



Wednesday, 8 November 1972,
at 10.50 a.m.

Official Records

NEW YORK

Chairman: Mr. Motoo OGISO (Japan).

AGENDA ITEM 82

**Report of the United Nations Joint Staff Pension Board
(continued) (A/8709 and Corr.1, A/8860, A/C.5/
XXVII/CRP.7)**

1. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions), replying to the question put by the representative of Ghana at the previous meeting concerning the lower percentage adjustments proposed by the Advisory Committee in paragraph 22 of its report (A/8860), explained that it was not a recommendation but a suggestion, as indicated by the very words used in the report. The suggestion was not an arbitrary one but was based on the reduction of benefits in local currency terms averaged over all the pensions in payment, and not only on the two thirds of benefits directly affected by currency alignments. That explained why the percentage adjustments recommended by the Advisory Committee amounted to two thirds of the adjustments recommended by the Board. The Advisory Committee had not made a firm recommendation because it had taken into consideration certain factors, such as the competence of the Board, the fact that the proposed adjustment would not be a direct charge on the United Nations budget, the social aspect of the question and the limitation of the adjustment to the first \$3,000 of each benefit. The Advisory Committee's suggestion did not constitute an amendment to the recommendation in section I, paragraph (d), of the draft resolution submitted by the Pension Board in annex V of its report (A/8709 and Corr.1). Consequently, unless a formal amendment was introduced, and if a vote was taken, the Fifth Committee would vote on the Board's recommendation and not on the Advisory Committee's suggestion. The Advisory Committee, as indicated in paragraph 20 of its report, regarded the proposed adjustment as a temporary adjustment which would not confer on the pensioners the right to compensation for future currency realignments.

2. Mr. LIVERAN (Secretary of the United Nations Joint Staff Pension Board) said that it might be useful to indicate the extent to which the Board's secretariat would be able to reply to the questions put to it by the delegation of the Union of Soviet Socialist Republics in document A/C.5/XXVII/CRP.7.¹ The Board

¹ The information requested, as set out in conference room paper A/C.5/XXVII/CRP.7, was as follows:

"1. Information on the average pensions being received at present by former members of the Secretariat of the United

would have no difficulty in reply to the first question, but it would be unable to reply to the second because such information would have to be supplied by the Governments concerned. The Board could reply to the third question, but only to the extent that it applied to countries in which United Nations bodies had their headquarters; the word "unit" was far too imprecise. The information requested in the second paragraph of the fourth question could only be supplied for the period subsequent to the introduction of the reimbursement system in question. In so far as the specialized agencies were concerned, the information requested in the fifth question could be supplied for the period 1967-1971 only, because information relating to the previous period was not immediately available and would have to be looked for in the files of the various organizations. There would be no difficulty in supplying the information requested in the sixth question. As to the seventh question, the Board would be able to supply information on the first part of the question, but it would not be able to supply information on estimated payments to be made over the next three to five years; the Committee of Actuaries might be requested to make the necessary estimates. The eighth question should

Nations and the specialized agencies (broken down by category of the posts held by them).

"2. Comparable information on the average pensions being received at present by the corresponding categories of former members of national civil services of all countries in which there is a unit of the Secretariat of the United Nations and the specialized agencies.

"3. Information on the amounts paid from the government budget to the pension funds of countries in which there is a unit of the United Nations Secretariat.

"4. Why there is a practice at present of returning to the budgets of organizations only 7 per cent of the 14 per cent paid in by them when staff members leave the Organization after less than five years service.

"Information is also requested on the total number of staff members who have left the Pension Fund for that reason since its inception, and the total sum left at the disposal of the Pension Fund as a result of staff leaving after serving in the Organization for less than five years (particulars to be given broken down by organizations participating in the Pension Fund).

"5. A summary of the amounts paid into the Pension Fund annually from the budget of each participating organization since the inception of the Fund.

"6. A summary of the annual investment income of the Pension Fund since its inception.

"7. Information on the annual pension benefits paid out for each year during which the Fund has been in existence, and also information on estimated payments to be made over the next three to five years.

"8. The arguments put forward by the members of the Pension Board who did not support the proposal for compensatory pension increases (see A/8709 and Corr.1, para. 22).

