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REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Report of the Advisory Committee on Administrative and Budgetary
Questions to the General Assembly at its twenty-sixth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board to the General Assembly at its twenty-sixth session.^{1/} The Committee noted that although the Board had met in July, its report became available only in the latter half of November. The Committee recommends that the General Assembly request the Board to review its procedures so that it may submit its future reports early in the regular sessions of the Assembly.
2. In annex IV to its report the Board submits a draft resolution which deals with
 - (a) Amendment of the Regulations of the Fund, and the application of the Regulations, as amended, to participants and former participants in the Fund;
 - (b) Adjustment of benefits in respect of cost-of-living changes;
 - (c) Administrative expenses.

In annexes I to III the Board submits financial statements and schedules for the year ended 30 September 1970, statistics for the operation of the Fund for the same year and the report of the Board of Auditors.

^{1/} Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 9 (A/8409).

Amendment of the Regulations of the Fund

3. The Board's recommendations to the General Assembly for the amendment of the Regulations of the Fund are contained in annex V. Their primary purpose is to improve benefits payable to participants in the Fund by:

(a) Altering the basis for computing final average remuneration from the average of the last five years of contributory service to the average of the best three out of the last five such years; the cost of this recommendation in actuarial terms would be about \$56.8 million;

(b) Providing for a new minimum benefit of \$300 per annum, or the final average remuneration of the participant whichever is smaller, when the retirement disability or widow's benefit would otherwise be less; the Board estimates that this proposal would have no significant cost implications;

(c) Lowering the reduction factor applied to early-retirement pensions from approximately 6 per cent per annum to 2 per cent, where the participant has twenty-five years of contributory service to his credit; the cost of the measure in actuarial terms would be about \$15.5 million;

(d) Amending provisions relating to leave without pay (at no extra cost to the Fund);

(e) Enabling a female participant to provide a benefit for her surviving spouse by accepting a reduced benefit for herself (at no extra cost to the Fund).

4. Thus the Board proposes five changes in benefits. Three of these are of a relatively minor nature. Of the two major improvements proposed, the change in the basis for computing final average remuneration (paragraph 3 (a) above) will have the effect of increasing future pensions by about 5 per cent on average. The Board recommends that a 5 per cent increase be applied simultaneously to pensions already in payment.

5. The other important change would effect a significant improvement in the retirement benefits of participants with at least 25 years' service who retire before the age of 60. At present their pensions are reduced by about 6 per cent for each year of age short of 60. If the Board's recommendation is accepted the rate of reduction will become 2 per cent. Thus, a participant retiring at age 55 with 25 years or more of service would suffer a reduction of only 10 per cent of his pension as compared with the present reduction of about 30 per cent (based on actuarial calculations).

6. The Advisory Committee was informed that the Board's recommendations had been adopted unanimously, after the Board had considered numerous suggestions in the context of the over-all system of benefits payable by the Fund. The Committee was assured that when making its recommendations the Board bore in mind the systems of benefits payable under the pension schemes of the civil services of the countries where the member organizations of the Fund have their headquarters. The Committee welcomes that assurance as it is of the opinion that there should be no automatic assumption that increases in the resources of the Fund must be translated into improved benefits. All proposed improvements must be viewed on their merits and by reference to the over-all pattern of benefits payable under national schemes.
7. The Advisory Committee noted from paragraphs 32 and 33 of the Board's report that the Board had carried out an actuarial valuation which revealed that the Fund had sufficient financial resources in hand to support the proposed benefit improvements and that approval of the Board's recommendations would not prejudice the Fund's financial self-sufficiency or impinge in any way upon the budgets of the member organizations.
8. Thus, in paragraph 35 of its report the Board indicates that if the proposed improvements in benefits are implemented (see paragraphs 3 above and 11 below), at a total actuarial cost of \$73.6 million, the Fund would have a safety margin, in actuarial terms of \$26.4 million which is regarded by the Board as adequate in existing circumstances.
9. Contributions to the Fund are collected in dollars and benefits are expressed in dollars. The Board therefore considered the impact on pensioners resident in countries whose currencies have been revalued in terms of the dollar. The Board decided to propose no action to the General Assembly for the time being but it is to study further the revaluation problems. The Advisory Committee believes that it should be clearly understood that the implementation of any proposals which might emerge from that study would be dependent upon the Fund being able to support them without any subvention from the regular budgets of the United Nations or of the other participating organizations.
10. Subject to the above observations the Advisory Committee has no objection to the proposed amendments of the Regulations of the Fund in annex V of the Board's

report, and to the modalities of the application of the Regulations, as amended, in section II of the draft resolution recommended by the Board.

Adjustment of benefits in respect of cost-of-living changes

11. In paragraph 34 (b) of its report the Board recommends that the index on the basis of which the Fund applies to benefits in payment of the cost-of-living supplements payable under General Assembly resolution 2122 (XX) of 21 December 1965, should henceforth be derived from the average movement over three years (instead of five as heretofore) of the weighted post-adjustment element. The Board's recommendation pursues two objectives: (a) to align this period with the three-year period it is recommending for purposes of computing final average remuneration (see paragraphs 3(a) and 4 above); and (b) to reduce the time-lag between increases in the cost of living and application of the corresponding supplement to benefits in payment. The Board estimates the cost of this measure, in actuarial terms, at about \$1.3 million. The Advisory Committee has no objection to the Board's recommendation.

