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CONTENTS

Chairman: **Mr. Hans ENGEN** (Norway).

AGENDA ITEM 40

Report of the Negotiating Committee for Extra-Budgetary Funds (A/2945; A/C.5/L.333) (*continued*)

1. Mr. MENDEZ (Philippines), Rapporteur, said that, in preparing the draft resolution (A/C.5/L.333) for which the Committee had asked at its 487th meeting, he had taken the comments of various delegations into account. In particular, the financial goals should be neither too ambitious nor too modest if it was wished to avoid facing certain failure every year and thus undermining the Organization's prestige.

2. Mr. van ASCH van WIJCK (Netherlands) and Mr. MONTERO BUSTAMANTE (Uruguay) supported the draft resolution.

3. Mr. CHAMBERS (Australia) said that it was for the General Assembly to collect Governments' contributions to the various programmes it had approved and for which it had not voted credits in the regular budget of the United Nations. In that matter the Negotiating Committee represented the General Assembly and the Fifth Committee should continue it, even though its results had not always been satisfactory.

4. The Australian delegation would abstain from voting on the second paragraph of part II of the draft resolution, reading: "*Urges* Governments to give consideration to their intended contributions before or early in the financial year of each of the agencies to enable them to establish their respective programmes." The paragraph invited Governments to change their budgetary procedure to suit the convenience of the agencies; as it was doubtful whether States would accept that suggestion, it would be better to ask the agencies to adjust their financial years so that Governments could consider their needs when drawing up national budgets.

5. In reply to Mr. FRIIS (Denmark), Mr. POWERS (Secretary of the Committee) explained that the Negotiating Committee was appointed every year and that the proposal before the Fifth Committee consisted of appointing a negotiating committee whose term of office would expire at the end of the General Assembly's eleventh session. The Committee's terms of reference should be quite clear. The various Committees of the General Assembly which considered the five programmes dealt with by the Negotiating Committee should, in their reports, expressly invite the Negotiating Committee to collect funds to carry out the programmes in question.

6. In the light of the Australian representative's remarks, he suggested that the second paragraph of part II of the draft resolution should be deleted.

7. Mr. CHAMBERS (Australia) and Mr. FRIIS (Denmark) supported that suggestion.

It was so decided.

8. Mr. RAEYMAECKERS (Belgium) thought that there was some contradiction between the first paragraph of part II, reading: "*Appeals* to the Governments of Member and non-member States to make voluntary contributions to the extent necessary to carry out the programmes approved ...", and the preamble to part III, noting "the concern again expressed by the Negotiating Committee ... at the effect of the establishment of financial targets unlikely to be realized in actual receipts of contributions".

9. The CHAIRMAN proposed that the first paragraph of part II should be amended to read as follows: "*Appeals* to the Governments of Member and non-member States to make voluntary contributions to the fullest extent to carry out the programmes approved ...".

10. He pointed out, too, that, owing to the deletion from part II of the second paragraph, its first paragraph would have to be transferred to the end of part III; the draft resolution would thus consist of two parts only.

It was so decided.

The draft resolution (A/C.5/L.333), as amended, was adopted unanimously.

AGENDA ITEM 44

United Nations Joint Staff Pension Fund:

(*a*) Annual report of the United Nations Joint Staff Pension Board (A/2914);

(*b*) Report of the United Nations Joint Staff Pension Board on the third octuarial valuation of the United Nations Joint Staff Pension Fund as of 30 September 1954 (A/2916, A/2986);

(c) Amendments to the regulations of the United Nations Joint Staff Pension Fund: report of the United Nations Joint Staff Pension Board, including report on article XI (A/2914, A/2986);

(d) Acceptance by the specialized agencies of the jurisdiction of the United Nations Administrative Tribunal in matters involving applications alleging non-observance of the regulations of the United Nations Joint Staff Pension Fund: report of the Secretary-General (A/2970, A/2986)

At the invitation of the Chairman, Mr. Cutts, First Vice-Chairman of the United Nations Joint Staff Pension Board, took a place at the Committee table.