"9. It is requested that all additional information on the work of the Pension Fund submitted to the Advisory Committee be circulated for the information of members of the Fifth Committee."

not be put to the secretariat of the Board but to the two members of the Board concerned. He pointed out in that connexion that no member of the Board had opposed the proposals for additional adjustments and that the two members in question had merely not endorsed them; they had not disapproved of them. Lastly, the information requested in the ninth question would have to be supplied by the Advisory Committee itself.

3. In conclusion, he stated that the secretariat of the Board would do all it could to give the Committee the information requested as soon as possible.

4. Mr. ZIEHL (Acting Head, Office of Financial Services) thanked the representative of Saudi Arabia for his comments at the previous meeting on the management of the Fund's resources. He recalled that under the Fund's regulations the Secretary-General was responsible, after consultation with the Investments Committee and in the light of observations and suggestions made by the Board for the investment and management of the Fund's assets. In that connexion, he could take only calculated risks because the Fund must guarantee payment of all benefits payable and, in order to do so, had nothing but the contributions of the staff and the member organizations.

5. Replying to the question put by the representative of Colombia at the 1519th meeting concerning implementation of previous recommendations of the Board of Auditors, to which reference was made in paragraphs 15 to 17 of its latest report (A/8709 and Corr.1, annex IV), he said that a fairly long period of time elapsed between transmission of the report of the Board of Auditors to the Secretariat and its receipt by the General Assembly. The latest report of the Board of Auditors related to the year ended 30 September 1971. During the 12 months which had elapsed between submission of the previous report of the Board of Auditors and submission of its latest report, the Secretariat had taken steps to implement the recommendations made by the Board of Auditors in its report of July 1970 for the year ended 30 September 1969—recommendations which were recalled in paragraph 15 of the latest report. The opinion of the Board of Auditors, expressed in paragraph 16 of that report, that a greater degree of attention and emphasis was required to implement its recommendations, was thus no longer justified. Although originally the Secretariat had not had the staff to implement the recommendation mentioned in paragraph 15 (a), it had since acquired the additional staff required and was currently making a careful review of the co-ordination of functions with respect to the investment of assets by the Fund. Each of the functions mentioned in the recommendation recalled in paragraph 15 (b) were also being thoroughly re-examined. The Board of Auditors itself had noted the fact that the recommendation mentioned in paragraph 15 (d) had been implemented and that the recommendation recalled in paragraph 15 (c) had received the attention of the study group set up for the purpose, whose report on the subject was currently under examination by the Administration. He explained that the report in question was very detailed and had been pre-

pared by the Office of Financial Services in collaboration with a team of custodians of the Fund's portfolio.

6. As to the net loss of more than \$2 million incurred on the sale of bonds, to which the representatives of Hungary and Ghana had referred in their statements at the previous meeting, he explained that the Fund must incur such losses if it was to get rid of low-yield bonds, purchased during the early years of its existence, in order to increase the yield of its portfolio. When the portfolio had been built up in the fifties, bonds were the safest investment, but their interest rate had become inadequate. The Fund had therefore decided to sell some of its bonds, if necessary at a loss, in order to purchase more productive securities. Later, therefore, the loss of \$2 million incurred on the sale should be transformed into increased earnings. He pointed out, in that connexion, that the average yield on fixed-term securities had increased since the previous year, from 5.97 per cent in 1971 to 6.25 per cent in 1972.

7. Replying to the question of the representative of Ghana concerning the position of the Secretary-General's representative on the question of the additional adjustment recommended by the Board, he said that currency fluctuations occurred suddenly and as it was not possible to offset their effects sufficiently fast, there was always a gap between the normal adjustment and the cost of living. A selective adjustment would result in discrimination, for it was not possible to make an exact calculation of losses suffered in each case. The solution recommended by the Board, namely, that the additional adjustment should be applied to all pensions, was therefore the best, particularly since it would be a limited and temporary adjustment which could be financed with the assistance of the Fund's reserves. He emphasized that the European representatives on the Board had supported the proposed adjustment very strongly.

8. With respect to the Fund's investments, he said that at the last actuarial evaluation of the Fund's assets, on 31 March 1972, variable income securities had represented 72 per cent of the portfolio, and that they now constituted 75 per cent. The annual cumulative yield over the past 10 years had been approximately 8.53 per cent for American variable income securities and 8.63 per cent for variable income securities in non-American companies. That excellent yield was attributable to the sound management of the Fund's assets and the wise advice of the Investments Committee.

