United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

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NOTE

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ABBREVIATIONS

CCAQ	Consultative Committee on Administrative Questions
CCISUA	Coordinating Committee for Independent Staff Unions and Associations of the United Nations System
EPPO	European and Mediterranean Plant Protection Organization
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICITO/GATT	Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade
ICSC	International Civil Service Commission
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
IMO	International Maritime Organization
ITU	International Telecommunication Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNTAC	United Nations Transitional Authority in Cambodia
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, which consists of 33 members, representing the 16 member organizations that are listed in annex X below. One third of the Board members are chosen by the General Assembly and the corresponding bodies of the other member organizations, one third by the executive heads and one third by the participants. The Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat at United Nations Headquarters in New York and the expenses of managing its investments - are met by the Fund.

3. The present report is submitted by the Board following its forty-fourth session, held from 25 June to 3 July 1992 at the headquarters of the International Civil Aviation Organization (ICAO) at Montreal. The members, alternate members and representatives accredited to that session and those who actually attended are listed in annex XI.

4. The major items dealt with by the Board were: (a) the comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories, which the General Assembly requested, in its resolution 45/242 of 21 December 1990, the International Civil Service Commission (ICSC) to undertake, in full cooperation with the Board; (b) amendments to the Regulations of the Fund governing the pensionable remuneration and pensions of ungraded officials, as requested by the Assembly in its resolution 46/192 of 20 December 1991; (c) additional studies of possible changes in the pension adjustment system, requested by the Assembly in its resolution 46/192; (d) implications for the work of the Board of Assembly resolution 46/220 of 20 December 1991 on the biennialization of the programme of work of the Fifth Committee; (e) the methodology and actuarial assumptions to be used in the next actuarial valuation of the Fund; (f) a proposed agreement between the Fund and the Inter-American Development Bank (IDB) on the transfer of pension rights; and (g) matters related to the interpretation and application of the three transfer agreements between the Fund and the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic.

5. The Board also examined, inter alia, the management of the investments of the Fund, the financial statements and schedules for the year ended 31 December 1991, and a progress report on administrative and operational changes in the Fund secretariat.

6. The Board, in accordance with article 4 of the Regulations, appointed a Standing Committee to act on behalf of the Board when it was not in session. The membership of the Standing Committee is given in annex XII.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is given in annex XIII.

8. Section II below contains a summary of the operations of the Fund during the year ended 31 December 1991. Section III contains an account of the matters considered by the Board, including recommendations for action by the General Assembly. A draft resolution to give effect to those recommendations is contained in annex XVI.

II. SUMMARY OF THE OPERATIONS OF THE FUND FOR THE YEAR ENDED 31 DECEMBER 1991

9. During the year, the number of participants in the Fund increased from 58,263 to 60,183. On 31 December 1991, there were 32,294 periodic benefits in award: 10,797 retirement benefits, 5,691 early retirement benefits, 5,469 deferred retirement benefits, 4,331 widows' and widowers' benefits, 5,336 children's benefits, 616 disability benefits and 54 secondary dependants' benefits. In the course of the year, 3,488 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded will be found in annex I below.

10. During the same period, the principal of the Fund increased from $8,478,108,817 to $9,304,981,285 (see annex II, statement I).

11. The investment income of the Fund during the year amounted to $757,128,377, comprising $557,538,058 in interest and dividends and $199,590,319 in net profit on sales of investments. After deduction of investment management costs amounting to $12,083,011, net investment income was $745,045,366. A summary of the investments as at 31 December 1991, and a comparison of their cost and market values, will be found in annex II, schedules 2 and 3.

III. MATTERS CONSIDERED BY THE BOARD, INCLUDING RECOMMENDATIONS TO THE GENERAL ASSEMBLY

A. Implications for the work of the Pension Board of General Assembly resolution 46/220: biennialization of the programme of work of the Fifth Committee

12. At its July 1991 session the Board decided to adopt a two-year cycle of regular sessions and, accordingly, to hold its next regular session in 1993. Following this decision, the Board recommended, and the General Assembly approved last year, an amendment to article 14 (a) of the Regulations, changing the requirement for reporting annually to the General Assembly to reporting at least once every two years. The Board noted that special sessions could be convened when needed to deal with unforeseen developments requiring urgent attention between regular sessions, and that other matters which could not be delayed could be entrusted to the Standing Committee.

13. During the forty-sixth session of the General Assembly, informal consultations were held in the Fifth Committee on rationalizing the work of the Fifth Committee in the light of its increased workload and responsibilities. The result of these discussions was the adoption by the General Assembly, on 20 December 1991, of its resolution 46/220 which, in paragraph 1, adopted a "biennial approach to the consideration of agenda items of the Fifth Committee, with the exception of those which are specifically mandated to be considered annually, as required, or on an ad hoc basis". In paragraph 5, the Assembly requested its subsidiary bodies to adjust their work programmes to conform to the biennial work programme for the Fifth Committee. The annex to that resolution set out the items that would be considered annually, those which would be taken up on a biennial basis and those which would be considered "as required". It also established the Fifth Committee's programmes of work for 1992 and 1993.

14. The Board noted that, as from 1992, the items "United Nations pension system" and "United Nations common system" would be considered by the Fifth Committee only in even-numbered years (i.e., the non-budget years). It noted further the arrangements for considering the biennial budget of the Fund in odd-numbered years, as a sub-item under the agenda item of the proposed United Nations programme budget. In response to the request made by the General Assembly, the Board decided to adjust its programme of work to:

(a) Reschedule the next actuarial valuation of the Fund to be as of 31 December 1993, instead of as of 31 December 1992, with subsequent valuations being carried out every two years;

(b) Authorize its Standing Committee to meet in odd-numbered years, to deal with:

(i) Reviews of appeals on disability claims and on other matters;

(ii) Valuation methodology and assumptions for the next valuation of the Fund, acting on the recommendations of the Committee of Actuaries, and any guidelines/decisions taken by the Board at its previous regular session;

(iii) Approval of the financial statements and review of the report of the Board of Auditors as at the end of even-numbered years;

(iv) Review of the report of the Secretary-General on the investments of the Fund;

(v) Review of appointments and/or reappointments of members of the Committee of Actuaries and of the Investments Committee whose terms would expire as of the end of an odd-numbered year;

(vi) Review and approval of all matters related to the administrative expenses of the Fund, including the proposed biennial budget;

(vii) Any other matters which the Board may decide to delegate to the Standing Committee, including reviews of special studies the Board may request to enable it to take decisions and adopt recommendations at its next regular session.

15. In view of the additional responsibilities delegated to the Standing Committee, the Board considered requests from several of its members that, pending re-examination of the size and composition of the Board and of the Standing Committee and of the related rules governing attendance at their meetings, the rules governing attendance at the Standing Committee be modified to provide that all three groups represented in the staff pension committees of the member organizations may attend. Following informal consultations, the Board decided not to amend the Rules of Procedure at this stage; instead, it authorized an exception to be made in respect of the 1993 meeting of the Standing Committee. This would allow a member organization to send one representative, in addition to those authorized to attend under the current rules, subject to the condition that the additional representative belong to a constituent group in its staff pension committee not now entitled to attend as a member, alternate member or representative. The additional representatives would be designated by the respective staff pension committees.

16. In the light of the biennialization decision of the General Assembly, the Board also discussed the timetable for the consideration of several matters which had previously been scheduled for odd-numbered years. The Board noted that, in General Assembly resolution 45/242 of 21 December 1990, the Assembly had requested the International Civil Service Commission (ICSC) to undertake in 1995, in full cooperation with the Board, the next comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories. Recognizing that the timing of the next comprehensive review would have to be changed to either 1994 or 1996, the Board agreed to convey to the Commission, as well as to indicate in its annual report to the General Assembly, its belief that the next review should take place in 1996. The FAO Staff Pension Committee, recalling the representations it had made last year on the need to address effectively the longer-term problem of the erosion of the real purchasing power of pensions and to redress inequities in the system, maintained its position that the comprehensive review should be advanced to 1994.

17. The Board also recalled that it had agreed to reconsider in 1993 the question of extending the maximum number of years of creditable contributory service (currently 35 years), in the light of the results of the actuarial

valuation of the Fund as at 31 December 1992. In view of the change in the date of the next valuation to 31 December 1993 (see para. 14 above), the Staff Pension Committee of the Food and Agriculture Organization of the United Nations (FAO) proposed that, since the Board could only take a decision in 1994, it should not rule out the possibility of recommending application of any change in the maximum number of years of creditable contributory service to those participants who would have been eligible to benefit, had the decision been taken in 1993. The Board decided that it should not pre-judge at this stage any aspect of the future consideration of the issue. It therefore requested the Secretary, with the assistance of the Consulting Actuary and the Committee of Actuaries, to examine the actuarial and other implications of any changes in the current arrangements, including also possible retroactive application of any changes that the Board might recommend.

B. Actuarial matters

1. Methodology and assumptions for the actuarial valuation of the Fund as at 31 December 1993

18. The Board examined the actuarial assumptions proposed by the Committee of Actuaries in its report for use in the actuarial valuation of the Fund to be prepared as at 31 December 1993. In so doing, it noted that actuarial assumptions were intended to reflect the overall effect of events expected to occur over a very long period of time. Therefore, as a general principle, assumptions should be changed only when a definite trend had been clearly observed.

19. The recommendations of the Committee of Actuaries were made on the basis of the experience data available at the time of its meeting in June 1992. As the next valuation had been rescheduled to be as at 31 December 1993, the Committee indicated its intention to review next year its preliminary recommendations in the light of the analysis of further experience data. Should any changes be deemed necessary, they will be recommended to the Standing Committee next year, particularly in the demographic assumptions dealt with in paragraphs 21 and 22 below.

20. The Board considered the three economic assumptions, based on both long-term and short-term experience and taking into account present economic conditions. It agreed with the Committee of Actuaries that the "regular" economic assumptions should continue to be: a rate of increase in pensionable remuneration of 6.5 per cent a year (in addition to increases arising from promotions and step increments); a nominal rate of interest (or expected rate of return on investments) of 9 per cent a year; and cost-of-living increases of benefits in award of 6 per cent a year, i.e., the so-called 6.5/9/6 basis. The real rate of return under these assumptions is 3 per cent (investment rate of return minus cost-of-living increase). The Board also agreed that, as in the recent past, valuations should also be made based on assumptions of 6.5/10/6 and 6.5/8/6, that is, real rates of return of 4 per cent and 2 per cent, respectively. From the valuation results using these different rates of return, interpolations can be made to estimate the results for in-between rates of return, such as 2.5 and 3.5 per cent. As past actuarial valuations had demonstrated, the differentials between the three economic

assumptions in each set were more important than the level of each specific assumption.

21. With respect to the demographic assumptions, the Board noted that those relating to anticipated events during the active service of participants had been reviewed and adjusted for the valuation prepared as at 31 December 1988 and had proven to be generally satisfactory (i.e., the rates of withdrawal, of death in service, of disability, of early retirement and of retirement). They would continue to be monitored, particularly those related to early retirement and to the service beyond age 60 of pre-1990 participants. The latter might be affected by the increase in the normal retirement age to 62 for participants who entered or re-entered into the Fund after 1990. As to mortality after retirement, the experience data indicated, for non-disabled pensioners, a consistent pattern of understatement in the current assumptions of the life expectancy of such pensioners, notwithstanding the revised assumptions used in the valuation as at 31 December 1990. The Committee of Actuaries will therefore consider, at its next meeting, possible revisions of the current assumptions to levels which reflect world-wide changes in mortality rates.

22. The Board noted the continued growth in the Fund's participant population during the last few years. It agreed that further information was needed to determine whether this reflected a long-term trend or a temporary phenomenon. The Board also agreed that the assumptions for new entrants for the 31 December 1993 valuation should be along the lines used in the previous valuations, namely, modest growth of 0.5 per cent and 1 per cent for 20 years for Professional and General Service staff, respectively, followed by zero growth thereafter. The Board requested the Consulting Actuary and the Committee of Actuaries to consider at least one alternative set of assumptions with higher participant growth rates and to make a recommendation thereon to the Standing Committee in 1993.

23. In summary, the Board agreed that, subject to any changes made by the Standing Committee next year, on the basis of recommendations of the Committee of Actuaries, the following sets of economic and population-growth assumptions would be used in the actuarial valuation of the Fund as at 31 December 1993:

A. Economic assumptions

	I	II a/ (per cent)	III
Increases in pensionable remuneration (in addition to static increases)	6.5	6.5	6.5
Nominal rate of interest (investment return)	8.0	9.0	10.0
Price increases (reflected in increases of pensions to beneficiaries)	6.0	6.0	6.0
Real rate of interest (investment return after inflation)	2.0	3.0	4.0
Usual designation	6.5/8/6	6.5/9/6	6.5/10.6

B. Population growth assumptions

	I b/ (per cent)	II
For each of the first 20 years:		Alternative higher rates to be determined next year by the Standing Committee, based on the recommendations of the Committee of Actuaries (see para. 22 above)
General Service staff	1.0	
Professional staff	0.5	
After 20 years:		
General Service and Professional staff	0	

a/ The assumptions used in the "regular" valuation as at 31 December 1982 and in each subsequent valuation.

b/ These assumptions are consistent with those used in the "regular" valuation as at 31 December 1988, which included a five-year period of zero growth and a 15-year period of modest growth, and that as at 31 December 1990, which included a three-year period of zero growth and a 17-year period of modest growth.

