTS

Drafting changes only.

If at any time an actuarial valuation shows that the assets of the Pension Fund may not be sufficient to meet the liabilities under the regulations, there shall be paid into the Fund by the United Nations and each member organization the sum necessary to make good the deficiency. The United Nations and each member organization shall contribute to this sum an amount proportionate to the total contributions which each paid under Article 16 during the three years previous to the date of the actuarial valuation referred to above.

Article 19

UNITED NATIONS STAFF PENSION COMMITTEE

Drafting changes only.

The United Nations Staff Pension Committee shall consist of three members elected for three years by the General Assembly, three members appointed by the Secretary-General and three members, who must be participants and on the staff of the United Nations, elected for three years by such participants by secret ballot. Where questions directly affecting participants employed in the Registry of the International Court of Justice are under consideration, a member appointed by the Registrar shall be entitled to attend the meetings of the Staff Pension Committee. The Assembly and the participants shall each elect three alternate members for three years, and the Secretary-General shall appoint three alternate members.

The term of office of elected members of the United Nations Staff Pension Committee shall begin on 1 January following the election and

/shall terminate

shall terminate on 31 December following the election of their successors. The elected members shall be eligible for re-election.

A secretary to the United Nations Staff Pension Committee shall be appointed by the Secretary-General upon the recommendation of the United Nations Staff Pension Committee. The Secretary of the Joint Staff Pension Board can be appointed to this office.

Article 20

STAFF PENSION COMMITTEES OF MEMBER ORGANIZATIONS

Drafting changes only.

Each member organization shall have a Staff Pension Committee which shall include members chosen by the body of the member organization corresponding to the General Assembly of the United Nations, by the chief executive officer, and by the participants.

Article 21

JOINT STAFF PENSION BOARD

The number of the representatives of the United Nations has been increased from three to nine members.

The Joint Staff Pension Board shall consist of nine members appointed by the United Nations Staff Pension Committee and three members appointed by each of the Staff Pension Committees of the member organizations.

A standing committee of the Board may be appointed to which the powers of the Board may be delegated.

The Joint Staff Pension Board may appoint a standing committee which will act on its behalf when the Board is not in session.

Article 22

SECRETARY OF THE JOINT STAFF PENSION BOARD

Drafting changes only.

Upon the recommendation of the Joint Staff Pension Board, the Secretary-General of the United Nations shall appoint a secretary and other officer or officers to act in the absence of the secretary. The secretary and the officer acting in his absence shall exercise their functions under the authority of the Board. The

/payment

payment of all benefits under these regulations must be certified by the secretary or the officer authorized by the Board to act in his absence.

Article 23

POWER OF DELEGATION

The powers which may be delegated by the Joint Staff Pension Board to the Staff Pension Committees have been expanded to include admission of participants.

Subject to Article 22, the Joint Staff Pension Board may delegate to the Staff Pension Committees of the United Nations and of each member organization in respect of the participants and beneficiaries in these bodies some or all of its discretionary powers relating to:

(a) Admission of participants;

(b) The granting of benefits under these regulations.

Article 24

INVESTMENT OF ASSETS OF THE FUND

Drafting changes only.

Subject to the complete separation to be maintained between the assets of the Fund and the assets of the United Nations as provided in Article 13, the investment of the assets of the Fund shall be decided upon by the Secretary-General, after consultation with an Investments Committee, and after having heard any observations or suggestions by the Joint Staff Pension Board concerning the investments policy. The Investments Committee shall consist of three members appointed by the Secretary-General after consultation with the Advisory Committee on Administrative and Budgetary Questions, subject to subsequent confirmation by the General Assembly.

Article 25

STAFF

Provision has been made for the appointment of Consulting actuaries.

Subject to Article 22 the Secretary-General shall provide the staff required by the Joint Staff Pension Board and by the Staff Pension Committee of the United Nations, including the staff necessary for keeping of the accounts and records of the Fund and the payment of benefits.

/Consulting

Consulting actuaries to the Joint Staff Pension Board shall be appointed by the Secretary-General on the recommendation of the Board.