9. Regarding the geographical distribution of the Fund's assets, he said that the Fund made no direct investments, but acted only through the official stock market, in order to reduce risks to the minimum. The choice of country depended on the size of the market. The Fund's resources were invested in the United States, Canada, the United Kingdom, the Netherlands, Belgium, the Federal Republic of Germany, Italy, Switzerland, France, Australia and Japan. He pointed out that the stock market of the United States represented 75 per cent of the world market.

10. The representative of Ghana had expressed surprise that the auditing of the accounts of the Pension Fund, which included all the bodies composing the United Nations system, was carried out by the Board of Auditors, which did not include any representative of a developing country. In reply, he observed that that situation did not give rise to any problems for the Secretary-General of the United Nations or the Board of Auditors. It was true that some representatives of the specialized agencies did not have the same close relations with the Board of Auditors as the United Nations itself and did not feel that they were participating directly in the Board's work, but he believed that that was simply a question of communication.

11. At the previous meeting, the representative of France had asked what was the total amount invested in currencies other than the dollar. At present non-American stocks constituted about 25 per cent of the variable income securities of the Fund and that proportion would be raised to 30 per cent.

12. At the same meeting the representative of Saudi Arabia had said that perhaps the Fund should diversify its short-term investments in currencies other than the United States dollar. In fact the reason why the yield of the Fund's assets was the highest in the world was its short-term investments abroad. The Saudi Arabian representative had said that he thought that the Fund's reserve fund was inadequate; it amounted to \$34 million, which was admittedly not a large sum.

13. Mr. KULAZHENKOV (Union of Soviet Socialist Republics) referred to the replies by the Secretary of the Joint Staff Pension Board to questions raised by the Soviet delegation in document A/C.5/XXVII/CRP.7, and said he was somewhat surprised to learn that the Board did not have comparative figures on the level of the pensions paid by the national administrations of the countries where the various United Nations bodies had their headquarters. As the representatives of the Secretariat often referred to the level of the pensions paid by those national administrations, it was rather strange that that information could not be supplied. Regarding the third question by the Soviet delegation, the Secretary of the Board had said that he did not understand exactly what was meant by "a unit of the United Nations Secretariat". The Soviet delegation was referring mainly to the headquarters of the United Nations and the specialized agencies, IAEA, the regional economic commissions, and possibly the United Nations Economic and Social Office in Beirut. In the second paragraph of its fourth question the Soviet delegation had asked what was the total sum left at the disposal of the Pension Fund as a result of staff leaving after serving in the Organization for less than five years, and had asked that the particulars should be broken down by organizations participating in the Pension Fund. He did not understand why the compiling of comparative statistics on that point should create any special difficulties, and was surprised that the Secretary of the Board should have said that he was unable to supply such simple information. Regarding the fifth question, the Secretary of the Board had also said that he could not give a complete reply

because the Board did not have records that made it possible to supply the information asked for going back to the establishment of the Fund. That situation was mystifying, to say the least. Concerning the seventh question, the Secretary of the Board had said that it was difficult to forecast the annual pension benefits to be paid out in future years. The Soviet delegation thought that the Fund made such forecasts as a matter of routine. As to the ninth question, he did not quite understand what the Secretary's reply meant. Was the reference to confidential information that could be submitted only to the Advisory Committee? The Soviet delegation considered that the members of the Fifth Committee had the right to see any information made available to the Advisory Committee. He reserved the right to make further comments when he had received a reply to all the questions raised by the Soviet delegation.

14. Mr. LIVERAN (Secretary of the United Nations Joint Staff Pension Board), replying to the Soviet representative, recalled that, with respect to the first question in document A/C.5/XXVII/CRP.7, it had been clearly stated that the information requested would be supplied. As to the second question, the information requested was not available because the national administrations of the countries concerned had never been asked to supply it. That could perhaps be done in future, provided that the Governments of those countries were prepared to communicate their figures. For the present, all that had been done was to compare the pension plans of international organizations with those of the national administrations, but quantified comparisons were not possible because of the lack of data.

15. Regarding the third question he said that the United Nations had "units" in very many countries, especially if the term "United Nations Secretariat" was taken to cover both the United Nations and the specialized agencies. That was why he had asked what exactly was meant by that term. He had not said that the information asked for could not be supplied in future, but only that it could not be compiled immediately.

