couraging. In earlier times of inflation people had found their savings dwindling to nothing, and had been obliged to go on working after the normal retirement age at whatever jobs they could find. In the modern world it was hard for people to find new work after the age of 50, so obviously it would be much harder for retired people to eke out an existence on the basis of their pensions and an extra job than it had been at an earlier period. Hence the Organization must do something to ensure that pensioners were not left in a state of penury.

45. The Joint Staff Pension Fund had a capital of some $950 million, roughly half invested in equities and half in bonds and other forms of investment. Of the total, some 40 per cent was for the pensions of United Nations staff members and the remainder for the staff of the specialized agencies. About 25 per cent of the total was invested in equities of countries other than the United States–or perhaps 35 per cent–allowing for the international character of some multinational corporations.

46. It would be unwise to count on increasing the reserve through investment gains. Investment policies might perhaps be improved by broadening the base of the advisory services available to the Pension Board; the group of advisers might be increased by including experts from such prosperous countries as the Federal Republic of Germany and Japan, or including some communist countries. But on the whole the investment market was too volatile to offer much hope. European bonds might stabilize at a level of 8 to 10 per cent, but that would not result in any growth, since that percentage was no higher than the current rate of inflation in Europe. Nor would it be prudent to expect to achieve growth through investment in equities, in either Europe or the United States; the movement away from mutual funds showed clearly what the recent experience of investors had been in the equity field.

47. The only solution was to establish a reserve for pensioners that could be drawn on when inflation made the pensions inadequate to meet living costs. It could be done by a small sacrifice from three different quarters. First, Member States could increase their contributions by a small percentage, and the extra amount could be earmarked for the reserve in question. Secondly, the staff members themselves could make a small extra contribution for that purpose. And lastly, a contribution to the Pension Fund's reserve against inflation could be paid by the host country, through a refund of assessed real estate and sales taxes paid directly or indirectly by United Nations diplomats and staff members in New York City and neighbouring districts. He believed that some 30 or 40 per cent of the staff were not United States citizens; it would be interesting to obtain the exact percentage from the Secretariat. There should be compensation for all payments made that were not really due to the local authorities. He appealed to the representative of the United States to take the matter up with the authorities concerned. Possibly some of the reimbursed funds could go to the United Nations International School.

The meeting rose at 1 p.m.

1597th meeting

Monday, 12 November 1973, at 10.45 a.m.

Chairman: Mr. C. S. M. MSELLE (United Republic of Tanzania).

A/C.5/SR.1597

AGENDA ITEM 88

Report of the United Nations Joint Staff Pension Board *(continued)* (A/9009 and Corr.1 and 2, A/9274, A/C.5/1524, A/C.5/1535, A/C.5/L.1126, A/C.5/L.1127)

1. The CHAIRMAN drew the attention of the Committee to the amendment submitted by Belgium, France and the Federal Republic of Germany (A/C.5/L.1127) to the draft resolution submitted by the United Nations Joint Staff Pension Board in annex VI to its report (A/9009 and Corr.1 and 2).

2. Mr. SERRANO (Cuba) said the investment policy of the United Nations Joint Staff Pension Board should be revised so that those investments should not be in currencies vulnerable to fluctuations, because their devaluation or depreciation could lead to serious losses for the Fund.

3. Paragraph 20 of the report of the Board of Auditors (*ibid.*, vol. I, annex IV) stated that net loss on sales of investments during the year amounted to nearly $7 million. For 1970 and 1971 such losses amounted to over $1 million and $2 million, respectively. Schedule 2 of annex I to the report of the Pension Board showed that the gross loss for the past financial year amounted to some $16 million, less $9 million profit on sales of investments. He asked what loss would have resulted for the year ended September 1973 from the second devaluation of the dollar. The Board of Auditors had rightly stated that the gradual increase in net loss pointed to the need for a reappraisal of investment policies and procedures.

4. In paragraph 33 of its report, the Pension Board had expressed satisfaction that some 22 per cent of the Fund's total assets were invested in non-United States securities. But that meant that 78 per cent of the assets were invested in United States securities, amounting to over $700 million, which was by no means a matter for satisfaction.

5. As stated in paragraph 52 of the report of the Pension Board, some members of the Board had been critical of the

comments made by the Board of Auditors, in particular of the statement by the latter that a gradual increase in the net loss on sales of investments pointed to the necessity of a reappraisal of the investment policies and procedures. Similarly, the Cuban delegation noted with some surprise that in paragraph 50 of its report the Board had recommended that care should be taken to avoid dealing in the audit report with matters not within the scope of the audit, such as investment policy, which was the proper subject-matter for the Investments Committee. If that were so, his delegation would like to know whether any report by the Investments Committee on that subject was available. He noted that the Investments Committee consisted of 6 members, of whom 3 were from the United States of America, and secondly, that the Fiduciary Trust Company of New York was the company entrusted with advising on the Fund's investments, and that the Investments Committee had given standing approval for buying and selling to that firm. It appeared from paragraph 49 of the report of the Board of Auditors that the Board of Auditors was not in agreement with that procedure.