The specific combinations to be included in the actuarial valuations as at 31 December 1993 would be as follows: (a) A.II with B.I (regular valuation); (b) A.I and A.III with B.I; and (c) A.II with B.II. Estimates of valuation results for other combinations could be derived by interpolations and extrapolations. As in previous valuations, hypothetical models of cash-flow projections over the next 30 years would also be prepared, and the accrued liabilities on a "plan-termination" basis would be determined.

24. During the course of the discussion on the valuation methodology and assumptions, several representatives of participants recalled past recommendations of the Committee of Actuaries and the Board to increase the rate of contribution to 24 per cent of pensionable remuneration. They also endorsed the view expressed by the Committee of Actuaries in its report that staff on short-term appointments of six months or more should continue to be accorded the same pension coverage as other staff members in the United Nations common system. In this connection, the Board was informed of a recent decision of the General Assembly to exclude from participation in the Fund a large number of local staff appointed to serve in the mission of the United Nations Transitional Authority in Cambodia (UNTAC), as there was an extremely small likelihood that these staff members would serve long enough to qualify for a pension benefit; death and disability coverage had been provided to these staff members, similar to the coverage applicable to military observers serving on peace-keeping missions.

25. The Board noted that the Committee of Actuaries intended to keep under review the new entrants assumptions; the current method used to determine the actuarial value of the assets (the five-year moving average of the market values); the assumed real rate of return (currently 3 per cent); and the required rate of contribution.

2. Transfer of pension rights

(a) Transfer agreement between the United Nations Joint Staff Pension Board and the Inter-American Development Bank

26. The Board informed the General Assembly last year of the initial discussions which had taken place last year between the Secretary of the Board and representatives of the Inter-American Development Bank (IDB) concerning the development of a pension transfer agreement between the Board and IDB, the comments thereon by the Committee of Actuaries, and the request of the Board that the Secretary report on the progress in this matter at its next regular session.

27. The Board considered the draft transfer agreement submitted by the Secretary, the provisions of which were modelled closely on the existing agreements with the International Bank for Reconstruction and Development (IBRD) and the International Monetary Fund (IMF). As had been suggested by the Committee of Actuaries, the draft agreement followed the approach in the "inner circle" transfer agreements in that the years of service considered pensionable would be transferred between the two pension plans on a one-to-one basis. The Board, based on the recommendation of the Committee of Actuaries, decided to approve the proposed transfer agreement between the United Nations Joint Staff Pension Board and IDB, as set out in annex IV, for submission to the General Assembly for its concurrence in accordance with article 13 of the Fund's Regulations. It would enter into force on 1 January 1993.

(b) <u>Transfer agreements between the United Nations Joint Staff Pension Fund and the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic</u>

28. Last year, in view of numerous representations from present and former participants who were nationals of the countries concerned, the Board had considered issues related to the interpretation and application of the Fund's transfer agreements with the former USSR, Ukrainian SSR and Byelorussian SSR, and reported to the Assembly thereon. 1/ To meet one of the concerns that had been raised, the Board had decided that re-entering participants from those countries, who had transferred their United Nations Joint Staff Pension Fund pension rights under the transfer agreements, should be placed in a position that was no worse than that of all other re-entrants with respect to the right of restoration of their prior periods of contributory service, provided that they:

(a) Met the requirements for restoration established in the Fund's Regulations (i.e., their prior service was for less than five years or ended before 1 January 1983);

(b) Re-paid to the Fund, with interest, the amounts the Fund had transferred on their account to the USSR Social Security Fund; and

(c) Complied with the Fund's Regulations and Rules concerning the modalities for restoration.

29. The Secretary advised the Board this year that most of the 130 active participants affected were in the process of making the payments required to effect the restoration of their prior service. He also reported on the discussions the Board had requested him to undertake with the Permanent Missions to the United Nations of the Russian Federation, Ukraine and Belarus regarding the other problems and concerns that had arisen in the operation and application of the transfer agreements, including in particular the claim that the transferred pension rights of the Fund did not result in commensurate increases in the pension benefits for the former participants under the national pension schemes. A large number of communications had been received on these issues from individual former participants and from the newly formed retiree associations in Moscow and Kiev.

30. The Board noted that the discussions undertaken by the Secretary have not to date progressed beyond a very preliminary stage. This was not surprising considering the unsettled economic, social and political conditions in the countries concerned. The retiree associations in Moscow and Kiev had expressed appreciation of the efforts made on their behalf by the Board and by the Secretary, but indicated their disappointment with the lack of progress in their own contacts with various national authorities.

31. The Board noted that the Secretary had suspended the processing of any transfers under the three agreements, effective 2 January 1992, and that the intention was to maintain the suspension until such time as the future status of the agreements had been clarified and a report thereon considered by the Board.

32. Since 1981, there have been 1,647 cases of transfers of United Nations Joint Staff Pension Fund pension rights under the three Agreements. The total amount remitted by the Fund to the USSR Social Security Fund stands at approximately $37,968,300, representing the actuarial value (subject to certain minima and maxima specified in the agreements) of the Fund pension rights of the participants who availed themselves of the agreements. A breakdown of these cases, according to the age and length of contributory service of the former participants at separation, is reproduced in annex V. Of the 1,647 cases, 1,185, or some 72 per cent, involved former Fund participants who had less than five years of contributory service at the time of their separation. Under the Fund's Regulations, participants separating with less than five years of contributory service are only entitled to receive withdrawal settlements from the Fund, consisting of their own contributions with interest. The total amount remitted by the Fund on behalf of these participants amounted to about $15,600,200, or some 41 per cent of the total transferred.

33. Therefore, only 462 of the 1,647 former participants, or less than 28 per cent could have elected to receive periodic benefits from the Fund; within that group, only 87, or some 5 per cent, were at least 55 years of age at separation and hence eligible to receive immediately early retirement or retirement benefits. The total amount remitted by the Fund in respect of these 87 cases was in the order of $8,009,400.

34. The Secretary also reported on the representations he had received, which requested that the restoration of prior contributory service be permitted for nationals of the three countries concerned in two circumstances where that right does not presently exist under the Fund's Regulations and Rules:

(a) For former participants who re-entered the Fund, having transferred under the transfer agreements their Fund pension rights based on five or more years of contributory service ending after 1 January 1983 (the right to restore prior contributory service of five or more years was eliminated, with effect from 1 January 1983, as an economy measure; the only exception related to participants whose prior service had ended before 1 January 1983); or

(b) For former participants from the three countries who, after their re-entry, failed either to elect to restore, or to make the required restoration payment(s), within the time-limits established in the Fund's Regulations and Rules.

35. If restoration of prior service were permitted in such cases, the participants concerned would be treated better than all other Fund participants for whom such restoration options are excluded. Where the right of restoration does not exist under the Fund's Regulations, its creation would require amendment of the Regulations by the General Assembly, following consultation with the Board. Furthermore, the time-limits in the Fund's Regulations and Rules for making restoration decisions and payments had always been enforced strictly, in accordance with a practice that had been upheld repeatedly, both by the Standing Committee and by the United Nations Administrative Tribunal, when challenged through appeals.

36. The Board also received information on the payments of United Nations Joint Staff Pension Fund benefits to beneficiaries residing in the former

Soviet Union, who separated prior to 1981, that is, before the transfer agreements. The final disposition of these payments, made in accordance with their payment instructions, had to be resolved by the beneficiaries with the banking institutions and national authorities concerned. Recent information received from the retiree associations in Moscow and Kiev indicated that Fund beneficiaries residing within the former Soviet Union now had more options with regard to payment arrangements and that, as a result, the difficulties which existed in the past have been substantially alleviated.

37. The Board expressed sympathy for those former participants whose United Nations Joint Staff Pension Fund pension rights had been transferred under the Fund's transfer agreements with the former USSR, Ukrainian SSR and Byelorussian SSR who were now facing hardships. It requested the Secretary to pursue, as vigorously as possible, the discussions the Board had asked him to undertake with the Permanent Missions to the United Nations of the Governments concerned. The Board agreed with the suggestion of the Secretary that these discussions might focus initially on the situation of the 87 former participants referred to in paragraph 33 above, who at separation had been eligible to receive early retirement or retirement benefits. It noted, however, that the ultimate objective would be to deal with the pension status of all the affected participants.

38. The Board agreed, in principle, to consider favourably concrete proposals for the re-instatement of the United Nations Joint Staff Pension Fund pension rights of clearly delineated groups of former Fund participants if the amounts transferred under the transfer agreements to the USSR Social Security Fund with respect to those former participants were re-paid to the Fund, with appropriate interest. It further agreed that the modalities of any such re-instatements should be discussed by the Secretary with the Governments concerned. Actual implementation of any re-instatements of pension rights would require prior approval by the Board and by the General Assembly. The Board requested the Secretary to report to the Standing Committee next year on developments in his discussions with representatives of the Governments concerned. In the light of those developments, the Secretary would suggest future courses of action, taking into account the observations and suggestions advanced in the course of the deliberations in the Board.

39. The Board also agreed that, as recommended by the Secretary and supported by the Committee of Actuaries, present and former participants from these countries should be treated in the same way as other Fund participants with respect to the right of restoration of prior contributory service, i.e., neither better nor worse.

C. Investments of the Fund

1. Management of the investments

40. The Board reviewed the investments of the Fund on the basis of the report and accompanying statistical data presented by the representative of the Secretary-General. The report summarized the economic and investment environment that prevailed during the year ended 31 March 1992, and described the strategic and tactical responses applied in determining investments. It also provided information on the investment returns during that year.

41. The economic environment during the year under review was characterized by a worldwide slowdown in economic growth; recessions in the United States of America, the United Kingdom of Great Britain and Northern Ireland, Canada and Australia; a general decline, in aggregate, of interest and inflation rates in most countries; volatility in currency exchange rates; lower commodity prices; relatively stable oil and gold prices; and continued restructuring of economic systems in some countries. The management of the Fund continued to pursue a cautious strategy and considered market and currency fluctuations in allocating funds for investment.

42. The market value of the assets of the Fund as at 31 March 1992 was \$10,111 million, that is, \$772 million more than a year earlier. The total return for the year was 7.6 per cent which, after adjustment by the United States consumer price index, represented a "real" rate of return of 4.3 per cent. This was the tenth consecutive year in which the Fund had achieved a positive return. The rates of return were calculated by an outside consultant using a generally accepted method for such calculations, which included actual income from interest and dividend payments, realized and unrealized capital gains and losses, changes in the market value and timing of cash flow. The annual total returns over the past five years were as follows:

Year ended 31 March	Percentage return
1992	7.6
1991	8.9
1990	11.6
1989	5.9
1988	3.1

43. The representative of the Secretary-General stressed that short-term results had little meaning in the context of a long-term investment strategy, as these were largely influenced by the volatility and unpredictability of the financial markets. Investment returns were likely to fluctuate from year to year and could, at some time, be negative. The management of the Fund was geared to maintaining a careful balance between risk and return expectations over the medium to long term, rather than taking the risks inherent in seeking high short-term results.

44. The cumulative annualized total returns for the last 5, 10, 15, 20 and 25 years were 7.4 per cent, 14.6 per cent, 12.1 per cent, 9.3 per cent and 9 per cent, respectively. Over the 32-year period for which data was available, the cumulative annualized total rate of return was 8.5 per cent, representing a yearly inflation-adjusted or "real" rate of return of 3.3 per cent.

45. The Secretary-General, on the recommendation of the Investments Committee, established guideline ranges for asset allocation to be used during the year. These guidelines were reviewed by the Investments Committee during its four regular meetings and, when necessary, adjusted according to market conditions. The composition of the portfolio, therefore, reflected the judgement of the Investments Committee, the staff and the advisers, based on the economic, market and currency trends. During the year under review, the

proportion of the Fund invested in equities increased while the proportion of bonds, real estate and short-term investments and reserves declined. All investments, at the time of purchase, were reviewed and analysed by the staff and had to meet the criteria of safety, profitability, liquidity and convertibility, criteria which had been endorsed by the Board and the General Assembly.

46. The Board reviewed the detailed statistical information on the structure of the portfolio, which continued to be widely diversified to reduce risk and improve long-term returns. It noted that the Fund was unique among major pension funds in its commitment to global investment. For currency diversification, the investments involved 38 different currencies. As at 31 March 1992, $5,611 million, or 55.5 per cent of the Fund's investments, involved currencies other than the United States dollar. The Fund was invested in 46 countries, including 22 developing countries.