16. As to the second paragraph of the fourth question, it was perhaps not impossible to furnish that information, but it would require fairly long calculations which would necessarily take time.

17. Concerning the fifth question, he explained that records existed but, because of lack of space, were maintained only at the headquarters of each specialized agency, and that the United Nations Secretariat had no duplicates. Thus, although it was not impossible to collect the information, it would necessarily take time.

18. Mr. RHODES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the representative of the Soviet Union had asked that all additional information on the work of the Pension Fund submitted to the Advisory Committee should be circulated to the Fifth Committee. That

would give rise to certain practical problems, because of the Advisory Committee's methods of work. The Committee first examined the basic document, which was the report prepared by the Board, and then sought to obtain whatever additional information it deemed necessary, mainly through direct contact with the Secretary of the Board. It would therefore be difficult to communicate to the Fifth Committee, in the form of official documents, all the additional information that the Advisory Committee might collect in the course of its deliberations. Moreover, certain sources of information to which the Advisory Committee resorted might be more reticent if the information was to be published in a document. In any case, the Advisory Committee had nothing to hide and was ready to help the Fifth Committee to the best of its ability. Perhaps, therefore, the Soviet delegation could reword its proposal in more specific terms, indicating exactly what additional information it wished to receive.

19. Mr. DUQUE (Colombia) said that he was satisfied by the explanation given by the Acting Head, Office of Financial Services, concerning the action taken on the recommendations of the Board of Auditors, contained in its report to the General Assembly on the accounts of the Fund for the year ended 30 September 1969.

20. Miss WHALLEY (United Kingdom) said that, as a member representing the General Assembly at the summer session of the Joint Staff Pension Board, she could confirm the explanation given by the representative of the United States of America at the previous meeting of the last sentence of paragraph 22 of the Board's report, which read: "The members of the Board representing the General Assembly were unable to endorse the proposals, but did not object to their submission." As the representative of the United States had explained, the members representing the General Assembly had supported the proposals set out in paragraphs (a), (b) and (c) of section I the draft resolution submitted by the Board, but, since there was no precedent for the proposal for additional adjustments to compensate for currency realignments, they had not wanted to commit the General Assembly before it had had an opportunity to study the question. As the representative of the United States had said, the General Assembly had a special position in relation to the Pension Board and must therefore be distinguished from the governing bodies of the specialized agencies, since it had the legislative authority to amend the regulations governing the operation of the Fund.

21. She would have had difficulty in agreeing to any other course of action, since her Government had serious misgivings about proposals to compensate for the loss of purchasing power arising out of exchange rate changes. While currency realignments could adversely affect the position of pensioners whose pensions were determined in dollar terms when local currencies were revalued against the dollar, they had benefited significantly when local currencies had been devalued against the dollar. If losses were to be compensated, logically benefits should be reduced when pensioners profited from fluctuations in exchange rates. Nevertheless, it

was clear that currency realignments during the past two years had led to a considerable loss of purchasing power for many pensioners. Her delegation was grateful to the Advisory Committee for its comprehensive and detailed analysis of the problem and the solution proposed by the Board. The global nature of that solution, which would involve an increase in all pensions whatever the true implications of the currency realignments, was not easy to justify. Her delegation supported the Advisory Committee's suggestion that the Board should continue to explore the possibility of a more selective system. However, it also accepted the Advisory Committee's view that there was a case for action to remedy the effects of the exceptional currency movements of the past two years, on the understanding that the special action envisaged should not constitute a precedent. None the less, even if the Board's arguments on the desirability of maintaining the principle of universality of benefits, together with the practical difficulties of adopting a more selective approach, were accepted, the formula proposed by the Board was open to question. Indeed, if the view that a selective approach was neither desirable nor practicable were accepted, any solution proposed must also logically be based on the principle of universality. It would therefore be difficult to justify a method of calculation which would exclude pensions which were not affected by currency realignments. The Advisory Committee's suggestion (A/8860, para. 22) that all benefits payable should be taken into account in calculating the average reduction of benefits, was perfectly sound. Her delegation would therefore be prepared to support the adjustments proposed by the Advisory Committee of 6, 4 and 2 points for 1973, 1974 and 1975, respectively.