6. The Cuban delegation considered that it was completely unacceptable that the Pension Fund should continue to accumulate a large volume of assets, only to lose a substantial portion of them through poor investment.

7. Mr. GÖKSENIN (Turkey) said that recent currency changes and continuing inflation had had a disastrous effect on the position of United Nations pensioners, whose benefits were based on the United States dollar. The situation called for urgent remedy. The Pension Board had made a thorough analysis of the problem and had put forward constructive solutions. It had concluded that a selective system would not be workable under the conditions obtaining in the United Nations system, but the proposals for adjustments on a uniform basis would, it appeared, give substantial relief to all pensioners whose incomes had been adversely affected by the recent monetary changes. Although the Board's recommendations had been unanimous, it was, of course, composed of representatives not only of the United Nations, but also of all other organizations within the United Nations system. Similarly, there must be some difference of view between the three groups represented: the legislative organs, the executive heads of the organizations, and the participants. Nevertheless, the unanimous recommendations of the Board, while not representing perfect solutions, had obviously been reached only after careful consideration by a highly competent and experienced group of people. The Turkish delegation considered that the proposals by the Pension Board were sound, and welcomed the recommendations in paragraph 29 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/9274). His delegation would vote for the revised text in the annex to the Advisory Committee's report, and would support the draft resolution in annex VI of the Pension Board's report, as amended by Denmark (A/C.5/L.1126).

8. Mr. BELYAEV (Byelorussian Soviet Socialist Republic) said that his delegation believed that United Nations staff members should receive fair pensions and that those pensions should be adjusted upwards when necessary. Any opposition to specific proposals for increases in pensions was based on the fact that there did not appear to be adequate grounds for granting the proposed increases. He had, after all, to defend not only the interests of United Nations staff members, but also the interests of the people in his country, who contributed to the United Nations and had a right to require that the amount of their contribution should be strictly controlled. The corner-stone of domestic economic policy in his country was strict supervision of all expenditure and the United Nations should also follow that approach, which was in keeping with the provisions of the Charter of the United Nations, the Financial Regulations of the United Nations and the views expressed in the Fifth Committee.

9. Commenting on the study by the Committee of Actuaries (A/9009 and Corr.1 and 2, vol. II), he said that although it set forth clearly the theory applied in determining the size of the Pension Fund and contributions, it did not contain the basic concrete data available to the actuaries. He recalled that the previous year various representatives had asked that the data used by the actuaries should be made available to the Fifth Committee, since otherwise it was extremely difficult to determine whether the conclusions reached by the Committee of Actuaries were justified.

10. The Committee of Actuaries had based its conclusions on an assumed valuation interest rate of 4 per cent. Yet, as the Pension Board had indicated in paragraph 39 of its report, an increase of no more than one twelfth of 1 per cent in the interest would offset completely the total anticipated deficit. If the interest rate rose to 5 or 6 per cent, the Fund would have a vast surplus. He saw no reason for assuming a 4 per cent interest rate, for as the Committee of Actuaries had indicated in paragraph 41 of its report, no one could be at all certain as to the specific course or level of the interest rate over a period extending many decades into the future. At the very least, statistical information on changes in the interest rate in the past should have been provided. He had serious reservations with regard to the conclusions reached by the Committee of Actuaries on the size of the Pension Fund and the rates of contributions to it; he was not convinced that it would be impossible to reduce the contributions paid by Member States.

11. Turning to the question of the investments of the Fund, he recalled that large amounts were provided for investments consultants. Notwithstanding, the Fund had incurred considerable losses as a result of some of its investments activities. For example, sales of investments had involved losses of $6.9 million in 1972, which was a marked increase over losses incurred in 1970 and 1971. He concluded that there were defects in the investments policy.

12. Referring to the report of the Board of Auditors, he said that he had been struck by the rather strange reaction of the Pension Board to the recommendations of the Board of Auditors and its auditing of the Fund. The Fund had vast resources, and it was the responsibility of the United Nations to ensure that they were used in a rational way. The United Nations Board of Auditors had been authorized by the General Assembly to audit United Nations accounts, and it should audit the transactions of the Fund; moreover, the Pension Board should implement the recommendations

of the Board of Auditors as soon as possible. In that connexion he agreed with the Advisory Committee that auditors had wider responsibilities and any understanding that was reached should not, by circumscribing their work, impede them in the discharge of those responsibilities.