47. Direct and indirect investments in developing countries, measured at cost on 31 March 1992, had increased by 28 per cent since 1 April 1991. During the year ending on 31 March 1992, the market value of these assets rose by 18 per cent over the previous year. They accounted for 15.6 per cent of the Fund's assets at book value. Bearing in mind the guidelines adopted by the General Assembly, the Secretary-General, through the Investment Management Service, continued to search for investment opportunities in developing countries during the year under review. Missions were undertaken to developing countries in Africa, Latin America and Asia.

48. The Board welcomed the new Chairman of the Investments Committee, Mr. Jean Guyot, who had been a member of the Committee since 1972, and expressed its appreciation to the members of the Investments Committee, the representative of the Secretary-General for the investments of the Fund, the staff of the Investment Management Service and of Fiduciary Trust Company International (FTCI), for the good performance the Fund had achieved over the years. It also commended the representative of the Secretary-General for his comprehensive report on the investments of the Fund, and for his oral report on tax refunds due to the Fund from a number of countries.

49. The Board indicated its concern that outstanding tax claims were having an adverse impact on the investment returns of the Fund. Some members felt that, since withholding taxes reduced the returns of the Fund, the Fund should refrain from investing in these countries. Others, however, felt that the impact of taxes on investment returns was negligible and that the Fund should continue to invest in these countries whenever specific investments would yield high profits, notwithstanding the withholding or imposition of taxes.

50. The Board requested that detailed information be provided to the General Assembly on the results of negotiations with certain countries regarding tax exemptions for the Fund's investments and on actions taken or contemplated when efforts to obtain recognition of tax-exempt status did not succeed. It also agreed that the Assembly should be advised of delays in reimbursements of taxes withheld at source by countries which have accepted the tax-exempt status of the Fund. The Board was concerned about investment "opportunity losses" arising from such delays.

51. In response to a number of questions from members of the Board on investments in developing countries, the members of the Investments Committee and the Representative of the Secretary-General emphasized the care that was taken in arriving at all investment decisions, including those related to investments in developing countries. They stressed the importance of exploring investment opportunities in all countries, given the nature of the member organizations of the Fund. The Board was assured that all investments, at the time of purchase, were well researched and met the criteria established for the investments of the Fund. It was noted that some of the investments in developing countries had yielded very good returns over the years, and that such investments were in line with the diversification policy which has been pursued by the Fund for many years.

2. Membership of the Investments Committee

52. The Secretary-General, in accordance with article 20 of the Regulations of the Fund, conveyed to the Board the names of the three members of the Investments Committee, Messrs. Y. Oltramare, E. Omaboe and J. Reimnitz, he intended to propose for reappointment, after consultation with the Advisory Committee on Administrative and Budgetary Questions, to the General Assembly at its forty-seventh session. The Board noted the proposal of the Secretary-General.

D. Financial statements of the Fund and report of the Board of Auditors

53. The Board examined and approved the financial statements and related data on the operations of the Fund for the year ended 31 December 1991, submitted by the Secretary for inclusion in the annual report of the Board.

54. From the report of the Board of Auditors, the Board noted with concern that certain organizations were late in submitting their monthly contributions to the Fund and in settling their outstanding balances at year-end. Some of the year-end balances were large; therefore, delays in their remittance resulted in losses of investment income to the Fund. The Board urged the member organizations to make greater efforts to rectify the situation and requested the Secretary to monitor the matter closely.

55. The Board also noted that organizations continue to submit year-end data after the prescribed deadline contained in the Fund's Administration Manual. It concurred with the auditors that further efforts should be made by all organizations to ensure the timely submission of year-end data, so that the preparation and finalization of the financial statements can be completed on time.

56. In connection with the concerns expressed by the auditors with respect to the current system for issuing and verifying Certificates of Entitlement (sent to all beneficiaries annually to ascertain their continuing entitlement for the benefits paid to them), one member of the Board suggested that the Secretary might consider adopting a practice whereby local auditing firms could be engaged by the Fund to carry out the eligibility verifications of pensioners in specific areas, on a random basis. However, it was also pointed

out that, in practice, such a procedure might have a serious negative impact on elderly pensioners. The Secretary indicated that the entire Certificate of Entitlement process would be re-examined in the near future, with a view to incorporating random sampling techniques, in order to achieve an effective but manageable system of verification of continued eligibility for pension payments. The Board requested a report on this issue for consideration at its next session.

57. The Representative of the Secretary-General for the investments of the Fund informed the Board that, overall, he agreed with the recommendations of the Board of Auditors and that he had either already complied with those recommendations or would do so in the near future. In response to questions about the auditors' concern with the outstanding tax refunds, he stated that he would continue the extensive efforts to redress this problem (see also paras. 49 and 50 above).

58. The Board took note of the report of the Board of Auditors on the accounts of the Fund for the year ended 31 December 1991.

E. Comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories

Introduction

59. The comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories - hereafter referred to as General Service staff - began in 1991. At their respective sessions last year, the Board and ICSC had considered extensive documentation on the issues involved in determining the pensionable remuneration and pensions of the General Service staff, and presented views and recommendations thereon in their reports to the General Assembly. 2/

60. Two basic methodological approaches have been under consideration: (a) determining General Service pensions in accordance with the practices of local employers used in the salary surveys; and (b) relating General Service pensionable remuneration, and therefore consequent pensions, to the salaries received while in service, but, including a "tax element" to take into account the fact that, for outside employers, pensionable remuneration was almost invariably defined as the gross salary and that United Nations pensions, unlike salaries, were often subject to taxation.

61. As regards approach (a), the Board and the Commission had agreed last year that a pilot study of the feasibility of determining pensions in accordance with local practices should be undertaken. They had also agreed to consider further the various options under methodological approach (b).

62. In its report to the General Assembly at its forty-sixth session, 3/ the Commission recommended a step-by-step series of actions: the introduction of a revised scale of staff assessment for General Service staff, which was approved by the General Assembly and entered into effect as at 1 January 1992, together with transitional measures; the conduct of a pilot study of the local practice approach to determine General Service pensions; and further studies

of the options under the approach of relating pensions to net salaries while in service.

63. The Board had envisaged a further two-year period for completion of the review, taking into account the complex nature of the studies to be undertaken and the fact that the Commission had placed on its programme of work for 1992 the comprehensive review of the methodology for determining the salaries of General Service staff at headquarters locations. The Commission, on the other hand, informed the General Assembly of its intention to complete the comprehensive review of pensionable remuneration in 1992 and to submit recommendations thereon to the General Assembly at its forty-seventh session.

64. The General Assembly, in its resolution 46/192 of 20 December 1991, endorsed the ICSC timetable and concurred with the observations of the Advisory Committee on Administrative and Budgetary Questions regarding the importance of completing the review expeditiously and the need to eliminate current anomalies in the system without creating new ones.

65. At its March 1992 session, the Commission considered a document prepared jointly by the secretariats of the Commission and of the Board, which contained the additional studies requested. That document and the views of the Commission thereon, as well as the further studies requested by the Commission (see para. 67 below) were considered by the Board at its June/July 1992 session. The views of the Board were presented to the Commission at its July/August 1992 session.

Methodological approach A: determining General Service pensions in accordance with the local practices of employers used in salary surveys

66. Information on the pension benefits provided under the plans of surveyed employers and/or under national social security schemes were collected in respect of six locations (Alexandria, Geneva, Manila, New York, Santiago and Vienna). That information was compiled by the Consulting Actuary and submitted to the March 1992 session of the Commission, together with the joint observations of the secretariats of the Commission and of the Board regarding the costs and other problems related to the exercise.

67. At that session, the Commission considered the merits of proceeding with this methodological approach, taking into account the inevitably high costs involved, the inherent difficulties of applying total compensation comparisons at more than 150 duty stations and the scepticism expressed by some delegations in the Fifth Committee as regards the desirability and viability of the approach. It decided that:

(a) The information on local social security and pension practices should be analysed further by the Consulting Actuary and that the results of the quantification and aggregation of the benefits derived from the analysis should be presented to the Commission and the Board at their respective summer sessions; and

(b) A working group should be established to study the various options under the methodological approach of relating General Service pensionable remuneration and consequent pensions to the salary received while in service.

68. As regards (a) above, the Consulting Actuary sought the views of the Board's Committee of Actuaries on the actuarial assumptions (demographic and economic) and on the benefit assumptions to be used in the quantification and aggregation of the pension benefits provided under the surveyed employer plans and/or the national social security plans at the six locations included in the pilot study. The Committee of Actuaries advised the Board that it was in agreement with the actuarial assumptions and the methodology applied by the Consulting Actuary to determine the percentage relationship of the pension benefits of outside employees to their pay, as well as the value of the benefits in terms of cost to the employer and to the employee, both under the plans of individual employers and under the national social security plans. However, the Committee of Actuaries indicated that it was "unanimous and firm in its view that this 'local' approach would be replete with difficulties, would be costly, and would ultimately prove to be a futile exercise". It therefore "strongly believed that consideration of this approach should be abandoned". The Committee enumerated the intricate and vexing problems inherent in such an approach. The detailed comments of the Committee of Actuaries are reproduced in annex VI.

69. The views in the Board on the "local" approach were generally to the effect that, despite its inherent logic and its consistency with the methodology used to determine General Service salaries, the "local" approach would be unworkable and costly. Several members noted that the pilot study itself had proven to be costly, even though it involved only six locations. Some members were not fully convinced that a wholly "local" approach could not be pursued effectively, noting that several national administrations applied different schemes for local personnel in certain areas; however, they were not inclined to press for this approach.

70. The Board concluded that it would be preferable, at this stage, to pursue methodological approach B, relating General Service pensionable remuneration and pensions to salaries while in service (see paras. 71 to 80 below). In this respect, a number of members advocated the gradual use of more local elements in determining General Service pensionable remuneration under this approach. Among the possibilities mentioned were the use of local taxes; use of the "Band approach" (i.e., a staff assessment scale reflecting average tax rates for income brackets expressed in terms of percentages above the minimum salary rather than United States dollar amounts); or use of pre-determined income replacement ratios at each location.

<u>Methodological approach B: relating General Service pensionable remuneration and pensions to salaries while in service</u>

71. The terms of reference of the working group established by ICSC were to examine each of the steps involved under this methodological approach, which involved determining General Service pensionable remuneration by reference to the net salaries established on the basis of surveys of the best prevailing conditions of employment at each location. These steps were:

(a) Determining whether, and if so how, to exclude all or a portion of any non-pensionable components of net salary to derive the net pensionable salary;

(b) Determining whether all or a portion of the net pensionable salary should be grossed up to provide a "tax element", to take into account that on the outside pensionable remuneration was almost invariably defined as the gross salary (i.e., determining the proportion of the net pensionable salary to which a "tax element" should be added);

(c) Determining the method to be used to calculate the appropriate "tax element" (the methods considered were: continued use of dollar-based staff assessment rates; use of local tax rates; use of the "band approach"; use of predetermined income-replacement ratios; and use of outside gross salary data); and

(d) Determining the procedure for adjusting the pensionable remuneration between comprehensive salary surveys (i.e., the interim adjustment procedure).

72. Views differed in the Board on the desirability and implications of various aspects of this methodological approach. The participants' representatives believed that the current practice was globally satisfactory and had provided sound and stable results over the years. At present, the "tax element" was based on 100 per cent of the net pensionable salary, which corresponds to the universal practice of national and occupational pension schemes. Global dollar-based staff assessment rates were used to determine the amount of the tax element. They expressed total opposition to the use of the income replacement approach, as it would extend to General Service staff the deficient procedure used to derive the pensionable remuneration of staff in the Professional and higher categories from the net remuneration at the base of the salary system for such staff. This would certainly not be congruent with the advocated "local" approach since, as stated in the report of the ICSC Working Group, such a method would present the disadvantage of a system which "would be linked to a single comparator and would be influenced by the fiscal policies of that country". In their view, there are still aspects of the current arrangements which require improvement, for example, the problems experienced in high-inflation and low-cost countries should be addressed; the practice of deducting non-pensionable components from the net salary of General Service staff in deriving their pensionable remuneration should be eliminated; and minimum pensions should be reviewed. The participants' representatives also pointed out that the reduction in pensionable remuneration resulting from application of the new scale of staff assessment, coupled with expected increases in Professional salaries, would lead to a correction of the anomalies and inconsistencies referred to in General Assembly resolution 46/192.