Article 26

ADMINISTRATIVE EXPENSES

Drafting changes only.

Expenses incurred in the administration of these regulations by the Joint Staff Pension Board and by the Staff Pension Committee of the United Nations shall be met out of the general budget of the United Nations.

Expenses incurred in the administration of these regulations by the Staff Pension Committee of a member organization shall be met out of the general budget of that organization.

Article 27

ADMISSION OF SPECIALIZED AGENCIES

Drafting changes only.

A specialized agency referred to in Article 57, paragraph 2, of the Charter shall become a member organization of the United Nations Joint Staff Pension Fund on its acceptance of these regulations, provided that agreement has been reached with the Secretary-General of the United Nations as to any payments necessary to be made by such specialized agency to the Pension Fund in respect of the new obligations incurred by the Fund through its admission, and as to the other transitional arrangements that may be necessary, including the extent to which these regulations are to be applicable to employees of the specialized agencies at the time of admission to the Scheme.

Any agreement which the Secretary-General proposes to conclude with a specialized agency shall be communicated to the Joint Staff Pension Board by the representatives of the Secretary-General on that Board, for observations, prior to its conclusion.

/Article 28

Article 28

ADOPTION OF BASIC TABLES

The substance of this article remains unchanged. It has been expanded for the sake of clarity.

The Joint Staff Pension Board, upon advice of a qualified actuary, or actuaries, shall adopt from time to time service and mortality tables and the rate of regular interest which shall be used in all actuarial calculations required in connection with the Pension Fund. Unless and until changed by the Joint Staff Pension Board, a rate of 2-1/2 per cent per annum shall be the applicable rate of regular interest. Once in each five years following the establishment of the Pension Fund the Board shall have an actuarial investigation made into the mortality, service, and compensation experience of the participants and beneficiaries of the Pension Fund, and taking into account the results of such investigation, the Board shall adopt such mortality, service and other tables as it shall deem appropriate.

Article 29

CURRENCY

No change.

Contributions and benefits shall be calculated in the currency in which the pensionable remuneration is fixed by the terms of employment.

Payments of benefits may be made in the currency selected from time to time by the recipient at the rate of exchange prevailing at the date of payment.

Article 30

ACTUARIAL VALUATIONS

No change.

The Joint Staff Pension Board shall have an actuarial valuation of the Pension Fund made not later than one year after the appointed date by a qualified actuary, or actuaries, and thereafter at least every three years. The actuarial report shall state the assumptions on which the calculations are based; it shall describe the method of valuation used; it shall

/state

state the results of the investigations as well as the recommendations, if any, for any appropriate action. The report shall be presented to the Joint Staff Pension Board, to the Secretary-General of the United Nations and to the competent authority of each member organization.

Upon the receipt of the actuarial report, the Joint Staff Pension Board shall make proposals to the General Assembly and to member organizations as to any action to be taken as a result thereof. Copies of the actuarial report and of any such proposals shall be forwarded to the Advisory Committee on Administrative and Budgetary Questions

Article 31

NON-ASSIGNABILITY OF RIGHTS

No change.

A participant or a beneficiary may not assign his rights under these regulations to another person.

Article 32

DEBTS OWED TO THE FUND

Drafting change.

Any payment due from a participant to the Pension Fund and unpaid at the date of his becoming entitled to any benefit under these regulations, shall be deducted from the benefit in a manner to be determined by the Staff Benefit Committee.

Article 33

DOCUMENTARY EVIDENCE

Drafting change.

Every participant and every beneficiary under these regulations shall furnish such documentary evidence as may be required under the administrative rules.

Article 34

ANNUAL REPORT

No change.

The Joint Staff Pension Board will present annually to the General Assembly of the United Nations and to the member organizations a report, including a balance sheet, on the operation of

/these regulations.

these regulations. The Secretary-General will inform each member organization of any action taken by the General Assembly upon the report.

Article 35

ADMINISTRATIVE RULES

Drafting change.

The Joint Staff Pension Board shall make administrative rules necessary for the carrying out of these regulations. These administrative rules shall be reported to the General Assembly and to the competent organ of each member organization.