22. In paragraph 40 of its report, the Advisory Committee had stated that when the actuarial valuation of the Fund took place, it would be useful to establish whether the actuarial position of the Fund was currently such that it would be possible to reduce the rates of contribution, either permanently or temporarily, without prejudicing the ability of the Fund to meet the payment of present and future benefits, and had recommended that the Board should request the Committee of Actuaries to undertake a review of the matter. The Advisory Committee believed that the review should also include an assessment of the impact of possible changes in the age of retirement or in the practice whereby the Fund retained half of the contributions made by the organizations in respect of staff who did not normally qualify for pension. Her delegation fully supported that proposal. The report of the Committee of Actuaries on those technical questions would be considered by the Joint Staff Pension Board, the body established by the General Assembly, which included representatives of not only the General Assembly but also the governing bodies of all the other member organizations of the Fund. It would be for the Fifth Committee to take appropriate action on recommendations put forward by the Board in the light of the actuarial assessment of the Fund's liabilities.

23. Mr. FAROOQ (Pakistan) recalled that the Advisory Committee had supported the first three recom-

mendations of the Joint Staff Pension Board contained in section I of the draft resolution and had suggested, with regard to the fourth, that the additional adjustments proposed should be reduced. His delegation fully supported the first two recommendations.

24. Referring to the tragic death of Mr. Hashim Jawad, Resident Representative of UNDP in Lebanon, he asked the Secretary of the Board for information on the minimum benefits payable to the deceased's widow, because he wondered whether they would be adequate to meet the needs of the members of his family who were used to a certain standard of living.

25. His delegation was prepared to support the third recommendation of the Board, to which the Advisory Committee had had no objection, since it only concerned a minor refinement in the basic system. With regard to the fourth, which was aimed at compensating pensioners for losses due to currency realignment, the Advisory Committee had felt that it would not only benefit those who had genuinely suffered hardship as a result of currency realignments but also those who had not. The Advisory Committee had therefore suggested that the Board should study the possibility of devising a more selective scheme. The Advisory Committee's arguments were very valid, but the case could be viewed from other angles. The application of a selective system would be contrary to the generally recognized principle of universality of benefits. At the same time, there must be a certain element of equity between serving and retired staff. The Advisory Committee had acknowledged the fact that a substantial number of pensioners had suffered an appreciable loss in their purchasing power, but considered that it would be sufficient to reduce percentage adjustments to 6 for 1973, 4 for 1974 and 2 for 1975. The cost of those adjustments, which would amount to some \$1.5 million, would be met entirely by the Fund and could be absorbed without difficulty with the present margin of assets over liabilities. Since the additional adjustments proposed would by and large favour the pensioners in the lower bracket, i.e. those receiving benefits of less than \$3,000 or over 70 per cent of all pensioners, his delegation would be inclined to favour the draft resolution before the Committee. In its report, the Advisory Committee had cited the case of a staff member who had retired in 1967 on a pension of \$2,000 and who was currently drawing \$2,726. According to the Advisory Committee, the increase proposed by the Board would bring the total amount of that pension to \$3,049—a 52 per cent increase on the sum paid in 1967. He wondered whether that example was representative of the general situation or whether it was an extreme case. In such cases, it would be advisable to have comparative figures for the pension granted by the United States Administration to an employee who had retired in 1967 and for the amount he was receiving at the present time.

26. His delegation was concerned by the fact that some of the specialized agencies, through their representatives on the Board, had already accepted the financial implications of the Board's recommendation. That development might lead to complications, as the Secretary of the Board had hinted that the specialized agencies might withdraw from the Fund.

27. The fact that the two representatives of the General Assembly on the Board, while not against submitting the recommendation on the subject to the General Assembly, had been unwilling to commit the Assembly in advance, should not be used as an argument against the Board's recommendation. It should be mentioned in that connexion that although the Fund was in a position to meet the extra expenditure of \$1.5 million that would be incurred by the proposed action, such expenditure would diminish the possibility of reducing the rate of contribution of Member States. Those matters of detail might perhaps be taken up at the twenty-eighth session, when the study called for in paragraph 40 of the Advisory Committee's report would be available.