13. With regard to adjustments to pensions, he believed that in making adjustments account should be taken of the level of pensions for civil servants in countries in which United Nations bodies had their headquarters, and that the adjustments should compensate for the actual losses incurred in the various countries. Accordingly, he was unable to support the recommendations of either the Pension Board or the Advisory Committee.

14. Mr. ARBOLEDA (Colombia) said that in some respects, notably the actual figures, the Pension Board's report was not altogether clear to non-specialists, but fortunately the Advisory Committee's report had made the situation much clearer. The Board's report had, however, been quite clear about the disagreement between the Pension Board and the Board of Auditors, to which the Chairman of the Board of Auditors had also drawn attention in his statement at the Fifth Committee's 1576th meeting. The Advisory Committee had touched on the problem in paragraphs 41 and 42 of its report. Unfortunately the difference of views concerned a rather sensitive area, the independence of the Board of Auditors as representatives of the General Assembly.

15. The General Assembly had laid down the terms of reference of the External Auditors in resolution 74 (I) of 7 December 1946. Under the terms of article XII of the Financial Regulations of the United Nations, the Board of Auditors was empowered to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization, and must be completely independent and solely responsible for the conduct of the audit. Those provisions showed the importance that the General Assembly attached to the Board of Auditors. Obviously under those provisions there was no question of the auditing body approaching the organization to be audited and asking its advice about how the audit was to be conducted. However, the General Assembly had also adopted resolution 2524 (XXIV), approving the amended Regulations of the Pension Fund, and one of those provisions, article 14 *(b)*, appeared to be in conflict with the provisions referred to previously, since it stated that the audit should be made in a manner agreed between the Board of Auditors and the Pension Board. The Board of Auditors interpreted that article as a limitation of its authority and independence as granted under the Financial Regulations and Rules. The Board of Auditors was therefore opposed to concluding any agreement with the Pension Board concerning the audit. The Colombian delegation believed that the General Assembly should delete from article 14 *(b)* of the Regulations of the Pension Fund the words "in a manner agreed between the Board of Auditors and the Board". The Pension Board, on the other hand, stated in paragraph 49 of its report that there was an urgent need for the written agreement to be concluded prior to the next audit with no explanation of why the need was urgent. The Board of Auditors consisted of the Controller-General of Colombia, the Auditor-General of Pakistan, and the Acting Auditor-General of Canada, a group of eminent and highly qualified experts whose valuable services had for many years received recognition from the Fifth Committee. In view of that situation, the language used in paragraphs 48 to 55 of the Pension Board's report was quite outside the traditional rules of courtesy. In fact, paragraph 49 levelled charges at the Board of Auditors, and it was only reasonable that the Auditors should have the opportunity of answering those charges. If the charges were well-founded, then the Fifth Committee should withdraw its confidence from the Board of Auditors, but if, on the other hand, they proved unfounded, then confidence should be withdrawn from the persons responsible for making the charges. The Pension Board's approach was not the right one: if the Board had asked frankly and openly for some new, more efficient or more suitable form of audit, the Board of Auditors could have agreed to the proposal. The best course was to take advantage of the presence in New York of the Panel of External Auditors of the United Nations and the Specialized Agencies to invite the Board of Auditors to participate in the present debate, so that they could reply to any charges or questions, and he proposed that that should be done.

16. Mr. PALAMARCHUK (Union of Soviet Socialist Republics) expressed serious reservations regarding the Secretary-General's proposal that pensions should be increased in order to take account of the rise in the cost of living and currency realignments. The General Assembly had already considered the matter at its twenty-seventh session and had decided to increase pensions. Moreover, the Secretary-General's proposal would unjustifiably increase the pensions of the majority of pensioners, whose pensions had not been adversely affected by the devaluation of the United States dollar. He felt it would be premature to increase pensions, and he was unable to support the proposal of the Secretary-General or the recommendation of the Advisory Committee.

17. He drew attention to the fact that the Pension Board was not taking any steps to introduce a better pension system based on selectivity.

18. The methods used in carrying out the actuarial evaluation of the Pension Fund should also be improved. The explanations given for various sudden changes were inadequate; for example, a $227.8 million surplus in 1968 had become a $37.5 million deficit in 1972. The main reason for that sharp fall was the actuarial methods used. The General Assembly had, unfortunately, still not established basic principles for actuarial valuations in the United Nations. Yet it was on the basis of the actuarial principles and methods used that the reserves of the Pension Fund were assessed and the amounts of contributions from the regular budgets of the United Nations and the specialized agencies were calculated. As an example of the inadequacy of the present methods, he pointed out that if the interest rate was raised by only 0.5 per cent, the Fund would have a surplus of $70 or $75 million, instead of a deficit of $37.5 million. It was extremely important that reasonable, scientifically established principles and methods should be introduced in the interests of both the staff and Member States.