Article 36

AMENDMENTS

As these regulations are submitted for consideration as a permanent scheme, protection for acquired rights has been re-introduced.

The Joint Staff Pension Board may recommend to the General Assembly amendments to these regulations. The General Assembly may amend these regulations and the regulations so amended shall take effect in regard to the participants in the Fund, including those who were participants before the regulations were amended, as from the date specified by the General Assembly but without prejudice to the acquired rights of participants or beneficiaries.

Article 37

APPOINTED DATE

Drafting change.

These regulations which supersede and replace the Provisional Regulations of the United Nations Joint Staff Pension Scheme shall come into force on 1 January 1949.

TRANSITIONAL PROVISIONS RELATING TO THE UNITED NATIONS

Provision A

TRANSFER OF PROVIDENT FUND CREDITS

No change.

The credit of a participant in the Staff Provident Fund shall be transferred to the Pension Fund on the date on which he becomes a participant in the Pension Fund

/Provision B

Provision B

UNITED NATIONS PAYMENT

No change.

The United Nations shall pay into the Pension Fund a sum equal to 75 per cent of the amounts transferred under Provision A.

Provision C

TRANSFER OF CONTRIBUTORY SERVICE

No change.

For the purpose of these regulations, the period in respect of which a participant contributed to the Staff Provident Fund shall be counted as contributory service.

Provision D

ADMINISTRATION OF THE FUND

Drafting change.

Until such time as a member organization is admitted to the United Nations Joint Staff Pension Fund under Article 27, the United Nations Staff Pension Committee shall exercise the powers and perform the functions of the Joint Staff Pension Board, and the secretary of the United Nations Staff Pension Committee, appointed on the recommendation of the Committee by the Secretary-General, shall exercise the powers and perform the functions of the secretary of the Joint Staff Pension Board.

Provision E

ELECTION OF MEMBERS OF THE STAFF PENSION COMMITTEE

No change.

Notwithstanding the provision of Article 19, the first election of the three members of the United Nations Staff Pension Committee, and their alternates, elected by the participants, shall be for a one-year term, and the second election shall be for a two-year term.

Note: Section D of the Transitional Provisions of the Provisional Scheme has been deleted, as the substance of that provision has been revised and included in Article 8 of the revised regulations.

/ANNEX 2

ANNEX 2

STATEMENT OF MR. A. J. ALTMEYER, MEMBER OF THE
STAFF BENEFIT COMMITTEE

15 June 1948

As stated on page 3 of the Report, I am in agreement in regard to the nature and type of benefits proposed. However, I am in disagreement as to the general level of benefits as proposed, as to some of the conditions surrounding the payment of the proposed benefits, and as to the failure to include a refund death benefit if other benefits previously paid are less than the participant's own contributions have been.

Therefore I am summarizing my views as follows:

1. Necessity for conservativeness in fixing general level of benefits before data are available for making more accurate actuarial estimates.

The report of the Committee on page 8 emphasizes that it is contemplated that this Staff Pension Fund shall depend "solely on ordinary contributions for their financing". Accepting this principle I think it is important that we do not promise more by way of benefits than can be financed under the proposed contributions. Therefore, I am suggesting that the allowance for for each year of service be 1-1/2 per cent (which is the equivalent of 1/66 instead of 1/60). The actuary has estimated that this would make a reduction in the cost of the benefits of 1.32 per cent of payroll.

This more conservative level of general benefits would not react to the disadvantage of many participants during the first few years of the operation of the system and would be some assurance against promising too much. There will, of course, be very few retirements for a number of years to come. The minimum disability benefit of one-third of wages will be higher than the benefit calculated according to the 1/60 formula for the first twenty years. The minimum widow benefit which is related to the disability benefit for deaths in active service will be higher than the benefit calculated according to the 1/60 formula for the first twenty years. The orphans' benefits will not be affected in any way whatsoever.

I have every confidence in the competence of the actuary who has been advising the Committee. However, the margin of error that is involved may be as high as 150 per cent depending upon the assumptions that are made as regards interest rate, mortality, retirement, withdrawal rate and wage scale.