11. Mr. CUTTS (First Vice-Chairman of the Joint Staff Pension Board) introduced the Board's report (A/2914). It gave a very favourable account of the operation of the Joint Fund for the first nine months of 1954 and of the work of the Board's sixth session, held in April-May 1955.

12. With regard to the report on the third actuarial valuation of the Fund (A/2916), on 30 September 1954 there had been a margin of 0.97 per cent of pensionable remuneration between the 21 per cent contributions required by the Regulations and the contributions necessary to meet the benefit payments and administrative expenses. The Consulting Actuary had therefore concluded that the basic tables were proving conservative (A/2916, paragraph 24).

13. The CHAIRMAN proposed that the Committee should first examine the amendments to the Regulations of the Joint Staff Pension Fund which the Board recommended in its annual report (A/2914, annex II). The first amendment related to article 1.4; comments had been made on it by the Joint Board in paragraph 6 of its report on the third actuarial valuation (A/2916) and by the Advisory Committee on Administrative and Budgetary Questions (A/2986, paras. 4 to 13).

14. Mr. CUTTS (First Vice-Chairman of the Joint Staff Pension Board) stressed that the Board had unanimously recommended the revised text of article 1.4, on the definition of the term "final average remuneration". The resulting increase in expenditure seemed to be quite compatible with the requirements of conservative financial management. The Advisory Committee agreed that the base period should be reduced from ten to five years, but wanted average remuneration to be calculated on the basis of remuneration over the last five years of service, and not over the five successive years yielding the highest average remuneration. The Joint Board preferred the second alternative because it wished to avoid harships which might exceptionally arise through reduction of pensionable remuneration towards the end of a career. It should be noted in that connexion that the pensions of the staff of the International Bank for Reconstruction and Development and of the International Monetary Fund were calculated on the basis of the most remunerative five years.

15. Lord FAIRFAX (United Kingdom) was glad to learn that the third actuarial valuation showed that the position of the Fund was quite satisfactory. The Joint Board wished to profit by that position to increase benefits and it proposed to change the definition of "final average remuneration". If that proposal were adopted, the safety margin would fall from 0.97 per cent to 0.29 per cent of pensionable remuneration. The United Kingdom delegation thought that actuarial experience was not yet sufficient to warrant increasing expenditures from the Fund to that extent. It would jeopardize the Fund's stability. It should be borne in mind that a general salary increase or fall in the yield of investments would remove much if not all of the margin. Member States would be obliged to cover any deficit. It was most important not to undermine the stability of the Pension Fund since that would wreck the very purpose for which it had been established, *viz.*, to give the staff a feeling of security. In the circumstances the United Kingdom delegation thought it prudent for the Committee to await the result of the next actuarial valuation before deciding when to reduce the ten-year to a five-year average.

16. Mr. ERHAN (Turkey) was in favour of the amendment recommended by the Board, but wished to know whether its effect would be retroactive.

17. Mr. WALL (Canada) paid a tribute to the financial management of the Joint Pension Fund. According to the Consulting Actuary, the revision of article 1.4 of the Regulations would entail additional expenditure equal to 0.68 per cent of pensionable remuneration, an increase which seemed to the Joint Board to be quite compatible with the requirements of conservative financial management. But the estimates were based on existing salaries. It would be inadvisable to run the risk of the safety margin proving inadequate and the Fund being unable to meet its obligations as a result of salary increase.

18. The Canadian delegation had no objection in principle to revision of the regulations, but would like first to ask the Actuary to state what additional expenditure would fall on the Fund in the event of: first, a 5 per cent salary increase in the United Nations and all the participating organizations; second, a 5 per cent salary increase for the staff of the United Nations only; third, a 5 per cent salary increase for the staff of participating organizations with headquarters in Europe; lastly, a 10 per cent salary increase in each of the three cases cited above. He would especially like to know whether the Fund could meet such an increase in expenditure without having to alter the rate of contributions.