19. Meanwhile, the United Nations relied on the judgement of the three individuals who comprised the Com-

mittee of Actuaries. That was not a satisfactory situation, and he suggested that the actuarial valuation should be carried out by qualified government experts, for example, by the International Civil Service Commission. As a first step, the membership of the Committee of Actuaries should be expanded in order to ensure wider geographical representation. Accordingly, he supported the recommendation of the Advisory Committee that the membership of the Committee of Actuaries should be increased to 6.

20. He pointed out that the Member States of the United Nations were under-represented on the Pension Board, and were therefore unable to participate in working out pension policies. Some geographical areas were completely unrepresented on the Board. For many years, Member States, responsible for financing of the Pension Fund, had had no opportunity of intervening in the elaboration of pension policies. The Pension Board had become an extremely limited and one-sided body, even though it was acting on behalf of all Member States. The situation should be rectified as soon as possible.

21. Turning to the relationship between the Pension Board and the Board of Auditors, he said that the Board of Auditors should, under financial regulation 12.5, audit the transactions of the Pension Fund. He saw no reason to refer to article 14 of the Regulations of the United Nations Joint Staff Pension Fund in connexion with the functions of the Board of Auditors. The two regulations referred to two completely different questions: financial regulation 12.5 referred to the functions of the Board of Auditors, while article 14 of the Regulations of the Fund referred to the manner in which the accounts of the Pension Fund should be audited. The work of the Board of Auditors was extremely important, and he supported its recommendations, including the recommendation concerning the need for a reappraisal of the investment policies and procedures, in view of recent losses in sales of investments.

22. Mr. McCARTHY (Australia) considered that the problems related to United Nations pensions were among the most important before the Fifth Committee. If the Organization was to be staffed effectively, emoluments including pensionable rights must be attractive enough to induce the right people to work for it. Furthermore, an organization which aspired to better the lot of mankind must take the lead in ensuring that its own civil servants enjoyed a decent standard of living during their working life and, as far as possible, on retirement. His delegation would therefore wish to see the most generous response possible to the needs of United Nations pensioners, bearing in mind, however, the need to ensure that the Pension Fund was not jeopardized by an excessive liberalization of benefits.

23. The Pension Board, which had been requested by the General Assembly at its twenty-seventh session to examine the possibilities of introducing a selective scheme that would allow pensions to reflect more accurately the cost of living in the recipient's country of residence, had considered and rejected a selective system. His delegation was not completely satisfied with the reasons adduced for that rejection, and had sympathy with the comments made by the representative of France (1596th meeting) in that respect. It was clearly inequitable that residents of countries whose currencies had been adjusted downwards should gain while residents in countries where an upward adjustment had taken place should lose. The argument that until two years previously pensioners resident in Europe had enjoyed advantages was irrelevant, merely illustrating that the system had been imperfect then. A principal reason adduced by the Board for rejecting a selective system was that "it would represent a major departure from the existing world-wide system of equal contributions irrespective of duty station and equal pensions irrespective of country of residence" (A/9009 and Corr.1 and 2, para. 19). The General Assembly had been well aware of that and had requested the Pension Board to examine precisely the implications of such a departure. The Board had not provided a full explanation in support of its general contention that a selective system would have complex and costly administrative implications. Moreover, while the mechanics of the scheme employed by IBRD and IMF had been examined, no attempt appeared to have been made to examine either possible variations on that scheme or other possible selective systems.

24. Despite the very real problems involved in introducing a selective system, his delegation considered that the principles at stake warranted further examination of the problem and therefore supported the proposal by the representative of France that the matter should be studied further.

25. Since it had not been possible to introduce a selective system in 1973, his delegation would support the recommendations of the Pension Board with the amendments suggested by the Advisory Committee. There was a crying need for pensions to respond more quickly to changes in purchasing power, and the revised post adjustment index would seem a far more satisfactory means of equating pensions with cost-of-living changes than the current system. His delegation also fully appreciated the need for compensation for past losses to be paid to United Nations pensioners and, in view of the arguments put forward in paragraphs 19 to 28 of the Advisory Committee's report (A/9274), would endorse the payment to pensioners, on a one-time basis, of a lump sum amounting to 30 per cent of a pension of up to $4,000.

26. Mr. ZIEHL (Acting Head, Office of Financial Services) said that at the present stage it might be useful if he made some comments only on the investments, and on some aspects of the audit.

27. The representative of Saudi Arabia had asked at the preceding meeting about the proportion of United States citizens on the staff. In the Professional and higher categories the proportion was 25.37 per cent, and in the General Service category 33.82 per cent.

28. The representative of Hungary had asked about the advice the Investments Committee gave the Pension Board. The Board followed article 19 *(a)* of its Regulations, which provided that the investment of assets should be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy. Every time the Pension Board met, and sometimes when its Standing Committee met, there were meetings with the representatives of the Secretary-General

responsible for investments and the Investments Committee. Such sessions usually took two full days. The Pension Board often devoted further time to investments in a session of its own after it had heard the views of the Investments Committee and the representatives of the Secretary-General.