/I believe that

I believe that the proportion of the salary which is allowed for each year of service should be higher for the lower salaried than for a higher salaried employee. Therefore if 1-1/2 per cent as a single rate for all employees is considered too low it would be possible and desirable to allow a larger proportion of wage for the lower salaried employees and a smaller proportion of wage for the higher salaried employees and still result in a weighted average of 1-1/2 per cent for employees as a whole.

2. <u>Unwise to allow option of withdrawal benefit of actuarial equivalent in lieu of annuity after five years' service</u>

A sound pension plan should provide a maximum amount of insurance protection by spreading the risk among all participants. That is its important characteristic as contrasted with a Provident Fund which is purely an individual savings system. The option of withdrawal of the actuarial equivalent not only reduces the insurance protection provided under the pension plan but also introduces an inequitable and actuarially dangerous form of individual savings. This is the inevitable result, because persons who are in ill health and without potential beneficiaries will naturally exercise this option whereas others with beneficiaries will not. This adverse selection against the Fund apparently has not been recognized by the Staff Benefit Committee since in its report of 9 June to the Advisory Committee on Administrative and Budgetary Questions the following statement appears:

> "Payment of the actuarial equivalent in cash does not involve any additional cost as compared with paying a pension. The actuarial equivalent represents that valuation of each member's rights at which the Fund could pay them all off and remain just exactly solvent. To liquidate with everybody on this basis would be a perfectly sound proposition."

3. <u>Unwise to pay pensions to young widows without children</u>

I do not believe that it is wise use of limited funds to pay pensions to young widows without children. Both the British social security system and the United States social security system recognize that it is better to devote the funds available to financing other more needed benefits rather than paying pensions to young widows without children. If pensions to widows were only payable in the case of young widows with children under eighteen or of widows who had reached retirement age, the saving in cost might be as much as one to 1-1/4 per cent of payroll.

4. <u>Unwise to continue to pay orphans' benefits out of general budget</u>

I object to the suggestion made on page 10 that Orphans' Benefits continue to be payable from the general budget instead of being included

/in the Staff

in the Staff Pension Scheme. There is no sound reason why these benefits should not be included in the scheme. The argument that these benefits will be small in the early years of the system and the cost difficult to compute applies with far greater force to the other types of benefits proposed. As a matter of fact, the cost of retirement benefits will be even smaller proportionately in the early years of the system and their cost much harder to compute than the cost of Orphans' Benefits.

5. <u>There should always be paid at least the participant's own contributions</u>

An inequitable feature of the proposed plan is that there is no guarantee that as a minimum there shall be paid to the participant or his estate at least the amount of his own contributions. The failure to include this minimum guarantee will result in many inequities and anomalies. For example, if a retired participant dies shortly after having retired leaving no widow or orphan, no further benefit is payable even to a "designated beneficiary". Likewise, if there is no designated beneficiary, or if death of the widow occurs shortly after death of the participant, or if beneficiary is a child who reaches eighteen or dies shortly after the death of the participant, the amount of benefit paid would be inconsiderable compared with the contributions actually made. Under such circumstances, the participant might hesitate to retire, especially if he were disabled, or else he would make use of the provision for a lump sum withdrawal benefit (recommended against, above) thus defeating in part the purpose of the Pension Scheme.

The cost of providing this minimum refund death benefit would not be great, probably no more than one-half per cent of payroll.

6. <u>Unwise creation of vested rights of participants and beneficiaries</u>

The proposed amendment to article 36 provides that no future amendments shall affect the "acquired" rights of participants or beneficiaries. There is no definition of the term "acquired". Therefore, this term could be interpreted to prevent any amendment from affecting adversely any potential rights. As a matter of fact, the explanation which the Staff Benefit Committee made in its statement to the Advisory Committee on Administrative and Budgetary Questions indicates that the Committee had in mind the protection not only of benefits already awarded but of potential benefits. I believe that such a broad vesting of rights is unwise and dangerous since it will tie the hands of the General Assembly in making improvements in the light of experience and create additional uncertain financial liabilities.