28. With regard to the report of the Board of Auditors on the accounts of the Fund (A/8709 and Corr.1, annex IV), he was surprised to learn that the Fund had paid \$60,000 in taxes on the purchases and sales of stocks, although, as stated in paragraph 12 of that report, the Fund should, under section 7 of the Convention on the Privileges and Immunities of the United Nations, normally be exempt from taxes on such transactions. The Board of Auditors had also expressed the view that the responsibility for decision-making on investment proposals should be assumed more fully by the representatives of the Secretary-General and that there should be a thorough and independent screening of the recommendations with regard to the buying and selling of securities. His delegation welcomed the recommendations made by the Board of Auditors and hoped that the steps necessary to implement them would be taken as soon as possible. It expressed satisfaction in that connexion with the explanations given by Acting Head, Office of Financial Services.

29. His delegation supported the suggestion made by the Advisory Committee that the Committee of Actuaries should be requested to undertake a study in order to review the contribution rates. He wished at the present stage to emphasize the need to ensure that the Fund's ability to meet the payment of "present and future benefits" should not be prejudiced.

30. Mr. DAMASCENO VIEIRA (Brazil) said that the United Nations pension scheme definitely played an important role in the recruitment of the highly qualified personnel which the United Nations needed. By offering international civil servants good employment and retirement conditions, Member States could express their appreciation to those persons who devoted a large part of their lives to serving the Organization. It was in that perspective that his delegation had examined the recommendations of the Joint Staff Pension Board which called for action by the General Assembly and particularly those contained in paragraphs 14 to 22 of its report. Those recommendations related to the provision of additional adjustments in respect of the periodic benefits paid by the Fund in order to compensate for currency realignments during the past two years. After weighing the arguments set forth by the Board and the Advisory Committee, his delegation was inclined to concur with the Board's

recommendation that additional adjustments of 9, 6 and 3 percentage points should be applied in 1973, 1974 and 1975 to benefits not exceeding \$3,000 per year and to the first \$3,000 of any higher annual benefit. His delegation failed to understand the Advisory Committee's reluctance to accept the "non-selective" approach proposed by the Board, since the pension scheme itself was "non-selective". One of the cardinal principles of the scheme was that the level of benefits should not be affected by a recipient's nationality or country of retirement. Since the salaries of the serving staff had been adjusted as a consequence of currency realignments in the same manner as they were adjusted to offset cost-of-living increases, it was only fair to treat pensions in a similar manner. In any event, the measure proposed by the Board was merely a temporary one and did not set a precedent; the latter point was worth stressing because it would be wrong to give pensioners the impression that they would be automatically entitled to compensation for future currency realignments.

31. As to the formula for compensation, his delegation did not agree with the Advisory Committee that the adjustments of 9 per cent, 6 per cent and 3 per cent to be applied to a maximum of \$3,000, as proposed by the Board, were over-generous. It agreed with the Secretary of the Board that the problem transcended the law and had to do with equity.

32. With regard to the actuarial valuation of the Fund, he concurred with the view of the Advisory Committee that it would be useful to establish whether the actuarial position of the Fund was now such as to permit a reduction in rates of contribution both for the organizations and for the participants. He stressed that the Committee of Actuaries was, in his opinion, the body competent to review the question.

33. Mr. ROWE (Australia) said he agreed with the Board and the Advisory Committee regarding the need to apply additional adjustments to benefits to compensate for losses in purchasing power sustained by pensioners as a result of the currency realignments. While acknowledging the necessity for such compensatory adjustments in the present instance, he nevertheless felt that a decision along those lines should not create a precedent. His delegation would support the adjustments in the present case because they were based on the principle of preserving equity between United Nations pensioners and serving staff members.

34. His delegation could accept the suggestions made in paragraphs (a), (b) and (c) of section I of the draft resolution in annex V of the Board's report. It had certain reservations, however, about the proposals contained in paragraph (d). The Board was proposing that the adjustments should apply to all benefits, irrespective of whether the currency in which they were payable had been revalued in relation to the United States dollar. His delegation was prepared to accept the rates proposed by the Board if they were to be paid only to those directly affected by the currency realignments. It looked forward to hearing a further clarification by the Board of the reasons why a more selective system could not be introduced. The lower

rates of adjustment proposed by the Advisory Committee would apply, like those proposed by the Board, to all recipients of pensions excluding children. The only difference between the two proposals lay in the method of calculating the rates to be introduced. The Board had taken into account only the 2,500 benefits which it deemed to have been directly affected by the currency realignments and wished to apply the average obtained to all pensioners. The Advisory Committee, on the other hand, had based its calculations on the average reduction in purchasing power of all benefits.