29. One point he felt had not been properly brought out in the documents before the Committee, and that was the over-all performance of the Fund. For a totally funded pension fund, the Fund's performance was universally acclaimed as absolutely outstanding, not only by the members of the Investments Committee, but also by all investment advisers with whom the Secretary-General and his staff were in touch.

30. The Fund had two main types of assets: equities and bonds (fixed-term investments). Of the total portfolio, some 77 per cent was in growth securities and 23 per cent in fixed-income securities. There had been a gradual shift towards increasing the proportion of equities, which permitted higher profits. The key point was the Fund's performance which, although it had been discussed at length with the Board, and the data on it had been available for inclusion in the report, had not been fully reported to the General Assembly. For the total equity portfolio, the cumulative annual rate of return over the preceding 10 years had been 9.84 per cent, over good years and bad years, which was regarded as outstanding. The so-called losses referred to, given in the report as losses on sales of investments, were realized losses only. They did not take into consideration the very large unrealized profits, which were part of the total return on investments. In the 1950s, the investment had been mainly in bonds, and at that time a rate of return of 2.5 per cent had been regarded as good. The policy had originally been very conservative, but gradually, on the advice of the Investments Committee and the Secretary-General's representatives, there had been a shift towards equities, though bonds had remained an important element. The actual annual return on bonds over the past 10 years was only 3.71 per cent per year, but the yield to maturity of bonds in the portfolio had now been raised to 6.49 per cent. It was impossible to sell many of the bonds, except at a loss. Replying to the representative of Hungary, he said that approximately $180 million of the portfolio was invested in bonds maturing between 1977 and 1991 on which intentional realized losses could be expected, if yield to maturity could be improved. Losses were not taken in the Fund's bond portfolio, however, unless far greater gains were definitely assured by the transaction. The yield on bonds to maturity in 1952 had been 2.5 per cent, but, as pointed out above, through improved management the yield to maturity was now 6.49 per cent.

31. The basic criteria applied in investing the resources of the Fund were the safety of the assets, the growth of the assets, and the principle that one should cut one's losses and let one's profits run. When research on stocks showed a negative outlook developing, they should be sold, at a loss if necessary, and the amount recouped invested elsewhere. It was because those criteria had been applied that the 10-year cumulative annual return was 9.84 per cent, after losses. Securities had been sold at a loss of $16 million gross, or $7 million net. As explained, a part of that was realized to upgrade further low-yield bonds: a realized loss was accepted in exchange for an absolute gain to maturity. Given the quality of the bonds purchased for the Fund, when low-yield bonds were transferred to high-yield bonds, it was because it was virtually certain that a gain would be realized. In the year ending 1969 there had been a 7.5 per cent turnover in bonds, which had risen to a 23 per cent turnover in the year ending 1972, all transactions being taken at a profit. Over the same period, investments in Eurobonds had almost doubled. In 1973 there had been a $420,000 increase in income through turnover of bonds, the par value at maturity being increased by $3.2 million.

32. He drew the attention of the representative of France to the fact that the French representative on the Investments Committee fully supported the policy of the Committee.

33. Summing up, he explained that in selling bonds, one could determine exactly how much loss would be incurred and how much gain would result from any given transaction. The Board of Auditors had said that the gradual increase in the net loss pointed to the necessity of a reappraisal of the investment policy and procedures, but, he stressed the fact that the current policy of intentionally increasing the net realized loss in the bond portfolio in order to maximize gain for the future was in fact a part of the constant reappraisal of investment policy.

34. Replying to a question from the representative of Ghana on the advantages and disadvantages of increasing the membership of the Committee of Actuaries, he said that the Advisory Committee had requested that a study should be undertaken of that question. From an actuarial point of view, the only result of increasing the membership would be to increase costs. The expenses of the Committee were met from the Pension Fund, to which all agencies in the United Nations system contributed, and increasing the membership of the Committee of Actuaries would therefore not reduce the cost to the United Nations. His comments were, however, purely preliminary and the study to be undertaken would provide further information on the subject.

35. Replying to the representative of France, he said that investments in bonds had been shifted to equities. In investing new resources, the Secretary-General and the Investments Committee had to look at all markets to see where the best investment opportunities lay. He would be able to provide more information on the investment of new resources after the Investments Committee had met on 14 and 15 November.

36. It was understandable that the representative of Cuba should have concluded that because certain currencies were in crisis the Pension Fund must have incurred a loss. In fact, the opposite was true. While the portion of the portfolio in United States assets had not been affected by the devaluation of the dollar the portion in assets in other currencies had made money because the value of those currencies had increased. So far as non-United States equities were concerned, the annual return for the year ended 30 March 1973 had been approximately 20.35 per cent, about half of which had been from currency appreciation. Similarly, the second devaluation of the United States dollar should have resulted in additional benefits for the Fund, but they could not yet be quantified.