Administrative expenses

12. The estimated administrative expenses of the Fund in 1972 as submitted by the Board amount to \$1,001,430 gross or \$907,830 net. The Board also submits supplementary estimates for 1971 of \$97,230 gross (\$92,230 net). A comparison, by object of expenditure of the administrative budgets of the Fund for 1970, 1971 and 1972 is given below:

<u>Object of expenditure</u>	<u>1971^{a/}</u>				<u>1970^{a/}</u>
	<u>1972 estimates</u>	<u>Initial appropriations</u>	<u>Supplementary estimates</u>	<u>Total</u>	<u>Actual expenses</u>
	\$	\$	\$	\$	\$
Salaries and wages					
Established posts	293,600	255,600	15,600	271,200	189,999
Overtime	8,500	8,500	-	8,500	12,752
Temporary assistance	62,700	48,800	15,600	64,400	87,642
Common staff costs	69,500	55,700	2,400	58,100	50,922
Investments costs	511,230	322,000	31,530	353,530	250,904
Consultants	12,700	67,600	12,500	80,100	47,430
Travel of staff	10,300	11,900	5,300	17,200	5,348
External audit	6,000	6,000	-	6,000	6,000
Committee of Actuaries	2,000	2,000	1,100	3,100	-
Computer services	20,000	20,000	-	20,000	20,000
Hospitality	900	900	-	900	612
Communications	4,000	4,000	-	4,000	4,000
Printing of booklet	-	-	13,200	13,200	-
Total, gross	1,001,430	803,000	97,230	900,230	675,609
Less: Staff assessment	93,600	64,680	5,000	69,680	54,984
Total, net	907,830	738,320	92,230	830,550	620,625

a/ Adjusted for comparability with 1972 presentation.

13. The main increase in 1972 compared with 1971 occurs under Investments costs (\$189,230 over the 1971 initial appropriations). This increase is due principally to the proposed addition of three professional posts (two P-5, one P-3) and four general service posts for investment management provided to the United Nations Office of the Controller ((\$115,730) and to an increase of \$69,000 in the fees paid for contractual investment services. Considering the current size of the Fund and the diversity of its investment interests, the Advisory Committee concurs in the

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proposed increases. The strengthening of the staff resources for investment management also accounts for much of the supplementary estimates for 1971 (\$31,530 out of \$97,230 gross).

14. Except for the seven new investment management posts referred to in the preceding paragraph the Board is not proposing any other changes in the manning table of the Fund.^{2/} The increases under established posts and under common staff costs (up \$38,000 and \$13,800 respectively over the initial appropriations for 1971) are due to within-grade increments and increases in salary rates.

15. The large decrease under Consultants is principally attributable to the fact that the level of actuarial and management survey services in 1972 will be well below that in 1971.

16. The 1972 estimate of \$1,001,430 gross constitutes in its entirety a charge against the Fund. It excludes an amount of \$176,900 corresponding to one-third of the estimated cost of established posts, common staff costs and travel on home leave, which relates to the services provided by the secretariat of the Fund to the United Nations Staff Pension Committee and which is charged under section 12, chapter VIII, of the United Nations budget estimates for 1972.^{3/}

17. The Advisory Committee noted from paragraph 37 of the Board's report that the administrative costs proper (i.e. excluding investment costs) amount to \$417,300 net, or about 0.12 per cent of total pensionable remuneration as at 30 September 1970, as compared with 0.13 per cent for the previous year.

18. The Advisory Committee recommends approval of the Board's estimate of administrative expenses for 1972 and the supplementary estimate for 1971.

Report of the Board of Auditors

19. The Advisory Committee has considered the report of the Board of Auditors on the accounts of the Fund for the year ended 30 September 1970 which is contained in annex III to the report of the Board of the Fund. The Committee noted that the

^{2/} The proposed manning table of the Fund for 1972, including the investment management posts consists of 13 professional posts (one D-2, one D-1, two P-5, three P-4, two P-3 and four P-2) and 27 general service posts - a total of 40.

^{3/} Official Records of the General Assembly, Twenty-sixth Session, Supplement No. 8 (A/8408), para. 215.

percentage of market value of the total investment of the Fund to its book value declined to 93.2 per cent as at 30 September 1970 (from 106.7 per cent at 30 September 1968 and 98.6 per cent at 30 September 1969). Of the three individual categories of investments, bonds had fared noticeably worse than convertible bonds and stocks. In this connexion, the Advisory Committee noted paragraphs 20 to 26 of the report of the Pension Board concerning the review by the Board of the Fund's investment policies and arrangements.

20. With reference to paragraph 12 of the Auditors' report, the Advisory Committee is awaiting with interest the outcome of the current review of the cost of the services and facilities provided to the Fund by the United Nations.

21. In paragraph 13 of its report the Board of Auditors states that the United Nations Secretariat and the Pension Board are taking steps towards the implementation of the recommendations made by the Board of Auditors the previous year.^{4/}

22. The Advisory Committee noted from paragraphs 18 and 19 of the Pension Board's report that the Board, after reviewing the system of audit of the Fund's accounts under article 14 (b) of the Regulations, decided to seek agreement with the United Nations Board of Auditors whereby the latter would secure whatever specialized professional advice or assistance it might need for the purpose of conducting the audit. The agreement in question, which would clearly spell out the scope and manner in which the audit would be performed for the future, would be worked out in consultation with the Advisory Committee.

23. Subject to the observations and recommendations contained in the preceding paragraphs the Advisory Committee has no objection to the draft resolution submitted by the Pension Board in Annex IV to its report.

^{4/} Ibid., Twenty-fifth Session, Annexes, agenda item 83, document A/8216, paras. 3-4.