73. Most members representing the governing bodies took the position that the present arrangements for determining General Service pensionable remuneration were not fully satisfactory and that they had given rise to anomalies and inconsistencies which must be removed. They identified the "income inversion" problem as the most serious issue that had to be addressed. This related to situations where the same, or lower, net remuneration received by a General Service staff member led to a higher corresponding pensionable remuneration than that of a Professional staff member with the same, or higher, net remuneration. The main causes of the existing anomalies were (a) the differences in grossing-up procedures and staff assessment rates applicable to Professional staff and General Service staff, respectively; (b) the impact of currency fluctuations on General Service gross-to-net salary relationships

over time; and (c) the different procedure for effecting interim adjustments of pensionable remuneration. Most representatives of the governing bodies and, in particular, the representatives of the General Assembly, believed that the income replacement approach to determining the pensionable remuneration from the net pensionable salary would best address the "income inversion" anomaly. Some of them favoured an income replacement approach based on the use of pre-determined income replacement ratios, while others were prepared to examine each of the stages involved in deriving pensionable remuneration to arrive at a consistent approach for the different categories of staff, while allowing flexibility in determining the nature and level of the parameters involved.

74. Throughout the discussions in the Board, the members representing the governing bodies placed the strongest emphasis on the need to establish, either immediately or gradually over time, procedures which would radically reduce, if not eliminate, the "income inversion" problem. The participants' representatives maintained the position that this problem was more theoretical than real. They argued that it was not appropriate to compare the pensionable remuneration and pensions of General Service staff at the highest grades and steps (this is, end of career levels) with those of Professional staff who were at Junior level grades (this is, entry levels). They noted that very few Professionals retire at the P-1/P-2 levels. In their view, there was no justification to impose upon the General Service staff the same parameters used in deriving the pensionable remuneration of Professional staff, all the more so since the two salary systems are based on different methodologies and pay comparators.

75. The members representing the executive heads, in an effort to provide a framework for resolving the impasse which had arisen as regards the need for effecting fundamental changes in the current arrangements, and noting that this did not necessarily reflect their individual positions, submitted the following list of principles for the consideration of all parties:

(a) There should be one pension system for all staff; the establishment of 170 different pension systems should be opposed, and the focus should be placed, instead, on the methodology to determine pensionable remuneration;

(b) As an interim measure, pending the development of any revised methodology, the mechanism for interim adjustments should be on the so-called "one-to-one" basis (that is, the percentage increase in the gross salary and hence in the pensionable remuneration, should be the same as the increase in the net pensionable salary between comprehensive salary surveys), so as to establish stability in the gross-to-net salary relationships;

(c) As a good employer, the United Nations should provide a pension in all countries, irrespective of local practice, and the minimum pension provisions of the Regulations should be retained; the net pensionable salary should be defined as the total net salary (that is, no deductions should be made for the so-called non-pensionable components);

(d) In no circumstances should the pensionable remuneration be less than the net salary;

(e) The portion of net pensionable pay that is grossed-up should correspond to the maximum benefit accumulation rate of 66.25 per cent, in recognition of the longer service and generally lower salaries of General Service staff;

(f) As regards the alternative procedures for grossing-up, use of the staff assessment has proven to be valid and workable and has been accepted by the General Assembly; as the staff assessment rates had been revised in 1992, there should be no departure from their use in the absence of evidence that other arrangements would work better; in this connection, further studies should be carried out over the next two years on the use of local taxes, the "band approach", or a possible combination of different methodologies for headquarters and for field duty stations;

(g) Any changes made in the current arrangements should be prospective and should be accompanied by long-term transitional measures.

It was understood that, depending upon the procedure eventually chosen for grossing-up (see subpara. (f)), the "one-to-one" mechanism for interim adjustments (see subpara. (b)) and using the 66.25 per cent portion of pay to be grossed-up (see subpara. (e)) may have to be revised.

76. In an effort to find an acceptable solution, the Chairman of the Board undertook a series of meetings with the three constituent groups on the Board in order to determine the extent to which the differences in their views could be narrowed. Towards the end of the session, the Chairman made a specific proposal to the three groups, which is set out in the table below, together with the proposals/positions of each of the groups that he was attempting to bridge.

Chairman's summary of the different proposals/positions on deriving pensionable remuneration from net salary for General Service staff as at 1 July 1992

Procedural steps in deriving pensionable remuneration (PR)	Governing bodies	Administrations	Participants	Chairman's comments	Chairman's proposal
1. Deriving net pensionable salary (NPS)	Continue current situation (i.e. exclude non pensionable components with threshold 10% and maximum 25%)	All regular elements of salary to be pensionable	All regular elements of salary to be pensionable	More for ICSC but Board may wish to suggest an approach. Note: full net salary used in the income replacement (IR) calculations	If IR approach rejected, include at least 90% of the net salary; if IR followed use 100% of net salary
2. Proportion of NPS to which tax element should be added	As for Professionals, i.e., 46.25%, corresponding to 25 years of contributory service) in order to meet their fundamental concern that same salary should lead to approximately same pension	66.25%, corresponding to maximum benefit accumulation after 35 years of contributory service	100% as at present	Accounts for following differences in PR between P and GS categories: 66.25% = 1.4 to 1.9% 56.25% = 2 to 2.6% 46.25% = 2.7 to 3.3%	56.25%, based on the average GS length of contributory service being longer than that of the Professional, but not to the extent of the maximum contributory service
3. Tax element to be used	No firm view but preference for approach which best addresses income inversion problem	Current staff assessment until further review by ICSC and Board of implications of band approach and local taxes to be completed by 1994 (related to their position on interim adjustment procedure)	Current staff assessment, but prepared for study of band approach and local taxes to be considered in 1994	Difference in the staff assessment rates between P and GS categories accounts for all of the remaining difference in the PR of the two categories for same salary. This difference ranges from 12.8% to 20.2% under the 1992 GS/P staff assessment rates for income levels ranging from $ 1,000 to $ 20,000 and from 20.2% to 7.4% for income levels ranging from $ 20,000 to $ 70,000. Note: 1/1/92 staff assessment rates resulted or will result in reductions (subject to transitional measures) of GS PR from 1% to 6% in New York; from 6% to 8% in Geneva; from 5% to 8% in Tokyo; and increases from 1% to 5% in Nairobi; from 1% to 4% in New Delhi; and a mixture of increases and decreases at some other locations depending on salary levels.	Continue use of present 1992 staff assessment rates for GS until 1994, at which time decision needed on (a) continued use of staff assessment (but updated) (b) local taxes (c) band approach (d) same staff assessment rates for both categories

Procedural steps in deriving pensionable remuneration (PR)	Governing bodies	Administrations	Participants	Chairman's comments	Chairman's proposal
4. Interim adjustment procedure between comprehensive salary survey	Same as Professional i.e. PR increase % equal NR increase % between comprehensive review (1 to 1 adjustment so as to maintain PR/NR ratio) Staff assessment rates adjusted biennially	Same as governing bodies	Staff assessment rates adjusted annually, and applied on each revision of scale Note: PR/NR ratio could change with each scale revision depending on changes in: (a) exchange rates and (b) the progressivity in the tax rates used to derive staff assessment rates	None	1 to 1 adjustment
5. Other point: PR never less than net salary	Agree	Agree	Agree	None	Agree

<u>Note</u>: This table was part of the negotiating process and did not necessarily reflect individual positions.

77. The Chairman's proposal therefore involved the following procedural steps, taking the net salary as the starting-point:

Step 1: If the income replacement approach was followed, the net pensionable salary would be 100 per cent of the net salary; if the income replacement approach was not accepted, the net pensionable salary should not be less than 90 per cent of the net salary, i.e., the non-pensionable component deducted should not be greater than 10 per cent;

Step 2: Of the net pensionable salary (corresponding to 30 years of contributory service), 56.25 per cent would be grossed up, based on the fact that the average length of contributory service of General Service staff was greater than that of Professional staff, in respect of whom 46.25 per cent was used (corresponding to 25 years of contributory service);

Step 3: For grossing-up purposes, the use of currently applicable staff assessment rates would continue until 1994, at which time a decision would be taken on the approach to be followed: continued use of separate General Service staff assessment, updated as appropriate; establishment of a single scale of staff assessment rates for application to both General Service and Professional staff; use of local taxes for grossing-up purposes; or use of the "band approach";

Step 4: The interim adjustment procedures for pensionable remuneration between comprehensive salary surveys would be on a one-to-one basis, i.e., the percentage increase in the gross salary, and hence in pensionable remuneration, would be the same as the increase in the net salary, so as to establish stability in the gross-to-net salary relationships between comprehensive salary surveys; and

Step 5: The level of pensionable remuneration would never be less than the net salary.

78. The impact that the Chairman's proposal would have had on General Service pensionable remuneration levels, in comparison with those of Professional staff with the same net remuneration, is analysed in annex VII. As shown in that annex, the changes reflected in that proposal, combined with the revised General Service staff assessment rates introduced on 1 January 1992, would reduce considerably, at the higher income levels, the differences in the pensionable remuneration amounts for Professional staff and for General Service staff with the same net remuneration (that is, the "income inversion problem" would be reduced). The remaining differences, which may still be considered significant at certain income levels, are due for the greatest part to the differences in the separate staff assessment scales currently applicable to Professional staff and General Service staff. For that reason, the Chairman's proposal included a study of the possible use of a single scale of staff assessment to derive the pensionable remuneration of all staff from their net pensionable remuneration.

79. After further consultations, the Chairman informed the Board that he had not been able to achieve consensus among all three groups on his proposal. While the administration and governing body representatives would have been prepared to accept the Chairman's proposal in the context of a consensus, the participants' representatives were not in a position to join in a consensus on that basis. The Chairman therefore requested each group to make a statement on their respective positions. These statements are set out in annex VIII.

80. As indicated earlier, the views of the Board were transmitted to the July/August session of the Commission. The conclusions and recommendations of the Commission are contained in paragraphs 70 to 100 of chapter III of its annual report to the General Assembly. 4/

F. Pensionable remuneration and pensions of ungraded officials - amendments to the Regulations of the United Nations Joint Staff Pension Fund

81. In section II, paragraph 2, of its resolution 45/242 of 21 December 1990, the General Assembly requested ICSC, in full cooperation with the Board, to review the methodology for the determination of the pensionable remuneration of ungraded officials, including the executive heads of the organizations who are participants in the United Nations Joint Staff Pension Fund, and to submit recommendations thereon to the Assembly at its forty-sixth session; it also requested the Board to recommend consequential changes in the Regulations of the Fund. On the basis of the respective reports of ICSC 5/ and the Board, 6/ the General Assembly, in section III of its resolution 46/192, *inter alia*,

(a) Reiterated its concern at the divergent practices that have emerged since 1984 in respect of the pensionable remuneration of ungraded officials and in particular of the executive heads of member organizations who are participants in the Fund;

(b) Concurred with the observation of the Advisory Committee on Administrative and Budgetary Questions that the methodology for determining the pensionable remuneration of ungraded officials should be considered with a view to eliminating the inconsistencies in the amounts of pensionable remuneration of certain of these officials;

(c) Endorsed the methodology recommended by the Commission for determining the pensionable remuneration of such officials and for its subsequent adjustment;

(d) Urged the governing bodies of the other member organizations of the Fund to adopt that methodology and adjustment procedure in respect of the pensionable remuneration of their ungraded officials who become participants in the Fund, and to inform the General Assembly, the Commission and the United Nations Joint Staff Pension Board of the action taken in this regard;

(e) Urged the governing bodies of the other member organizations of the Fund to review the current levels of pensionable remuneration of their ungraded officials who are participants in the Fund, with a view to eliminating the divergences from the levels established on the basis of the above methodology, taking into account the need to protect acquired rights derived from earlier decisions by the governing bodies concerned;

(f) Requested the Board to consider again, at its next regular session, amendments to the Regulations of the Fund to incorporate provisions governing the pensionable remuneration of ungraded officials and to extend the provisions placing a limit on the highest levels of pensions to cover all participants in the Fund, including ungraded officials, and to submit recommendations thereon to the General Assembly;

(g) Requested the Commission to recommend guidelines for determining the pension arrangements for ungraded officials who do not become participants in the Fund so as to ensure system-wide comparability, as well as appropriate monitoring procedures, and to submit recommendations thereon to the General Assembly at its forty-seventh session and to the governing bodies of the other organizations of the United Nations common system.

82. In the light of the specific request made to the Board by the General Assembly, the Board considered possible amendments of articles 54 and 28 of the Fund's Regulations dealing with, respectively, the definition of the pensionable remuneration of ungraded officials and the imposition of a ceiling on the highest levels of pensions. The Board noted that the Commission would address at its July/August session a request from several organizations to provide guidelines for the determination of the pension arrangements for ungraded officials who do not become participants in the Fund.

83. The Board was apprised of the replies received from the secretaries of the staff pension committees of nine member organizations (FAO, IAEA, IFAD, IMO, ITU, UNESCO, WIPO, WHO and WMO) in response to a request for information addressed to their governing bodies by the General Assembly (see para. 81 (e) and (f) above). It noted with appreciation that the UNESCO Executive Board had, in May 1992, decided that, while the Director-General of UNESCO remained a participant in the Fund, the methodology and adjustment procedure recommended by the Commission for determining the pensionable remuneration of ungraded officials who become participants in the Fund should be applied, and that the current level of the pensionable remuneration of the Director-General should not be adjusted until the pensionable remuneration of the Administrator of the United Nations Development Programme reached that level. The Board also noted that the action of the UNESCO Executive Board was in line with the original intention of the General Assembly.