37. Questions had been asked about the reports of the Investments Committee. Minutes were kept of the meetings of the Investments Committee and the Committee's reports were made available, as required under the rules, to the Joint Staff Pension Fund and other people concerned.

38. It was true that, as the representative of Cuba had said, an investments adviser had been given the right to buy and sell without consulting the Board of Auditors. However, that adviser did not have the right to buy or sell without the approval of the Secretary-General and the Secretary-General was required by the Financial Regulations to decide on the investment of assets after consultation with the Investments Committee and in the light of observations that might be made from time to time by the Pension Board on investment policy.

39. Turning to the question of the Board of Auditors, he said that from the standpoint of the Secretary-General, the difference of opinion between the Pension Board and the Board of Auditors seemed to have been exaggerated out of perspective. What was wanted was a thorough audit of the investments. The only question was to determine the best way to get investment expertise brought to bear on the Fund's portfolio. The existing system was functioning very well. The Secretary-General believed that any agreement or audit arrangement should in no way be interpreted as curtailing the scope of the audit, which was to be left solely to the auditors. The Secretary-General had had complete and thorough co-operation from the Board of Auditors, particularly its Chairman. It would seem that the question should be resolved in a way that would ensure that all aspects of Pension Fund investments were audited completely. He believed that, based on a preliminary report he had, the matter would be resolved and that a report could be made to the Fifth Committee to that effect. The Secretary-General would have no objection to circulating the audit report to the Advisory Committee at the same time as it was made available to the Pension Board.

40. Mr. BOUAYAD-AGHA (Algeria), speaking on a point of order, said that the time had come to put an end to the practice of allowing representatives of the Secretary-General to take the floor in the middle of the debate on an item. He requested that in future the Chairman should not allow members of the Secretariat to speak until members had completed their discussion of an item.

41. Mr. DE PRAT GAY (Argentina) congratulated the Chairman of the Joint Staff Pension Board on the work he had accomplished. In evaluating the report under consideration, his delegation would base itself on the principle that a clear distinction must always be made between experts engaged on specific tasks for the Organization and Governments commenting on questions referred to them for consideration.

42. In dealing with the report of the Pension Board, his delegation would concentrate on the following six questions: adjustment of benefits, the question of selectivity, the establishment of a voluntary emergency fund, rate of contributions, the argument between the Board of Auditors and the Pension Board and amendments to the Administrative Rules of the Fund.

43. The first thing to be borne in mind when considering the report was that the principal of the Fund had increased from $592,381,574.83 in 1971 to $701,425,038.52 in 1972. That was a significant increase.

44. Turning to the question of the adjustments of benefits, he said that inflation and the decline in the purchasing power of the dollar had had a much greater effect on pensioners than on wage-earners and his delegation fully agreed that an immediate decision should be taken to remedy the situation. It therefore endorsed the draft resolution in annex VI to the Pension Board's report, as amended by the Advisory Committee (A/9274, annex).

45. The question of selectivity was very complex and should be studied further. His delegation therefore fully supported the proposal made at the previous meeting by the representative of France that a complete study be made of the matter and that a request to that effect should be included in the draft resolution to be adopted by the Fifth Committee on agenda item 88. It also fully endorsed the three-Power proposal (A/C.5/L.1127).

46. His delegation further supported the Pension Board's proposal that a voluntary emergency fund should be established. It failed to see, however, why the moneys for the fund should be derived from contributions by serving staff, staff associations and other sources. The Pension Fund was increasing at an extraordinary rate and could perhaps earmark funds for emergency purposes. In any case, as the Pension Board indicated in paragraph 42 of its report, it was up to the General Assembly to take a decision in the matter.

47. On the question of rates of contribution, it would seem that, as the Secretary-General had stated in paragraph 4 of document A/C.5/1524, it would be inadvisable to depart from the present method of financing the United Nations joint staff pension scheme. Nevertheless, his delegation fully agreed with the Advisory Committee that the matter should continue to be kept under review as subsequent valuations of the Fund became available. Like the Advisory Committee, it hoped that the Board would in future years address itself more directly to the question.

