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UNITED NATIONS JOINT STAFF PENSION FUND

REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD ON THE
FOURTH ACTUARIAL VALUATION OF THE UNITED NATIONS JOINT STAFF
PENSION FUND AS OF 30 SEPTEMBER 1956 1/

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AMENDMENTS TO THE REGULATIONS OF THE UNITED NATIONS JOINT STAFF PENSION FUND
REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD 2/

Twenty-third report of the Advisory Committee on Administrative and Budgetary
Questions to the twelfth session of the General Assembly

Fourth actuarial valuation of the Fund

1. Article XXXI of the Regulations of the United Nations Joint Staff Pension Fund provides that the Joint Staff Pension Board shall have an actuarial valuation of the Pension Fund made, under stated conditions, at least once every three years; that, upon receipt of the actuarial report, the Pension Board shall make proposals to the General Assembly of the United Nations, and to member organizations, for any action to be taken as a result thereof; and that copies of the actuarial report and of any such proposals shall be forwarded to the Advisory Committee on Administrative and Budgetary Questions.
2. The Advisory Committee has accordingly considered the report^{3/} of the Joint Staff Pension Board on the fourth actuarial valuation of the Pension Fund as of 30 September 1956.^{4/}

- 1/ Official Records of the General Assembly, Twelfth Session, Supplement No. 8A (A/3642).
- 2/ Ibid., Supplement No. 8 (A/3611).
- 3/ Ibid., Supplement No. 8A (A/3642).
- 4/ The financial year of the Fund runs from 1 October to 30 September.

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3. The consulting actuary has estimated (A/3642, para. 19) a margin of 0.74 per cent of pensionable remuneration between the 21 per cent contribution required by the Regulations and the contributions necessary to meet benefit payments and administrative expenses. The Pension Board has concurred in the actuary's recommendation that contributions should be continued at the rate of 14 per cent of pensionable remuneration of participants payable by the member organizations and 7 per cent of such remuneration payable by the participants.

Review of the basic tables of the Fund

4. The actuary also undertook, in accordance with article XXIX of the Regulations, an investigation into the mortality, service and compensation experience of the participants and beneficiaries of the Fund (A/3642, paras. 29 to 30). This investigation showed that the tables currently in use have proved to be slightly conservative: the actual experience has been more favourable to the Fund than was anticipated in these tables. In order to bring the actuarial assumptions more into line with actual experience, the actuary has recommended revised basic tables which have now been adopted by the Board, in accordance with article XXIX of the Regulations.

5. An actuarial valuation of the Fund, as of 30 September 1956, based on the revised tables - instead of the tables currently in use on that date - shows (A/3642, para. 36) a favourable margin of 0.83 per cent of pensionable remuneration between the 21 per cent contribution required by the Regulations and the contributions necessary to meet benefit payments and administrative expenses. This would seem to assure the actuarial soundness of the Fund on the basis of the revised tables as well, provided that the experience of the past few years is maintained.

Amendments to the Regulations of the Fund

6. The Advisory Committee has also considered the amendments to the Regulations of the United Nations Joint Staff Pension Fund which, in accordance with article XXXVII of those Regulations, the Joint Staff Pension Board has recommended to the General Assembly (A/3611, annex II, pages 22 to 25).

7. The amendments under reference fall into four broad categories:

(a) Amendment resulting from the actuarial review of past experience: amendment to article XXIX;

(b) Amendments for improvements in benefits facilitated by the results of the actuarial valuation: amendments to articles IV, V and VII;

(c) Amendment related to fixed-term appointments: amendment to article III and the addition of a new supplementary article B;

(d) The remaining amendments which are recommended either to clarify the intent of the General Assembly (article I) or as being consequential to (a) above (articles III.1, VII.5, X.1, X.3, XI, XII.1 and 2, and XVI.6).

Article XXIX (Adoption of basic tables)

8. The proposed amendment incorporates the Pension Board's decision, in the light of the actual interest earned on investments of the Pension Fund, to change, effective 1 January 1958, the statutory rate of regular interest from 2-1/2 per cent to 3 per cent. Article XXIX of the Regulations provides the Board with authority to make this change which appears reasonable to the Advisory Committee.

Articles IV (Retirement benefits), V (Disability benefits) and VII (death benefits)

9. In the light of the actuary's determination that the experience to date and the change in the rate of interest from 2-1/2 per cent to 3 per cent will bring about an increased actuarial margin in the Fund, the Board has recommended the following improvements in benefits:

(a) The retirement benefit would be based on one-fifty-fifth, instead of the present one-sixtieth, of final average remuneration multiplied by the number of years of the participant's contributory service not exceeding thirty years;

(b) The disability benefit would also be based on one-fifty-fifth of final average remuneration; in addition, for participants entering the Fund before the age of forty, the minimum disability benefit would be increased from three-tenths to one-third of final average remuneration; and

(c) There would be a minimum widow's benefit of \$750 per annum or twice the amount which would otherwise have been payable, whichever is smaller. (At present there is no minimum.)

10. In order to satisfy itself that the increased margin in the Fund would more than cover the additional cost of the proposed improvements in benefits, the Board asked the actuary to undertake a further valuation of the Fund on the basis of:

(a) A 3 per cent rate of interest;

(b) The revised basic tables which have been adopted; and

(c) A system of benefits including the proposed improvements.