84. Since the governing bodies of the other organizations in the United Nations common system had not yet had the opportunity to consider the matters referred to them by the General Assembly, including appropriate action in respect of their executive heads who are currently participants in the Fund, the Board decided to postpone, until its next regular session in 1994, consideration of an amendment to article 54. At the same time, it expressed the hope that all governing bodies would accept and apply the methodology and adjustment procedure recommended by ICSC and endorsed by the General Assembly for determining the pensionable remuneration of their ungraded officials who are participants in the Fund, taking into account the need to protect their acquired rights.

85. As regards the extension of the provisions placing a limit on the highest levels of pensions to cover all participants in the Fund, including ungraded officials, the Board decided to recommend to the General Assembly the approval of an amendment to article 28 (d) of the Regulations of the Fund, which would

extend the ceiling provisions therein to ungraded officials who enter or re-enter the Fund on or after 1 April 1993, the proposed effective date of the amendment, as well as to other participants not currently covered by article 28 (d) of the Regulations who separate at levels above D-2, top step in the scale of pensionable remuneration appended to article 54 of the Regulations. The text of the proposed amendment is contained in annex XIV.

G. Pension adjustment system

86. In section IV of resolution 46/192, the General Assembly approved the modification of the pension adjustment system recommended by the Board with respect to the determination of the initial local-currency pensions of participants in the Professional and higher categories, separating on or after 1 April 1992, who provide proof of residence in a high-cost country (that is, higher than in New York). As part of its consensus agreement to recommend that modification, the Board had informed the Assembly at its forty-sixth session of its intention to consider at its next regular session studies on:

(a) A possible change of the "120 per cent cap" provision under the two-track pension adjustment system [under this provision, if the dollar-track amount, when converted into the currency of the country of residence, yields more than the local-currency-track amount, the amount payable is limited to a maximum of 120 per cent of the local-currency-track amount];

(b) The special index for pensioners; and

(c) The applicability of the modification of the pension adjustment system to staff in the General Service and related categories, taking into account developments in the ongoing comprehensive review of the pensionable remuneration and pensions of such staff.

In addition, the Board had agreed that the costs of the modification would be monitored over time so as to assess, on the occasion of the next valuation of the Fund, the need for and the timing of possible changes in the contribution rate.

87. In the same resolution, in approving the modification of the pension adjustment system, the General Assembly:

(a) Noted the intention of the Board to monitor closely its actual costs;

(b) Endorsed the view of the Advisory Committee on Administrative and Budgetary Questions that the Board should, on the basis of experience with the actual costs, determine whether any fine-tuning of the modification was warranted in order to limit the costs, and that the guidelines set forth in General Assembly resolution 31/196 of 22 December 1976 should continue to be taken into account (those guidelines provided that adjustments for country-to-country differences in the cost of living should be limited so as to ensure that changes in the pension adjustment system would not require increases in the financial liabilities of Member States); and

(c) Requested the Board at its next regular session to continue to consider economy measures, taking into account the views expressed in the Fifth Committee, and including in particular a change of the "120 per cent cap" provision under the two-track pension adjustment system, given the increased protection provided by the local-currency-track pensions under the recent modification of the adjustment system.

88. As the modification only entered into effect on 1 April 1992, the Board agreed that it was still too early to undertake a meaningful assessment of its actual costs. Its views on the other studies mentioned in paragraph 86 are set out below.

The "120 per cent cap" provision

89. The Board considered background information on previous reviews of the "120 per cent cap" provision, as well as a statistical analysis of the 27,428 main benefits in award (that is, other than children's benefits) as at 1 May 1992. It noted that 10,479, or 38.2 per cent of the main benefits, related to beneficiaries who have submitted proof of residence (that is, have two pension records - a dollar track and a local-currency track). Of these, 1,152 beneficiaries, or 11.0 per cent of the beneficiaries with two-track pension records, were paid under the dollar track without any reduction (amount within 120 per cent of the local-currency-track amount, and therefore not subject to the cap), while 82, or 0.8 per cent, were subject to the cap.

90. Of the 1,152 beneficiaries with two-track pension records who were paid the full amount of the higher dollar track, 915, or 79.4 per cent, related to separations before 1982, and 1,038, or 90.1 per cent, to separations before 1985. For 440 cases, or 38.2 per cent, the dollar-track amount exceeded the local-currency-track amount by less than 5 per cent; for 871 cases, or 75.6 per cent, by less than 10 per cent, and for 1,070 cases, or 92.9 per cent, by less than 15 per cent. The table below summarizes the breakdown, according to the year of separation and the percentage by which the local-currency equivalents of the dollar-track amounts exceeded the local-currency-track amounts.

Beneficiaries on the two-track adjustment system who are paid the dollar-track amounts without reduction (as at 1 May 1992)

Year of separation	Percentage by which dollar-track amount exceeds local-currency-track amount: Less than 5 per cent	5 per cent to 9.99 per cent	10 per cent to 14.99 per cent	15 per cent to 19.99 per cent	Total
Prior to 1979	238	251	92	43	624
1979 to 1981	104	118	62	7	291
1982 to 1984	34	43	28	18	123
1985 to 1987	14	6	7	7	34
1988 to 1990	28	12	10	7	57
1991 to May 1992	22	1	-	-	23
TOTAL	440	431	199	82	1 152

91. The 82 beneficiaries who have two-track pension records and were paid under the dollar track, with the dollar amount reduced by application of the 120 per cent cap (that is, payment equals 120 per cent of the local-currency-track amount), resided in 21 countries, with 55 of the 82 beneficiaries, or 67.1 per cent, residing in five countries. In each of the other 16 countries, there are three or less such beneficiaries.

92. From the statistical analysis of the above information, two fundamentally different positions could be and were advanced:

(a) Since a large proportion of pensions under the two-track adjustment system were paid under the local track, the financial savings that would result from a lowering of the "120 per cent cap" would be minimal; therefore, there was no need to effect any change at this time;

(b) If the cap was ever to be lowered, the most propitious time to do so would be when the number of beneficiaries paid under the dollar track was small, since the scope of transitional measures would be limited and the opportunities for savings in the future, in the event of a significant strengthening of the dollar against other currencies, would be greater; therefore, a change might best be made at this time.

93. Among the questions considered by the Board were the following:

(a) Should the cap be lowered?

(b) If so, to what level and to whom should the cap apply?

94. Several members representing the General Assembly stressed the need for the Board to take serious account of the request of the General Assembly to change the current "120 per cent cap" provision. They noted that, under the modification of the pension adjustment system approved last year, the purchasing power of local-currency pensions at high-cost locations was close to that of the dollar pension at the base of the system, New York. In the circumstances, there was no justification for maintaining the present cap provision. In their view, the Board should decide to lower the cap to 100 per cent of the local-currency-track amount, and should request the Secretary to determine the modalities for introducing such a change, as well as appropriate transitional measures. They insisted that the consensus agreement last year to augment the initial local-currency pensions in high-cost countries included the expectation that the current cap provision would be changed.

95. The participants' representatives and several representatives of executive heads maintained that a decision on this issue should be deferred to the next session of the Board in 1994, at which time the Board would have the results of the actuarial valuation of the Fund as at 31 December 1993, as well as an assessment of the actual costs of the recent modification of the pension adjustment system. They noted that the recent modification had not provided parity of purchasing power in all countries because of the threshold before cost-of-living differential factors applied, the limit on the amount of the FAR to which the factors applied (i.e., the FAR limit) and the limit on the number of post adjustment classes above New York for which compensation was made. In their view, as long as parity of purchasing power in all countries

did not exist, the cap provision should continue. While they were prepared to abide by the understandings in the agreement reached last year, they insisted that further studies were required before a determination could be made as to an appropriate level for the cap, the scope of application of any changes and appropriate transitional measures.

96. The Board agreed, in principle, that the "120 per cent cap" could be changed with effect from either 1 January 1995 or 1 April 1995. It requested the Secretary to prepare, for the 1994 session of the Board, a further study on (a) the level to which the current cap could be lowered; (b) whether a revised cap provision should apply to all beneficiaries or only to beneficiaries whose pensions had been based on the previous interim floor measure which had applied from 1 January 1988 to 31 December 1990, or on the transitional measure which had applied from 1 January 1991 to 31 March 1992, or on the recent modification of the pension adjustment system which entered into effect on 1 April 1992; and (c) any future transitional measures which would accompany any change in the cap provision.

Special index for pensioners

97. When approving the "Washington Formula" in 1980, the General Assembly requested ICSC, in cooperation with the Board, to elaborate a special index for pensioners which would include the impact of taxation. The special index provisions eventually agreed upon by the Commission and the Board were approved by General Assembly resolution 37/126 of 17 December 1982, but they entered into effect only on 1 January 1985.

98. Last year, in considering possible modifications of the pension adjustment system, the Board reviewed the FAR limit and discussed whether setting that limit at a higher level should lead to a corresponding change in the procedures for determining the special index. At that time, some members of the Board had expressed the view that the application of the special index should be suspended while a study of its provisions was carried out. Although the Board recommended a change in the FAR limit from P-2, top step, to P-4, top step, it decided not to recommend a corresponding change in the provisions for the special index for pensioners, pending consideration, at its next regular session, of the study on the special index it had agreed should be undertaken.

99. Since the current provisions of the special index had been adopted by the General Assembly on the recommendation of ICSC, which had studied the matter in cooperation with the Board, the Board agreed to request the Commission to inscribe a review of the current special index provisions on its work programme with a view to formulating recommendations, in cooperation with the Board, for submission to the General Assembly in 1994.

Application of the modification of the pension adjustment system to staff in the General Service and related categories

100. Last year, the Board deferred taking a decision on recommending application of the modification of the pension adjustment system which entered into effect on 1 April 1992 to General Service staff, pending developments in the comprehensive review of the pensionable remuneration and pensions of such staff. In view of the uncertainties as to the outcome of that review (see

paras. 59 to 80 above), the Board decided to defer, until its next regular session in 1994, consideration of the application to General Service staff of the recent modification of the pension adjustment system.

Special adjustment for small pensions

101. On the basis of its review of extensive background information on the application of the provisions of the pension adjustment system to General Service staff since 1981, the Board considered the provisions of section E of the pension adjustment system, which provides for special adjustment of the standard annual rate of a retirement or a disability benefit, based on 15 or more years of contributory service, if the benefit is less than $4,000 annually, before any commutation.

102. The current schedule of adjustments involves the factors that were used in the scale of cost-of-living differential factors under the so-called "Washington Formula" introduced in 1981. These adjustments, which have remained unchanged since then, are as follows:

Annual amount of pension (United States dollars)	Special adjustment (Percentage)
4 000	0
3 800	3
3 600	7
3 400	12
3 200	17
3 000	22
2 800	28
2 600	34
2 400	40
2 200 or less	46

103. The special adjustments apply to all participants, including those who retire in the country of their last duty station. When they were introduced, the lowest pensionable remuneration for a participant in the Professional category generated a final average remuneration which, together with 15 or more years of contributory service, produced an annual pension in excess of $4,000. Therefore, the adjustments have in fact only been applied to General Service participants. They apply to retirement and disability benefits, but not to early or deferred retirement benefits. They also apply to survivors' benefits that were derived from retirement or disability benefits which themselves were (or would have been) affected by the special adjustments.

104. The Board considered an updating of (a) the pension amounts qualifying for special adjustments; and (b) the percentage adjustment related to each pension amount. It agreed to recommend updating the schedule of pension amounts qualifying for special adjustments, to reflect cost-of-living changes since 1980, while maintaining, for the time being, the percentage adjustment factors based on the cost-of-living differential factors under the initial "Washington Formula". The Board therefore decided to recommend to the General Assembly the following schedule of adjustments for small pensions, to enter into effect on 1 April 1993:

Annual amount of pension (United States dollars)	Special adjustment (Percentage)
6 500	0
6 250	3
6 000	6
5 750	9
5 500	12
5 250	15
5 000	18
4 750	21
4 500	25
4 250	28
4 000	31
3 750	34
3 500	37
3 250	40
3 000	43
2 750 or less	46

The text of the proposed change in the pension adjustment system is contained in annex XV.

105. The Board requested the Secretary to prepare further studies on other outstanding issues affecting the level of pensions, particularly of General Service staff, for the consideration of the Board at its next regular session in 1994, namely, studies on

(a) The minimum pension provisions under the Regulations of the Fund;

(b) The procedures for determining the final average remuneration, particularly in respect of situations where the local currency depreciates significantly in relation to the dollar; and

(c) The adjustment of pensions in countries with very high inflation rates.