48. In paragraph 41 of its report, the Advisory Committee referred to the continuing differences of opinion between the Board and the United Nations Board of Auditors. It seemed that the Board wished to limit the scope of the Board of Auditors. His delegation agreed with the Pension Board that it was of the utmost importance that the operations of the Fund should be subjected to a most painstaking and detailed financial audit. It did not, however, agree with the end of paragraph 49 of the report of the Pension Board, which would seem to constitute an attempt to limit the functions of the auditors. As the Advisory Committee had stated, the auditors had wider responsibilities and any understanding reached should not, by circumscribing their work, impede them in the discharge of those responsibilities. Indeed, in that matter, his delegation shared the view of the Panel of External Auditors of the United Nations and the Specialized Agencies who had been unanimous in rejecting any course that might limit the audit. Furthermore, his delegation did not agree with the Advisory Committee that the arrangement for the audit of

the Fund might be changed to permit rotation among the Panel of External Auditors instead of being confined to the United Nations Board of Auditors. Continuity was what was required. Any change would seem to indicate a lack of confidence in the three auditors and was unacceptable to his delegation. Those Government experts had demonstrated their great ability and by virtue of their experience should continue to make the audit. On the other hand, it would seem necessary to change the composition of the Investments Committee and the Pension Board, neither of which reflected the geographical distribution of members of the General Assembly. Reverting to the question of the difference of opinion between the Board of Auditors and the Pension Board, he said that his delegation endorsed the suggestion made at the previous meeting by the French delegation that the Fifth Committee should be given a further opportunity to hear the views of the Board of Auditors on the matter.

49. Turning to the question of investments, he drew attention to the substance of paragraph 20 of the report of the Board of Auditors (A/9009 and Corr.1 and 2, vol. I, annex IV) on the accounts of the United Nations Joint Staff Pension Fund. His delegation agreed with the Board of Auditors that the gradual increase in the net loss on sales of investments pointed to the necessity of a reappraisal of investment policies and procedures. It was to be hoped that investments would be made in non-United States equities and fixed-income securities which, according to paragraph 24 of the report of the Board of Auditors, yielded higher returns. In that connexion, his delegation felt that there should be an investment adviser for investments outside the United States. The time had come for investments to be made in developing countries where good and solid returns could be achieved.

50. The substance of paragraph 31 of the report of the Board of Auditors was a source of concern to his delegation. The Board of Auditors was right in pointing out in the following paragraph that the provisions of financial rule 110.17 *(a)* (iii) did not appear to have been met in accepting the additional liability on account of transaction charges to which reference had been made in a letter sent from the Fiduciary Trust Company of New York to the Secretary-General on 13 May 1971.

51. The selection of stock was another matter to which his delegation attached importance. The rate of return must, of course, be a significant factor in determining the selection, but the principles and decisions of the United Nations must also be borne in mind. It was to be hoped that investments were not made in enterprises doing business in Southern Rhodesia or Namibia. His delegation would like an assurance on that point.

52. It would be recalled that at the twenty-seventh session, the Secretary of the Board of Auditors had been authorized to circulate the long-form report of that Board to members of the Fifth Committee. In that report it was stated that the results of a detailed review of two specific appraisals submitted by the Fiduciary Trust Company to the Investments Committee in February 1969 had reinforced the necessity of introducing a thorough and independent screening of recommendations with regard to the buying and selling of securities by the Fiduciary Trust Company from time to time. His delegation wished to know whether that procedure had been adopted and the manner in which it was applied. The long-form report contained a reference to delays in the receipt of the proceeds from the sale of stock and it was suggested that, as such delays resulted in loss of interest, the factors responsible for them should be investigated in detail and if possible eliminated altogether. His delegation wished to know whether that investigation had been made and if steps had been taken to avoid a repetition of the delays. In the long-form report there was a reference to the number of transactions on which delays had occurred in October, November and December 1970, but the amounts involved were not indicated. His delegation wished to know whether the delays had continued in subsequent months and whether any remedial action had been taken. It would also be interested to learn the amounts involved in the transactions. If a long-term report had been prepared for 1973 his delegation would like to receive a copy. If no report had been prepared it wished to know why the practice had been dropped.

53. In conclusion, he turned to the question of amendments to the Administrative Rules of the Fund set out in annex VII to the report of the Pension Board, and asked whether the Board of Auditors endorsed the proposal to add a new subrule *(e)* to the introduction. His delegation could support the amendments proposed in sections D and J of the rules.

54. Mr. BUCHANAN (United States of America) expressed his delegation's appreciation to the Chairman, members and staff of the Advisory Committee for submitting a clear, concise and comparatively brief report on the extremely important and complex subject of staff pensions. His delegation, which had spent a great deal of time considering all aspects of the pension scheme, had noted with some apprehension that on 30 September 1972 the actuarial valuation of the Fund had showed a deficit of $37.5 million. Since the Fund was still within the "safe range", he agreed with the Committee of Actuaries and the Pension Board that even with the additional burden to be imposed on the Fund by changes recommended by the Advisory Committee, that imbalance did not require resort to article 27 *(a)* of the Regulations of the Pension Fund. Given the actuarial situation, his delegation agreed that no further liberalization of benefits could be made at the present time, although it did not prejudge the application of any possible further benefits at some future point in time.