19. If the Actuary could not satisfy the Committee on the matter, it might be wiser, as the United Kingdom delegation had suggested, to wait for longer actuarial experience before changing the definition of the final average remuneration. Moreover, very few staff members would be eligible for retirement before the next actuarial valuation and a deferment would therefore affect very few persons. However, if there was concern on that score, it would be possible to consider retroactive application of any subsequent revision of the regulations to cover those cases.

20. Mr. FORTEZA (Uruguay) recalled that at the eighth session the Assembly had decided in resolution 772 (VIII) to charge the Fund with the administrative expenses of the Joint Staff Pension Board, which had reduced the safety margin from 0.52 per cent to 0.27 per cent of the pensionable remuneration. It was surprising that some delegations, which had not been concerned about that reduction in the safety margin in 1953, now feared that the Fund might not be able to meet its commitments if the safety margin was no higher than 0.29 per cent.

21. He could assure the Committee that the Joint Staff Pension Board, of which he was a member, had studied the matter very thoroughly before recommending

unanimously that the Assembly should revert to the five-year period provided in the provisional regulations of the Pension Fund. He urged the Committee to adopt the revised text of article 1.4 as proposed by the Board. That text, which provided that final average remuneration should be computed on the basis of the five successive years affording the highest average remuneration, was more equitable and realistic. He failed to understand the objections to that recommendation, particularly in view of the fact that its adoption would entail consequences no different from the actuarial standpoint than the adoption of the text put forward by the Advisory Committee. The fact that the International Bank for Reconstruction and Development and the International Monetary Fund used that system said much for its worth.

22. Mr. VENKATARAMAN (India) presumed that the actuary had considered the various possibilities pointed out by the delegations of the United Kingdom and Canada. He therefore agreed that in calculating final average remuneration a five-year period should be used instead of a ten-year period, provided, as the Advisory Committee proposed, that the five years were the last five years of service. It would be unjust for a staff member earning less money towards the end of his career, and accordingly paying less into the Fund, to receive a pension which was not commensurate with his contribution.

23. Mr. FORTEZA (Uruguay) pointed out that it might be even more unjust for that staff member to receive a pension computed without taking into account the years during which he had paid more into the Fund.

24. Mr. VENKATARAMAN (India) said that he was not overlooking that aspect of the question, but in a well organized pension fund nobody should receive more than his contribution entitled him to.

25. Mr. NATANAGARA (Indonesia) felt that the United Nations should offer its staff conditions which would lead to good staff morale and a feeling of security, taking care, nonetheless, not to impose excessive burdens on the Fund. As the Advisory Committee recalled (A/2986, para. 12), Member States were required to make good any deficiency if the assets of the Fund were not sufficient to meet the liabilities. He therefore preferred the alternative text of article 1.4 proposed by the Advisory Committee because he thought it was a compromise solution favourable both to the interests of the staff and to the stability of the Pension Fund.

26. In reply to Mr. ERHAN (Turkey), Mr. CUTTS (First Vice-Chairman of the Joint Board) noted that, if the amendment proposed by the Pension board was adopted, it would not be retroactive; it would apply only to participants still working and contributing.

27. With regard to the fears expressed by the United Kingdom representative about the possible consequences of a future drop in the yield of the securities held, he recalled that the Pension Board had decided to credit to the reserve for interest equalization the surplus of the yield of common stock held, over and above the actuarial rate of 2.5 per cent computed on the basis of the purchase price of the stock. In computing the safety margin, the sums thus credited had not been taken into account.

28. He reminded the representative of Indonesia that adoption of the amendment proposed by the Pension Board would have virtually the same effect on the safety margin as adoption of the amendment proposed by the Advisory Committee. The five successive years yielding the highest average remuneration were in most cases the last five years of service.