H. Administrative expenses

1. Supplementary estimates for the biennium 1992-1993

106. In section VIII of resolution 46/192, the General Assembly approved expenses, chargeable to the United Nations Joint Staff Pension Fund, totalling $40,403,600 (net) for the biennium 1992-1993, for the administration of the Fund. This amount comprises $12,939,900 for administrative costs and $27,463,700 for investment costs. A review of the actual expenditures and obligations during the first half of 1992 indicated that it was not necessary to propose supplementary estimates at this time.

2. Progress report on administrative and operational changes in the Fund's secretariat

107. The administrative costs in the budget included increases proposed by the Board last year to implement administrative and operational changes in the Fund's secretariat, including in particular the project to replace the computer systems of the Fund. The Board considered a progress report by the Secretary on these changes.

Organizational structure and operations

108. The Board proposed last year that the operations area of the Fund's secretariat should consist of four sections, namely, the Pension Entitlements Section, the Financial Services Section, the Information Management Systems Section, and the Geneva office. The budgetary resources required for effecting the changes were approved by the General Assembly.

109. The Fund's secretariat continues to be in a transitional period with respect to its physical, technical and organizational arrangements. The full impact of the organizational changes will therefore only be felt when the effects of training, new computer systems and equipment, and improved office accommodations are realized.

Computer based systems

110. The first phase of the project to replace the current computer systems was initiated in 1990 with the delineation of the requirements and the development of the logical design of a new integrated system, called PENSYS. That design was completed in June 1991 and has become the foundation for the physical design of the priority application areas, i.e., Operations Control System, Benefit Calculation and First Payment System, and the Participant System. The physical designs of these applications, including the programme specifications, have been completed and programming has begun on each of the new systems. The programming and user testing is scheduled for completion by the end of September 1992, with full implementation scheduled for early October 1992.

111. Efforts are continuing to integrate voice, data, image and text. After the completion of the process of vendor selection and contract negotiations, an optical-disk based imaging system (OBIS) was acquired and installed during the first quarter of 1992. The conversion of the Fund's hard copy records began in March of this year. The files of more than 60,000 active participants have now been converted to the optical-disk medium. Work has begun on the conversion of the more than 32,000 retirement files, with scheduled completion by the end of October 1992. By the end of November 1992, all systems and programming work will have been completed on the "work-flow" aspect of OBIS, which will allow full implementation of the planned system. Annex IX provides a summary of all planned developmental activities, with their target dates, for the implementation of both PENSYS and OBIS.

Role of the Geneva office

112. The phased enhancement of the role of the Geneva office is continuing. The additional posts approved by the General Assembly last year (one P-3, one General Service) will enable that office to proceed with the planned expansion of its responsibilities, including the calculation and payment of retirement benefits and the handling of certain Emergency Fund cases.

Staff development and training

113. In-house training programmes are under way or planned for all Fund staff in respect of the new network operating system (OS/2), OBIS, the PENSYS applications, and the consequential changes in work methods.

Office accommodation

114. The renovation and construction work associated with the Fund's accommodations on the sixth and seventh floors of the United Nations Headquarters building was completed on 5 May 1992. Because of the office renovation and other ongoing projects, the Secretary was unable to carry out a study of longer-term solutions to the Fund's space problems. That study will be initiated next year, with the assistance of an outside consultant as appropriate, and will be considered by the Board at its next regular session in 1994.

115. The Board expressed satisfaction with the progress made to date on the various ongoing modernization projects in the Fund.

I. Other matters

1. Emergency Fund

116. The Emergency Fund was initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions, caused by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system in 1975, it has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar causes.

117. The General Assembly had authorized the Board to supplement voluntary contributions to the Emergency Fund by up to $200,000 for the biennium 1992-1993. During the period 1 May 1991 to 30 April 1992, there were 33 disbursements totalling $22,538. The amounts disbursed over the two-year period, 1 May 1990 to 30 April 1992, totalled $53,201. Total expenditures since 1975 have reached $558,396.

118. As in the past, the bulk of the disbursements has been to assist in the payment of medical expenses, including hospitalization, and related expenses not reimbursable from other sources. In all cases involving claims for medical expenses not covered by the after-service medical insurance schemes of the member organizations, prior advice of the medical consultant was obtained. Some payments are being made on a continuing basis for home nursing

or domestic help required by pensioners and their spouses because of illness and debility. In some instances, payments were made to help cover funeral expenses.

2. Inclusion of references to longevity/merit steps and to the pensionable remuneration of the United Nations Field Service category in article 54 of the Regulations of the Fund

119. At its two sessions in 1990, the Board had considered three lacunae in the provisions of article 54 of the Fund's Regulations, which define the pensionable remuneration of participants: (a) the longevity and/or merit steps granted by some member organizations to their staff, which go beyond the maximum step in the scale of pensionable remuneration referred to in article 54 (b) and are pensionable; (b) the absence of a definition of the pensionable remuneration of staff in the United Nations Field Service category; and (c) the absence of a definition of the pensionable remuneration of ungraded officials (the last is dealt with in sect. III.F, paras. 83 to 85 above).

120. The Board reported to the General Assembly last year on developments regarding the lacuna related to the longevity/merit steps. The Board deferred taking any action in 1990, pending consideration of the matter by ICSC. At its July 1990 session, the Commission decided to request the Executive Heads of the International Labour Organisation (ILO) and the World Health Organization (WHO) to bring to the attention of their respective legislative bodies the issue of the additional steps granted, under their Staff Regulations and Rules, which go beyond the top step of the salary scales of staff in the Professional and higher categories, and recommended their replacement by one-time non-pensionable cash awards to reward merit. In section VI, paragraph 1, of its resolution 45/241 of 21 December 1990, the General Assembly urged the governing bodies of WHO and ILO "to take the necessary measures to bring their salary scales into line with those of the other organizations of the common system, as recommended by the International Civil Service Commission".

121. At its July 1991 session, the Board had decided to continue the practice of giving tacit recognition to the additional pensionable steps granted by ILO and WHO and to reconsider the matter on the basis of future action by their respective governing bodies. At its session this year, the Board was informed of the timetable for the consideration by the WHO and ILO governing bodies of the requests of the Commission and the General Assembly. The Board considered the following two alternative approaches for amending article 54 (b) of the Regulations to remove the current lacuna relating to the longevity/merit steps granted by the two organizations:

<u>Alternative I</u>: No additional pensionable step increments would be recognized other than those already granted prior to the effective date of a change in the text of article 54 (b);

<u>Alternative II</u>: No additional pensionable step increments would be recognized for participants entering or re-entering the Fund on or after the effective date of a change in the text of article 54 (b), for example on or after

1 April 1993; such step increments would continue to be recognized for staff in service prior to the effective date of the amendment to article 54 (b), awarded in accordance with the provisions of the Staff Regulations and Rules then in force in the member organizations.

122. The Board also considered the possibility of similar amendments to article 54 to cover pensionable longevity/merit steps granted to staff in the General Service and related categories, as well as an amendment to address the absence in article 54 of the Regulations of a definition of the pensionable remuneration of staff in the United Nations Field Service category.

123. Views differed in the Board as to whether, when and how to amend article 54 to cover the longevity and merit steps granted by WHO and ILO. The Board was informed that the WHO Governing Body would be in a position to take a decision on the ICSC recommendations within the next year; the ILO would also consider alternatives to its current arrangements. The member representing the Director General of ILO stressed that any changes would require amendments to the ILO Staff Regulations, would have to be negotiated with its staff, and would have to be approved by the ILO Governing Body. Some speakers favoured amending article 54 along the lines of alternative I in paragraph 121 above, while others believed that alternative II was preferable.

124. In the absence of a consensus on this issue, the Board agreed to defer consideration of a recommendation to the General Assembly on amending article 54 to cover longevity/merit steps until its next regular session in 1994, by which time it expects that the governing bodies of ILO and WHO will have acted on the requests of the Commission and the General Assembly.

125. The Board also decided to defer to its 1994 session consideration of an amendment to article 54 to cover the definition of the pensionable remuneration of staff in the United Nations Field Service category. It requested the Secretary to provide the Board with information on the methodology for determining the pensionable remuneration of such staff and for its subsequent adjustment.

Notes

1/ Official Records of the General Assembly, Forty-sixth Session, Supplement No. 9 (A/46/9), paras. 61-65.

2/ Ibid., paras. 83-109; ibid., Supplement No. 30 (A/46/30), vol. I, chap. III, paras. 72-90.

3/ Ibid., Supplement No. 30 (A/46/30), vols. I and II.

4/ Ibid., Forty-seventh Session, Supplement No. 30 (A/47/30), chap. III, paras. 70-100.

5/ Ibid., Forty-sixth Session (A/46/30), vol. I, chap. III, paras. 51-71.

6/ Ibid., Supplement No. 9 (A/46/9), paras. 110-132.

ANNEX I

Statistics on the operations of the Fund for the year ended 31 December 1991

Table 1. Number of participants as at 31 December 1991

Member organization	Participants as at 31 December 1990	New entrants	Transfers in	Transfers out	Separations	Participants as at 31 December 1991
United Nations	30 629	4 058	82	(63)	(2 281)	32 425
ILO	3 289	495	19	(28)	(383)	3 392
FAO	7 102	802	18	(25)	(843)	7 054
UNESCO	2 942	169	8	(9)	(228)	2 882
WHO	6 347	592	16	(16)	(500)	6 439
ICAO	1 062	110	4	(2)	(133)	1 041
WMO	414	64	6	(6)	(47)	431
GATT	429	38	8	(2)	(41)	432
IAEA	1 986	152	6	(7)	(137)	2 000
IMO	330	25		(1)	(27)	327
ITU	984	123	5	(5)	(117)	990
WIPO	395	58	5	(3)	(23)	432
IFAD	261	17	4	(2)	(17)	263
ICCROM	26	2			(2)	26
EPPO	8	1	1			10
UNIDO	2 059	212	12	(25)	(219)	2 039
TOTAL	58 263	6 918	194	(194)	(4 998)	60 183

Table 2. Benefits awarded to participants or their beneficiaries during the year ended 31 December 1991

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement under 5 years	Withdrawal settlement over 5 years	Child's benefit	Widow's and widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
United Nations	288	174	58	1 231	387	482	53	8	26	1	7	2 715
ILO	58	34	12	227	35	42	4	4	5	0	0	421
FAO	90	93	51	444	131	141	13	1	14	0	2	980
UNESCO	64	28	4	86	33	32	6	2	2	0	1	258
WHO	74	41	20	268	75	82	14	2	2	1	1	580
ICAO	17	10	7	73	19	9	0	1	1	0	1	138
WMO	6	4	0	30	5	21	0	0	1	0	0	67
ICITO	10	5	0	20	2	6	1	0	1	0	1	46
IAEA	24	17	11	51	27	12	3	1	2	0	1	149
IMO	7	2	0	13	4	2	1	0	0	0	0	29
ITU	19	10	5	69	12	15	0	0	2	0	0	132
WIPO	4	0	0	16	3	0	0	0	0	0	0	23
IFAD	0	0	2	10	2	1	0	1	1	0	1	18
ICCROM	0	0	0	2	0	0	0	0	0	0	0	2
EPPO												0
UNIDO	23	5	8	159	17	16	2	1	1	0	1	233
Total	684	423	178	2 699	752	861	97	21	58	2	16	5 791

Table 3. Analysis of periodic benefits as at 31 December 1991

Participants or their beneficiaries

Type of benefit	Total as at 31 December 1990	New	Benefits discon- tinued, resulting in award of survivor's benefit	All other benefits discon- tinued	Total as at 31 December 1991
Retirement	10 397	686	(184)	(102)	10 797
Early retirement	5 347	425	(67)	(14)	5 691
Deferred retirement	5 338	182	(19)	(32)	5 469
Widow	3 844	88	264	(70)	4 126
Widower	185	9	19	(8)	205
Disability	585	58	(14)	(13)	616
Child	5 154	867	(1)	(684)	5 336
Secondary dependant	51	2	2	(1)	54
Total	30 901	2 317	-	(924)	32 294

ANNEX II

Audit opinion, financial statements and schedules for the year ended 31 December 1991

A. Audit opinion

We have examined the appended financial statements, numbered I and II, properly identified, the notes to them and relevant schedules, of the United Nations Joint Staff Pension Fund for the financial period ended 31 December 1991. Our examination included a general review of the accounting procedures and such tests of the accounting records and such other supporting evidence as we considered necessary in the circumstances.

We did not physically inspect and count the securities of the investments account amounting to $9,103,848,311 held by an independent custodian as at 31 December 1991. These securities were examined by other independent auditors whose reports thereon have been furnished to us and our opinion expressed herein in so far as it relates to the investments account is based solely upon the report of these auditors.