11. The actuary's report on this valuation (A/3690, para. 10) shows that, after giving effect to the proposed amendments, there would still be a favourable actuarial margin in the Fund of 0.81 per cent of pensionable remuneration.
12. The Advisory Committee understands that the Pension Board was of the opinion that the proposed improvements in benefits were intrinsically justified on grounds of social policy. The Committee did not hear sufficient evidence to support this view, and, before accepting such a view, the Committee would wish to see a comparison of the United Nations scheme in its totality with the corresponding benefits provided under governmental pension schemes. Further, when the present scheme was framed in 1948, the Advisory Committee had recommended that should actuarial valuation disclose a surplus in the Fund, such surplus might be used to reduce contributions (A/534, para. 49).^{5/} It may also be noted that, in accordance with the recommendations of the Salary Review Committee, as approved by the General Assembly, the whole question of the pensionable remuneration is to be reviewed by the Administrative Committee on Co-ordination, with the assistance of an expert group.
13. It appears to the Advisory Committee to be unwise, having regard to the complexity of the subject, to effect the proposed improvements in benefits in one part of the existing scheme so shortly before and without reference to the proposed over-all review. Furthermore, the existing scheme has been in force only ten years and the system of benefits is designed primarily for life-long careers. The proposed adjustments in benefits are not, therefore, of such urgency in their impact that they cannot await the over-all review.
14. The Advisory Committee accordingly recommends that the General Assembly should defer a decision on the Board's proposals so that they can be considered as part of the general review.

Article II (Participation) and supplementary article B

15. The Pension Board's recommendation for the institution of a scheme for associate participation in the Fund, limited to death and disability coverage, of staff members on fixed-term contracts of not more than five years is in line with the conclusions of the Salary Review Committee, which were based on a suggestion

^{5/} Official Records of the General Assembly, Third Session, Supplement No. 7.

made initially by the Secretary-General (A/3209, paras. 232 and 233). The proposed amendment to article II redefining the conditions of eligibility for full participation in the Fund appears to be in order and may be accepted.

16. Although the Salary Review Committee suggested that the cost of associate participation should be met by the member organization concerned, the executive heads of the organizations in their joint statement (A/C.5/691, para. 59) proposed a sharing of the cost in the same ratio as the cost of full participation, i.e., one-third by the staff member and two-thirds by the organization. The Pension Board has, however, adhere on practical grounds to the suggestion of the Salary Review Committee.

17. The Advisory Committee believes that the initial proposal of the executive heads of the organizations for a sharing of costs is sound and should be incorporated in the proposed scheme for associate participation.

18. The text of the proposed supplementary article B (A/3611, page 25) seems in parts ambiguous. The Advisory Committee accordingly recommends the adoption of the amended text given in the annex to this report, which also incorporates the proposal in paragraph 17 above.

Article I (Definitions)

19. The Advisory Committee recommends, for the reasons given in the Pension Board's comments (A/3611, page 22), the adoption of the proposed amendment to paragraph 4 of article I, dealing with "final average remuneration".

Other amendments

20. The amendments to articles III.1, VII.5, X.1, X.3, XI, XII.1 and 2, and XVI.6 are consequential to the change in the rate of interest (article XXIX).

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Admission of the International Atomic Energy Agency to the Joint Staff Pension Fund

21. The Secretary-General has suggested (A/C.5/714), in response to a request from the President of the Preparatory Commission of the International Atomic Energy Agency, an amendment to the Regulations of the Joint Staff Pension Fund by which that Agency would be treated for the purposes of the Regulations as if it were a specialized agency. The Pension Board, in paragraph 29 of its report,

expressed its agreement with such a proposal. The Advisory Committee understands that the reason why the Board itself did not include this amendment in its recommendations is that at the time the Board was in session there had been no request from or on behalf of the Preparatory Commission.

22. The Advisory Committee recommends the adoption of the amendment proposed by the Secretary-General.

ANNEX

Proposed new supplementary article B (Associate Participation)

/Text submitted by the Advisory Committee/

1. Every full-time member of the staff of each member organization shall become an associate participant in the United Nations Joint Staff Pension Fund:
 - (a) If he enters employment under a fixed-term contract for at least one year but less than five years; or
 - (b) If he has completed one year of continuous employment, provided that he is not eligible under article II.1 to become a participant, provided that he is under sixty years of age, and provided further that his associate participation is not excluded by his contract of employment. For the purposes of this article, intervals of not more than thirty calendar days in the period of employment shall not be considered as breaking the continuity of employment.
2. The participation of an associate participant shall cease when he reaches the age of sixty.
3. An associate participant shall be eligible for a disability benefit under article V and his survivors to a death benefit under article VII.1, 2, 3, 4, 6 and 7, and to a child's benefit under article VIII. He shall not be entitled to a retirement benefit under article IV nor to a withdrawal benefit under article X, and his survivors shall not be entitled to a death benefit under article VII.5.
4. There shall be paid monthly into the Pension Fund, in respect of each associate participant, a contribution equal to 4-1/2 per cent of his pensionable remuneration, or such percentage contribution, not to exceed 6 per cent, as shall be determined from time to time by the Joint Staff Pension Board on the basis of actuarial valuations of the Fund. One-third of the contribution shall be deducted from the remuneration of the associate participant and paid to the Pension Fund, and the remaining two-thirds of the contribution shall be paid into the Fund by the member organization employing the associate participant.

5. Whenever an associate participant is entitled under article II to become a participant, he may elect during the first year of his participation to have the period performed as an associate participant included in his contributory service to the extent to which he pays into the Pension Fund a sum or sums equal to the contributions he would have paid as a participant, plus interest, at the rate designated in article XXIX. Payment into the Pension Fund of amounts sufficient to meet the Fund's obligations, resulting from the inclusion of such additional contributory service, which are not met by payments made by the participants shall be made by the member organization designated for that purpose in accordance with arrangements concluded by the member organizations, provided that payment has not already been made by a member organization for the period concerned.
6. All other provisions of these regulations consistent with the present article shall be applicable to associate participants, mutatis mutandis, in the same manner as to a participant. Such administrative rules as shall be considered necessary for the implementation of this article shall be established by the Joint Staff Pension Board.
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