29. Lastly, in reply to the representative of Canada, he pointed out that the Consulting Actuary, in working out his figures, had considered all the increases in pay to which a staff member might normally be entitled in the course of his career. Obviously, any sudden rise in the cost of living, and consequently in salaries, would exert an unfavourable influence on the Pension Fund and might create a deficit. Nevertheless, it was impossible wholly to protect the Fund against inflation. But a 5 per cent increase in the remuneration of all participants would only mean an additional expenditure equivalent to 0.30 per cent of pensionable remuneration. About half the participants were members of the United Nations staff, and less than half were employed in New York. On that basis, it was easy to compute the incidence of any increase in remuneration on the position of the Fund. If the increase was as high as 10 per cent, the additional expenditure would be about 0.60 per cent at most.

30. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that, although in 1952 the Advisory Committee had recommended an amendment (A/2285, para. 25) which had had the effect of reducing the safety margin to 0.27 per cent, it had on the other hand, been very reluctant to recommend a new amendment which would mean a reduction of the present margin, even though the margin of 0.29 per cent contemplated was higher than that of 1952. The fact was that the cost of living was steadily increasing, with the result that salary increases were being asked. Moreover, if the Fund's undertaking of the administrative expenses had had unfavourable effects, it would have been much easier to provide the funds necessary to cover those expenses in the regular budget than it would be to make another change in the definition of the final average remuneration in the near future.

31. The Advisory Committee had finally recommended adoption of the amendment to article 1.4 of the regulations, first, because the Assembly had changed the article solely for reasons of economy, then, because the Consulting Actuary had reported that, on the whole, the favourable factors had largely offset the unfavourable factors, and, finally, because the recommendation of the Pension Board had been unanimously adopted. As the representative of Indonesia had noted, the Advisory Committee's decision represented a compromise intended to reconcile the interest of the staff with that of the Pension Fund.

32. Mr. TURNER (Controller) said that of the two proposed amendments the Secretary-General preferred the one put forward by the Joint Staff Pension Board; it would facilitate at no appreciable increase in cost the Secretary-General's intention of utilizing staff in as flexible a manner as possible, in line with the Assembly's recommendations. Experience had shown that occasions did arise when a staff member in mid-career had to be switched to a lower post or, in the case of General Service staff members, to suffer a reduction in pensionable remuneration as a result of transfer to another duty station. Such changes might well be in the interest of the United Nations but yet might be frustrated or made difficult where the staff member feared that he could not count on subsequent promotion or salary adjustment to restore his pension position before reaching the point

of retirement. The introduction of the concept of the higher remunerated years of service would help to remove that element of doubt and would provide the Administration with an added means of ensuring the most efficient and effective utilization of staff consistent with the Organization's changing requirements and with the capacities and limitations of the staff member.

33. Mr. MERROW (United States of America) said that he would vote in favour of the amendment proposed by the Advisory Committee although, like the United Kingdom representative, he would have preferred to wait for longer actuarial experience.

34. Lord FAIRFAX (United Kingdom) proposed that the Committee should first decide whether to return to a five-year basis for calculating final average remuneration, then, vote on the amendments of the Advisory Committee and the Joint Staff Pension Board respectively, and, finally, decide whether any amendment adopted should be given immediate effect or whether its application should be deferred until after consideration of the report on the next actuarial valuation.

It was so decided.

The Committee unanimously decided that a five-year period should be used as the basis for calculating final average remuneration.

35. Replying to Mr. FORTEZA (Uruguay), the CHAIRMAN said that the Advisory Committee's proposal was an amendment to the proposal of the Pension Board. Accordingly, the Committee should vote first on the Advisory Committee's proposal (A/2986, para. 13).

The Advisory Committee's recommendation was adopted by 28 votes to 8, with 12 abstentions.

36. Mr. FORTEZA (Uruguay) attached much importance to the United Kingdom representative's proposal regarding the date when the amendment should become effective. To defer application of the amendment to the next actuarial evaluation would in effect be to defer it to 1958 or 1959. The amendment should be given immediate effect, i.e., not even as from 1 January 1956, but from the moment when the Assembly approved it.

The meeting rose at 1.5 p.m.

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