As a result of our examination and the report of other auditors referred to above, we are of the opinion that the financial statements of the United Nations Joint Staff Pension Fund present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the generally accepted accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) Osei Tutu PREMPE
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

30 June 1992

B. United Nations Joint Staff Pension Fund

Notes on the financial statements for the year ended 31 December 1991

Summary of significant accounting policies

The following are some of the significant accounting policies of the United Nations Joint Staff Pension Fund.

1. Investments

Investments are recorded at cost using commercial historical exchange rates instead of United Nations operational rates of exchange. Interest income is recorded on an accrual basis. No provision is made for amortization of premium or discount which is taken into account as part of the gain or loss when investments are sold; dividends are included in income on a cash basis; realized profits and losses are shown on a net basis. Refunds on foreign taxes withheld are recorded as income in the year during which they are received.

2. Contributions

Contributions received from participants, member organizations and other funds are recorded on an accrual basis.

Contributions refunded to member organizations are recorded on a cash basis.

3. Benefits

Payment of benefits including withdrawal settlements, is recorded on an accrual basis.

4. Principal of the Fund

The principal of the Fund represents the active participants' contributions plus interests, together with the balance of equity of the Fund.

5. Emergency Fund

Appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance is reverted to the Pension Fund at the end of the year.

6. Administrative expenses

In accordance with article 15 (b) of the Regulations of the Fund, the administrative expenses of the Fund are estimated and approved on a biennial basis.

STATEMENT I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1991, with comparative figures as at 31 December 1990

(United States dollars)

		1991	1990
Assets			
Cash in banks		16 777 583	6 626 226
Contributions receivable from member organizations		32 395 028	50 915 104
Accounts receivable		437 274	504 196
Accrued income from investments		168 516 266	177 606 623
Receivable from investments sold		15 838 311	2 123 244
Investments (schedules 2, 3 and 4)			
Temporary investments - at cost (market value: 582,565,700)	560 434 357		
Bonds - at cost (market value: 4,070,988,678)	3 669 126 912		
Stocks and convertible bonds - at cost (market value: 4,867,265,930)	4 031 619 618		
Real estate and related securities - at cost (market value: 871,431,924)	842 667 424	9 103 848 311	8 279 938 669
Prepaid benefits		11 333 470	11 597 538
		9 349 146 243	8 529 311 600
Liabilities and principal of the Fund			
Benefits payable		12 862 545	14 372 902
Payable for securities purchased		24 870 273	33 338 136
Other accounts payable		6 432 140	3 491 745
Principal of the Fund		9 304 981 285	8 478 108 817
		9 349 146 243	8 529 311 600

Certified correct:

(Signed) J. Richard FORAN
Assistant Secretary-General
Representative of the Secretary-General
for the Investments of the
United Nations Joint Staff Pension Fund

(for investments of the Fund only)

(Signed) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

STATEMENT II

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 3' December 1991 with comparative figures for the year ended 31 December 1990

(United States dollars)

	1991	1990
Source of funds		
Participants:		
Contributions under article 25 (a)	212 669 860	194 731 267
Additional contributions with interest to make prior service contributory	472 386	512 897
Repayment of benefits with interest to restore prior contributory service	1 600 387	1 975 300
	214 742 633	197 219 464
Member organizations:		
Contributions under article 25 (a)	425 339 721	389 462 535
Additional contributions with interest to make prior service contributory	1 142 591	1 153 152
	426 482 312	390 615 687
Amounts received from non-member organizations for participants transferred under agreements	639 865	447 213
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	89 917	220 411
Investment income:		
Interest earned	411 326 236	409 410 638
Dividends	95 719 508	98 467 440
Real estate and related securities	50 492 314	45 709 421
Profit (net) on sales of investments	199 590 319	278 868 682
	757 128 377	832 456 181
Total	1 399 083 104	1 420 958 956

STATEMENT II (continued)

	1991	1990
Application of funds		
Payment of benefits:		
Withdrawal settlements and full commutation of benefits	36 463 523	31 136 167
Retirement benefits	275 449 597	256 190 331
Early and deferred retirement benefits	169 663 480	153 341 802
Disability benefits	13 637 128	12 387 535
Death benefits (other than to children)	48 082 794	41 976 103
Children's benefits	8 400 982	7 705 730
Loss (gain) on exchange	354 139	2 555 820
	552 051 643	505 293 488
Amounts remitted to non-member organizations and Governments for participants transferred under agreements	561 866	4 124 342
Contributions refunded to member organizations under article 26 of the Regulations as at 31 December 1982		11 729
Administrative expenses:		
Administrative costs	6 995 690	3 928 063
Investment costs chargeable to gross income from investments	12 083 011	9 171 166
	19 078 701	13 099 229
Emergency Fund	27 108	28 720
Adjustments to prior year benefits (net)	491 318	(115 957)
Transferred to principal of the Fund	826 872 468	898 517 405
Total	1 399 083 104	1 420 958 956

Certified correct:

(Signed) Raymond GIERI
Secretary
United Nations Joint Staff
Pension Board

SCHEDULE 1

Schedule of administrative expenses for 1990 and 1991

(United States dollars)

	1991	1990
Administrative costs		
Established posts	2 635 322	2 365 956
Overtime and temporary assistance	75 374	91 161
Common staff costs	928 905	809 076
Training	45 746	2 133
Actuarial consulting services	339 078	257 350
Consultants	13 186	11 000
Travel of staff	57 051	76 334
Committee of Actuaries	23 956	24 355
Data processing costs	1 756 856	183 253
External audit	18 680	12 780
Computer services rendered by the United Nations	20 000	20 000
Communications services	5 000	5 000
Hospitality	4 684	4 227
Miscellaneous charges	28 372	36 475
Office furnishings	1 043 480	28 963
Total	6 995 690	3 928 063
Investment costs		
Established posts	736 713	663 056
Overtime and temporary assistance	37 563	9 437
Common staff costs	294 239	287 606
Training	24 321	1 475
Custodial services and investment counsel	10 019 327	7 730 184
Consultants	103 393	102 332
Travel of staff	31 053	57 758
Investments Committee	121 253	155 090
Data processing costs	590 499	20 970
Communications services	651	14 922
Hospitality	1 105	2 248
Miscellaneous charges	16 777	23 880
Bank charges	106 117	102 208
Total	12 083 011	9 171 166

SCHEDULE 2

Summary statement of investments as at 31 December 1991

(Thousands of United States dollars)

Investments	Balances - at cost		1991 income		
	1 January 1991	31 December 1991	Profit or (loss) on sales	Dividends or interest	Total
Bonds (United States dollars)	1 269 188	1 280 442	10 136	119 505	129 641
Stocks and convertible bonds (United States dollars)	1 147 413	1 644 597	70 257	44 521	114 778
Bonds (other currencies)	2 177 760	2 388 685	74 924	200 921	275 845
Stocks and convertible bonds (other currencies)	1 619 124	2 387 023	62 905	51 198	114 103
Real estate and related securities (United States dollars and other currencies)	833 690	842 667	3 074	50 492	53 566
Temporary investments (United States dollars)	455 371	171 072	675	32 211	32 886
Temporary investments (other currencies)	777 393	389 362	(22 381)	58 690	36 309
Total portfolio	8 279 939	9 103 848	199 590	557 538	757 128

SCHEDULE 3

Comparison of cost value and market value of investments
as at 31 December 1990 and 31 December 1991

(Thousands of United States dollars)

Investments	31 December 1990 Cost	31 December 1990 Percentage of total cost value	31 December 1990 Market value	31 December 1991 Cost	31 December 1991 Percentage of total cost value	31 December 1991 Market value
Bonds (United States dollars)	1 269 188	15.3	1 313 512	1 280 442	14.1	1 418 283
Stocks and convertible bonds (United States dollars)	1 147 413	13.9	1 429 921	1 644 597	18.1	2 193 585
Bonds (other currencies)	2 177 760	26.3	2 345 740	2 388 685	26.2	2 652 706
Stocks and convertible bonds (other currencies)	1 619 124	19.6	1 813 747	2 387 023	26.2	2 673 681
Real estate and related securities (United States dollars and other currencies)	833 690	10.0	968 639	842 667	9.3	871 432
Temporary investments (United States dollars)	455 371	5.5	456 882	171 072	1.9	171 268
Temporary investments (other currencies)	777 393	9.4	798 172	389 362	4.2	411 297
Total portfolio	8 279 939	100.0	9 126 613	9 103 848	100.0	10 392 252

SCHEDULE 4

Summary of outstanding tax refunds as at 31 December 1991

		Local currency						Exchange rate in effect 31 December 1991	Equivalent in United States dollars
		Prior to 1987	1988	1989	1990	1991	Totals		
Australia	$A		82 500				82 500	1.3161	62 685
Austria	S					1 679 475	1 679 475	10.6883	157 132
Belgium	BF			872 222		10 000	882 222	31.3123	28 175
Denmark	DKr					126 000	126 000	5.9175	21 293
France	FF			139 125	7 140 000		7 279 125	5.1950	1 401 179
Germany	DM					257 563	257 563	1.5185	169 617
India	RS	6 111	19 983	19 981	18 740	17 838	82 653	.5356	154 319
Italy	Lit	418 983 157	208 073 527	272 561 334	217 665 114	161 119 161	1 278 402 293	1 151.0000	1 110 688
Japan	¥					42 012 000	42 012 000	124.8420	336 521
Malaysia	$M	987 291	479 014	512 470	1 049 046	908 922	3 936 743	2.7210	1 446 800
	$S		54 885				54 885	1.6205	33 869
Mexico	$Mex	450 702 838	86 915 302	107 344 129			644 962 269	3 072.6500	209 904
	$US			33 877	80 310	20 724	134 911	1.0000	134 911
Netherlands	F	6 235		101 556		883 353	991 144	1.7140	578 264
New Zealand	$NZ	25 099					25 099	1.8492	13 573
Norway	NKr					273 265	273 265	5.9826	45 677
Philippines	P	768 750	50 000	200 000	180 000		1 198 750	25.8950	46 293
	$US					8 574	8 574	1.0000	8 574
Singapore	$S	(680)		291	5 358	500 143	505 112	1.6205	311 701
	$M	152 000					152 000	2.7210	55 862
Spain	Ptas	151 282 754	50 274 892	59 832 362	76 534 693	56 503 565	394 428 266	96.8506	4 072 543
Switzerland	SwF		126 000		529 024	1 623 887	2 278 911	1.3551	1 681 729
Thailand	B			2 180 553	2 087 242	2 032 236	6 300 031	25.1205	250 792
United Kingdom of Great Britain and Northern Ireland	£					28 046	28 046	0.5356	52 364
							Total amount outstanding		12 384 465

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 1991

Introduction

1. In accordance with article 14 of the Regulations of the United Nations Joint Staff Pension Fund, the Board of Auditors has audited the accounts of the Fund for the year ended 31 December 1991.

2. The audit was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The examination was carried out at the secretariat of the Pension Board and the Investment Management Service at the United Nations in New York.

3. The Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed audit observations and recommendations. These audit observations were discussed with the Administration and the Board noted the efforts they have exerted in dealing with the issues raised and the steps they have taken to implement the audit recommendations. This practice once again helped in maintaining a continuous dialogue with the Administration.

4. The present examination did not indicate significant audit findings and recommendations involving financial issues, hence only management concerns are discussed in this report.

Follow-up of actions taken on previous audit recommendations

5. Our examination included an evaluation of the efficacy of steps taken by the Administration to implement previous audit recommendations as requested by the General Assembly in paragraph 17 (a) of its resolution 46/183 of 20 December 1991. During the year, the Administration has effectively implemented previous audit recommendations and the Board is generally satisfied with the results of its evaluation, which are discussed in the annex to the present report.

6. Beside the implementation of audit recommendations of the immediately preceding year, the Board also recognizes with appreciation the completion and issuance of the Fund's Accounting Manual, which was a subject of previous Board reports.

Summary of recommendations

7. The Board recommends that the following corrective actions, presented in order of priority, be taken:

(a) The present system of recording and reporting as well as the control and monitoring of investment transactions should be assessed and the identified weaknesses improved. The Administration should require Fiduciary Trust Company International (FTCI) to adopt corrective measures in the present system to minimize, if not eliminate, any discrepancies in the recording and reporting of investment transactions (paras. 21, 24-25, 27 and 29);

(b) The present system of verification of continuous entitlement and the issuance of Certificates of Entitlement should be studied and evaluated taking into consideration practicability of procedures, available technology and an adequate coverage of beneficiaries including the adoption of stratified sampling in the sample selection (para. 44);

(c) A decision should be made on investments with countries that do not grant tax exemption to the Fund. More effective measures should be undertaken to properly dispose of the long outstanding taxes withheld from the Fund (para. 37);

(d) The Investment Accounting Manual should be updated and/or revised to incorporate the multi-currency system of recording and reporting investment transactions (para. 32);

(e) Member organizations should be required to submit year-end schedules within 45 days after 31 December of each year together with any payment that may be due to the Fund. Also, consideration should be given to the possibility of including a provision in the Administration Manual requiring the payment of interest for balance of contributions due for prior years remitted to the Fund after 15 February of each year (paras. 47 and 50);

(f) United Nations Headquarters and the United Nations Development Programme (UNDP) should be requested to submit contribution statements in a more frequent interval instead of a yearly basis (para. 53).