35. What concerned his delegation was that the Advisory Committee and the Board proposed to apply the adjustments to all benefits. If that were to be the case, his delegation would support the rates of adjustment recommended by the Advisory Committee. If, however, it was decided to draw a distinction between benefits affected by the currency realignments and those not affected, his delegation would be more inclined to favour the formula recommended by the Board. Its support for the latter would be based on the assumption that adjusted benefits would be paid only to those whose benefits had been affected by the currency realignments.

36. Mr. BENNET (New Zealand) said that, in weighing the alternative proposals submitted by the Board and the Advisory Committee on the subject of adjustments to benefits to compensate for the currency realignments, his delegation had been struck by the fineness of the arguments presented by both sides. There were two essential points to be borne in mind in deciding which of the proposals to support. On the one hand, given the continuing concern which the welfare of pensioners should evoke, the acknowledged expertise of the Board and the fact that the adjustments proposed would not represent a direct charge on the regular budget, there seemed to be a sound moral, if not entirely logical, case for an endorsement of the Board's proposal. On the other hand, the crux of the Advisory Committee's argument was that if an averaging system was to be applied across the board—pending the elaboration of a more selective scheme—a 6 per cent, 4 per cent, 2 per cent formula would be fairer and arithmetically sounder, bearing in mind in particular that unnecessary generosity would be involved if the pensions of those who had not suffered from the effects of currency realignments were also to be adjusted.

37. Against the background of those basic considerations, his delegation would determine its final position on the subject when it was more certain of the balance of favour within the Committee. At the present moment, it had the impression that sentiment lay rather with the proposals of the Board. If that was the case, his delegation was prepared to go along with the majority, provided that the study of a more selective scheme, as recommended by the Advisory Committee, constituted an essential element of the Assembly's decision.

38. Miss FORCIGNANÒ (Italy) said that when considering pension questions, account should be taken

not only of the responsibility of the General Assembly but also of the problems facing pensioners. Unfortunately, during the past year, the cost of living had steadily increased and many countries had realigned their currencies.

39. It was in view of that situation that the Board had submitted its proposals and draft resolution. Like the Advisory Committee, her delegation could accept the proposals formulated in paragraphs (a), (b) and (c) of section I of the Board's draft resolution. As to the proposals in paragraph (d), the Advisory Committee was not convinced that adjustments of 9 per cent, 6 per cent and 3 per cent were fully justified, since they were being added to adjustments to compensate for a cost-of-living increase; it was therefore proposing rates of 6 per cent, 4 per cent and 2 per cent.

40. Her delegation had studied the two proposals and felt that that of the Advisory Committee was more reasonable. What was required was not only an equitable arrangement for pensioners; the fact must also be taken into account that currency realignments did not affect all pensions. If the Committee was not of that opinion, however, her delegation would go along with the majority and accept the proposal to make additional adjustments to all benefits, although such adjustments must be transitional.

41. Her delegation felt that the contribution rates, which were currently 14 per cent for the organizations and 7 per cent for participants, could be reduced in view of the Fund's current financial position.

42. Mr. CHERPOOT (India) said his delegation was happy to note that the Fund's financial situation was such that it might well be possible to reduce the contributions paid by the organizations. He therefore approved the Advisory Committee's idea of having a study made of the Fund's actuarial position and hoped that the study would be submitted to the General Assembly at its twenty-eighth session together with comments by the Secretary-General.

43. His delegation approved the Advisory Committee's recommendations on the subject of administrative expenses in paragraph 32 of its report. It certainly had no objections to the Board's proposals to make compensatory adjustments to pensions in respect of cost-of-living increases and had no difficulty, therefore, in accepting the recommendations in paragraphs (a), (b) and (c) of section I of the draft resolution in annex V of the Board's report. With regard to the proposals in paragraph (d), however, his delegation thought, like the representative of the United Kingdom, that account should be taken not only of pensions which had been adversely affected by the revaluation of some currencies against the dollar, but also of the advantages that some pensioners had derived from devaluation against the dollar of the currency in which their pensions were paid. It might be desirable, therefore, to make a detailed study of the question before taking a decision on that recommendation of the Board. Nevertheless, his delegation, like the Advisory Committee, saw no objection to making a temporary adjust-

ment, provided that a decision to that effect would not give pensioners a right to compensation in the event of a future currency realignment.