55. His delegation concurred fully with the recommendations contained in paragraph 29 of the Advisory Committee's report.

56. He stressed his delegation's support for the investment policy, which had served the Pension Fund well over the years.

57. It was evident that adjustments in payments for pensioners were necessary in view of reductions in purchasing power resulting from fluctuation in currency exchange rates. Adoption of the Board's proposals as modified by the Advisory Committee would substantially help to alleviate the problems facing the United Nations pensioner.

58. His delegation was concerned about the continuing differences between the Pension Board and the United Nations Board of Auditors. Both bodies had an important role to play in the effective and efficient management of the Fund, and both should make a concerted effort to solve the problems that existed between them without it being necessary for the General Assembly to adopt new legislation.

59. Both the number of staff members participating in the pension scheme and the number of annuitants would increase with the passage of time. Given both the need to take into account the interests of all those individuals and the position of the Fund, it would be unwise at the present time to make any changes in the rate of payment to the Fund or to provide for any refund of contributions. His delegation therefore agreed with the Secretary-General that it was inadvisable to depart from the present method of financing the Pension Fund.

60. His delegation would support the draft resolution proposed by the Pension Board for adoption by the General Assembly with the amendment to section I recommended by the Advisory Committee.

61. Mr. BAROODY (Saudi Arabia) read out a draft resolution which his delegation would be submitting to the Committee for consideration.[1] That text contained a proposal for a contribution by the host country to replenish the reserves of the Pension Fund by the refund of assessed real estate and sales taxes in New York State.

The meeting rose at 1.15 p.m.

[1] Subsequently circulated as document A/C.5/L.1128.

1598th meeting

Tuesday, 13 November 1973, at 10.50 a.m.

Chairman: Mr. C. S. M. MSELLE (United Republic of Tanzania).

A/C.5/SR.1598

AGENDA ITEM 88

Report of the United Nations Joint Staff Pension Board *(continued)* (A/9009 and Corr.1 and 2, A/9274, A/C.5/1524, A/C.5/1535, A/C.5/L.1126-1129)

1. Mr. DAMASCENO VIEIRA (Brazil) said that his delegation concurred with the recommendations made by the Advisory Committee on Administrative and Budgetary Questions in its report (A/9274). It accepted that, for the time being, the present system of averaging losses suffered by pensioners should be retained but felt that continued attention should be given to the possibility of devising a selective scheme which would be more equitable to the pensioners, without subjecting the United Nations Joint Staff Pension Fund to undue strain. It seemed logical to profit from the experience acquired by other international organizations in that field. In general, his delegation agreed with the three-Power proposal (A/C.5/L.1127) that the United Nations Joint Staff Pension Board should make a study of various selective systems. It should be noted, however, that the Board had in the past studied the possibility of a more selective scheme and had concluded that all the systems considered involved difficulties and anomalies that outweighed their advantages. It would seem, therefore, that instead of asking for an all-embracing study the Fifth Committee should request the Board to study a specific system and report its findings to the General Assembly, setting out in detail the administrative and financial implications of adoption of such a system. His delegation suggested, therefore, that the Board should be requested to carry out an in-depth study on a selective system based on the country of residence or "country of resettlement". The Board had already considered such a scheme and, in paragraphs 18 and 19 of its report (A/9009 and Corr.1 and 2), had given its reasons for rejecting it. Nevertheless, the scheme deserved closer examination and the Committee would benefit from having a detailed report on it. A system based on the nationality of the pensioner would be much less satisfactory than one based on country of residence, since it would restrict the freedom of international civil servants to choose the country in which they wished to reside after retirement. His delegation would be interested to hear the views of the sponsors of the proposal in document A/C.5/L.1127 on that suggestion. It also hoped that the Chairman of the Joint Staff Pension Board would express his views on the advisability of confining the study to a specific selective scheme. His delegation concurred with the conclusion of the Committee of Actuaries in its report (*ibid.*, vol. II) that contributions to the Fund should be maintained at the existing rates. It agreed with the Advisory Committee, however, that the matter should continue to be kept under review as subsequent valuations of the Fund became available, and that the Board should in the future look into the question more directly than it had done in the past.

2. Mr. ABRASZEWSKI (Poland) noted that the Committee of Actuaries had reached the conclusion that the present financing basis of a level of 14 per cent organization contribution rate was the most satisfactory way of financing the joint staff pension scheme. The arguments which the Committee had advanced in support of its conclusion failed to convince the Polish delegation. The report of the Committee of Actuaries did not provide the information and assumptions on which an independent assessment of the validity of its conclusions could be based. It would be recalled that at the twenty-seventh session his delegation had suggested that the report on rates of contribution to the Fund should be prepared by an intergovernmental subsidiary body of the General Assembly rather than by the Committee of Actuaries. It would appear