44. Mr. RODRÍGUEZ (Cuba) said that at previous sessions the question of the Joint Staff Pension Fund had tended to be the subject of a routine discussion, while at the current session everything seemed to indicate that the moment had come for the Fifth Committee to lay down certain definitions and take specific decisions on the machinery and the purposes of the Joint Staff Pension Fund.

45. Many delegations had expressed their concern with the size of the Fund's principal. That was a question which his delegation had already raised on many occasions at previous sessions. As at 30 September 1971 the Fund's principal had stood at more than \$600 million, which was an amount twice that of the United Nations regular budget. It was something of a paradox that an Organization whose financial situation was lamentable—basically because of a disproportionate increase in its administrative expenses—should maintain a pension fund with the principal indicated in the Board's report.

46. The situation of the Fund, whose principal was increasing at an average annual rate of 15 per cent, was a consequence of applying a schedule of contributions which had been fixed 25 years ago at 14 per cent of pensionable remuneration for the organizations and 7 per cent for participants.

47. During the financial year 1971, contributions paid by staff members had amounted to \$26 million which brought the total income to \$80 million, while benefits paid out by the Fund during the same period had only amounted to \$19 million, which left a balance of \$60 million. If that situation continued, the Fund would have a principal of \$1,000 million within three or four years.

48. His delegation felt that the recommendations made by the Advisory Committee in paragraph 40 of its report should be implemented and that it would in fact be useful to establish whether the actuarial position of the Fund was such that it would be possible to reduce the rates of contribution from Member States. At the same juncture the system should be re-examined whereby the Fund retained half—7 per cent—of the contributions paid by organizations when a staff member separated after less than five years. His delegation wondered why the Fund retained that amount and why the contributions paid by Member States were not thereby reduced. It had found no reply to those questions in the documents before the Committee and hoped that the Secretariat would submit a study of the matter to the General Assembly at its twenty-eighth session.

49. Although the Fund was increasing its assets as a result of investment income, that was not the purpose for which it had been set up. At present \$605 million, or about 95 per cent of the Fund's principal, was invested. It was more disturbing that, although the

Board of Auditors had indicated in paragraph 10 of its report that the proportion of investments in currencies other than the United States dollar had risen from 11.9 per cent on 30 September 1970 to 13.8 per cent on 30 September 1971, investments in a devalued currency, namely United States dollars, were still of equal magnitude. Investments in United States dollars should be reduced to a minimum. His delegation was also surprised that the Board of Auditors had given very little information on investments, although that was an important question. It had only given over-all figures and had limited itself to a number of observations on the Secretary-General's primary responsibility for choosing investments.

50. His delegation supported the recommendations of the Board of Auditors on the need to reconsider the present system whereby the Investments Committee had given standing approval to the Fiduciary Trust Company of New York to manage the Fund's portfolio. It was hard to understand how the present situation had come about in which the representatives of the Secretariat, who should take increasing responsibility for decisions on investments, had entrusted their responsibility to a private American company. His delegation, which was concerned by the use being made of the Fund's resources, officially requested the Board of Auditors to submit, in its next report to the General Assembly on the Fund's accounts, specific information on each of the Fund's investments.

51. With regard to the proposals made in paragraph (d) of section I of the Pension Board's draft resolution on the additional adjustments it suggested should be made to pensions to compensate for the effects of currency realignments, his delegation felt that the Advisory Committee's recommendations should be approved. His delegation was convinced that the questions it had asked, and to which it had requested a reply by the twenty-eighth session of the General Assembly, were the fundamental questions that arose in connexion with the Pension Fund. It hoped that the Secretariat had taken note of its concern and would report on those questions at the twenty-eighth session.

52. Mr. RIAD (Egypt) asked whether it might perhaps be desirable, since the question of the Joint Staff Pension Fund was of interest not only to the United Nations but also to the specialized agencies, to ask representatives of those agencies to submit their views to the Committee.

53. The CHAIRMAN suggested that the Committee should give the specialized agencies an opportunity to submit their views at the next meeting.

It was so decided.

The meeting rose at 1 p.m.