Summary of findings

8. Discrepancies were noted in the outputs generated from the two systems used in the recording and reporting of investment transactions (para. 20).

9. There is inadequate monitoring of Discrepancy Letters in the Investment Management Service (IMS) and the Discrepancy Letter Report was not updated (paras. 22 to 23).

10. Several Discrepancy Letters were not approved and signed by authorized officers and not properly filed (paras. 26 and 28).

11. The Investment Accounting Manual was not updated or revised to incorporate provisions applicable to the multi-currency system of recording and reporting investment transactions (paras. 30 and 31).

12. Outstanding tax refunds amounting to $8,378,247 have remained outstanding as at 31 December 1991, and the Fund continued to make investments in countries where tax exemption status is not granted (paras. 33 to 36).

13. Deficiencies were noted on the system and procedures of verification of continuous entitlement (paras. 38 to 43).

14. Remittances of amounts due to the Fund per year-end reconciliation statement on 15 February of each year were late and no interests were charged (paras. 45 and 46).

15. Some member organizations were delayed in the submission of year-end schedules (paras. 48 to 49).

16. United Nations Headquarters and UNDP do not submit the monthly contribution statement, but only a detailed year-end report (paras. 51 and 52).

Management issues

Investments

17. The audit of investments of the Fund involved evaluation of the system of controlling, monitoring, recording and reporting investment transactions, review of the investments accounting manual and ascertaining the status of long outstanding tax refunds.

18. During the year, Fiduciary Trust Company International (FTCI) and the Fund implemented the multi-currency system of recording investment transactions. FTCI uses Access 11 System to record investment transactions in a given local currency and the Biton System to translate these transactions in United States dollars. Any differences between the outputs generated from Biton and Access 11 System and the source documents are indicated in Discrepancy Letters by the IMS and these are communicated, reconciled and cleared with FTCI for appropriate disposition. In addition, on a periodic basis, the Discrepancy Letters are indicated in the Discrepancy Letter Report, which contains the status of all Discrepancy Letters issued.

19. The evaluation of the system of controlling, monitoring, recording and reporting of investment transactions through the issuance of Discrepancy Letters indicated some deficiencies which are discussed in the following paragraphs.

Discrepancies in the outputs of the Biton and Access 11 System

20. A review of the Discrepancy Letter Report for 1991 disclosed that, of the differences indicated therein, 61.46 per cent represented erroneous entries due to discrepancies between the outputs generated from the Biton and Access 11 System. These discrepancies included differences in settlement amounts, proceeds, United States dollar equivalents, exchange rates, settlement date, principal amount, amount of interest, number of units and price per unit.

21. The Board recommended and the Administration confirmed that the efficiency of the Biton System and Access 11 should be assessed in terms of accuracy and reliability of the information generated and FTCI should be informed of the deficiencies noted in the system. In addition, the Board suggested that FTCI should be required to adopt corrective measures in the

present reporting system to lessen, if not eliminate, any discrepancies arising from the reports generated by the two systems. In this regard, the Board took note of the immediate steps taken by the Administration wherein discussions with FTCI were initiated to review comprehensively the systems, identify weaknesses that need to be addressed and seek improvements in the quality and timeliness of data generated therefrom.

Inadequate monitoring of Discrepancy Letters

22. The Board's analysis of the Discrepancy Letters issued in 1991, disclosed that some have remained outstanding from 3 to 12 months. This means that the discrepancies indicated therein have not been cleared, reconciled and properly disposed of.

23. Owing to the inadequate system of monitoring the status of Discrepancy Letters, the Discrepancy Letter Report was not properly updated; there were some Discrepancy Letters reflected as pending in the report, which were already cleared and settled between FTCI and IMS.

24. The Board recommended and the Administration confirmed that priority will be given to the clearing of the Discrepancy Letters that have remained unsettled and that administrative procedures be instituted to monitor actions taken by FTCI on pending Discrepancy Letters.

25. In addition, the Board recommended and the Administration agreed that the Discrepancy Letter Report should be updated more frequently to ensure that information obtained on the status of all Discrepancy Letters is current.

Approval and maintenance of Discrepancy Letter Reports

26. Some of the Discrepancy Letters examined were not approved and signed by the senior accountant of IMS. The absence of the signature of the senior accountant in the Discrepancy Letter may indicate that no review was performed by an officer other than the one who prepared the Discrepancy Letter. A review of the Discrepancy Letter by another person is to ensure validity of the discrepancy identified in a particular investment transaction.

27. The Board recommended and the Administration concurred that IMS should develop a procedures' manual for the delegation of authority on the approval and signing of Discrepancy Letters to ensure that there is check and review in the preparation of Discrepancy Letters and that only an authorized officer does the review and approval.

28. The Board also observed that the Discrepancy Letters, including the supporting documents which were not yet cleared, were kept in a file of pending Discrepancy Letters. However, out of 110 pending Discrepancy Letters reported as at 31 December 1991, only 37 were properly filed.

29. The Board recommended and the Administration concurred that the file of pending Discrepancy Letters should be properly segregated and maintained for easy reference.

Revision of the Investment Accounting Manual

30. The Investment Accounting Manual is primarily intended for the information and guidance of those involved in the Operations Unit of IMS. It contains the policies and procedures in carrying out accounting activities for investment transactions.

31. The Board believes that the existing Investment Accounting Manual may no longer be responsive to the needs of the Fund because for the year 1991, IMS adopted the multi-currency system. In this system, investment portfolios are grouped and accounted for in accordance with the currency of the country where investments are held and then converted into United States dollar equivalents. However, the Board noted that there are no written instructions, rules and procedures to be followed in carrying out the activities of the Operations Unit of IMS under the multi-currency system.

32. The Board recommended and the Administration agreed and started to revise the Investment Accounting Manual to incorporate the multi-currency accounting and other procedures relative to the operations of the IMS.

Long outstanding tax refunds

33. The Board again reviewed the status of long outstanding tax refunds as at 31 December 1991. As provided in article 105 of the Charter of the United Nations, the United Nations Joint Staff Pension Fund is exempted from taxation. Section 7 (a) of the Privileges and Immunities Convention likewise provides that the United Nations, its assets, income and other properties shall be exempt from all direct taxes. However, some countries do not grant this exemption based on the concept that the United Nations Joint Staff Pension Fund is a separate entity from the United Nations, hence not entitled to exemptions. Interests and dividends earned from investment transactions in these countries are subjected to taxes which are automatically withheld by them.

34. The existing policy with regard to investments with countries that do not grant tax exemption to the Fund as recommended by the Investments Committee and being followed by the Administration is not to increase present holdings in said countries and not to initiate investments in those countries which in any way have indicated that the Fund's holdings would be taxed.

35. The Board has taken note of the efforts exerted by the Administration in requesting for tax reclamations and constant follow-up of refunds on those that have remained long outstanding resulting from the elimination of holdings in one country and the gradual reduction of holdings in two countries. However, as the aging schedule of outstanding tax refunds indicated hereunder, $8,378,247 of $12,384,465 have remained outstanding for more than one year and new taxes amounting to $4,006,218 have been withheld during the year.

Number of years outstanding	Amount
4 years or more	$2 549 311
3 years or more	1 132 981
2 years or more	1 357 635
1 year or more	3 338 320
Current year	4 006 218
	$12 384 465

36. The Administration explained that the increase in taxes withheld in 1991 are procedural and does not mean that the respective countries are refusing tax exemption to the Fund. Hence, their expectation is to be able to recover all of the taxes withheld during 1991 through the reclamation processes of the relevant countries.

37. The Board recommended and urged the Administration to take more effective measures in effecting appropriate disposition of the outstanding taxes especially those that have remained outstanding for years and to realize fully its expectations in respect of the new taxes withheld in 1991.

Benefit system

Verification of continuous entitlement

38. A review of the system and procedures of verification of continuous entitlement of beneficiaries raised some concerns for the Board.

39. The verification of entitlement of the beneficiaries by the Fund is done through the Certificates of Entitlement, which are sent to all beneficiaries from time to time for proper accomplishment. When the Certificates of Entitlement are returned by beneficiaries, a selection is made on which returned Certificates of Entitlement are to be verified by the Fund. The selection for verification is based on subjective and statistical sampling methods.

40. When the Certificates of Entitlement are accomplished and returned, the beneficiaries are grouped as "high-risk" or "general". The "high-risk group" refers to those beneficiaries who are over 75 years old and/or disabled, and beneficiary children reaching the age of 21. The rest of the beneficiaries fall under the "general group". Then the signatures of 50 per cent of the "high-risk" and 10 per cent of the "general" group are verified.

41. In the light of the existing magnitude of beneficiaries, the Board was concerned with the practicality of a 100 per cent issuance of Certificates of Entitlement to all beneficiaries, the method of selection of samples to be verified as well as the degree of reliance on the method of verifying authenticity of signatures.

42. The Board also noted that the issuance of Certificates of Entitlement for purposes of verification of continuous entitlement requires a long process of issuance of forms, follow-up and a tedious verification process. For

instance, the last initial issuance of Certificates of Entitlement was on 15 April 1991 and before that, it was in late 1989. The year 1990 was for follow-up of unresponded Certificates of Entitlement issued in 1989.

43. The Administration explained that the 1991 issuance was delayed not only because adequate time had to be given to beneficiaries to respond, but also because they used a new form and criteria in the sample selection process.

44. The Board recommended and the Administration agreed that there is a need to reassess the existing system of verifying continuous entitlement of benefits through the issuance and accomplishment of the Certificates of Entitlement. This review should consider the practicability of the system and the availability of present technology as well as ensuring that there is an adequate and regular verification of entitlements of the beneficiaries of the Fund.

Cash management

Delayed remittance of amounts due to the Fund

45. At the end of each year, every member organization is to submit a year-end reconciliation statement (schedule F) within 45 days from 31 December. The reconciliation statement includes total actual contributions during the year, representing the share of the individual participants and the member organizations. The submission of said statement should be accompanied by a payment covering any additional amount which appears on the reconciliation statement to be due to the Fund.

46. The Board noted that some payments for the amount due to the Fund appearing in the reconciliation statement on 15 February of each year were made after said due date and no interests were charged by the Fund for their late remittance.

47. The Board recommended that the Administration should ensure a more prompt submission of the year-end reconciliation statement from the member organizations and the immediate remittance of any amount due to the Fund. In addition, a provision in the Manual for charging interests on late remittances by member organizations may be considered.

Financial reporting

Delayed submission of year-end schedules

48. Section H (2) of the Administration Manual of the United Nations Joint Staff Pension Fund provides that within 45 days after 31 December of each year, each member organization shall submit to the Fund year-end schedules pertaining to the participants and their accounts. These year-end schedules serve as inputs for the Fund to generate new accounts and to update the existing participants' accounts and to reconcile totals and correct errors before the final entries are made in the books.

49. The Board noted that as at 15 February 1992, only 26 out of 53 offices of the member organizations had turned in the year-end schedules.

50. The Board recommended and the Administration confirmed that member organizations who fail to submit the year-end schedules on time should be continuously reminded of their responsibility. This is because any delay in the submission of year-end schedules affects the preparation and finalization of the financial statements of the Fund.

Non-submission of monthly contribution statements

51. Section G.8 (b) of the Administration Manual provides that each member organization shall forward to the Secretary of the Board within 14 days after the end of each calendar month a monthly contribution statement.

52. Verification of the files of member organizations showed that United Nations Headquarters and UNDP did not submit the monthly contribution statements because of the large number of field offices involved.

53. The Board recommended that the Administration should agree with United Nations Headquarters and UNDP on a more frequent basis of submitting the contribution statement to enhance the year-end reconciliation process.

Write-off of losses of cash, receivables and property

54. The Administration informed the Board that during the year 1991, receivables amounting to $14,322 were written off in accordance with administrative rule J.9 (c) of the United Nations Joint Staff Pension Fund.

Cases of fraud and presumptive fraud

55. The Administration informed the Board that there were no cases of fraud or presumptive fraud in 1991.

Acknowledgement

56. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended to the external auditors in the course of the audit by the Secretary of the United Nations Joint Staff Pension Board, the United Nations Controller, the Representative of the Secretary-General for the investment and the trust accounts, all their senior officials and their staff.

(Signed) Osei Tutu PREMPEH
Auditor-General of Ghana

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit
of the Philippines

(Signed) Heinz Günter ZAVELBERG
President of the Federal Court
of Audit of Germany

ANNEX

Follow-up on actions taken to implement the recommendations of the Board of Auditors in its report on the accounts of the Fund for the year ended 31 December 1990 a/

1. Our examination included an evaluation of the efficacy of steps taken by the Administration to implement previous audit recommendations, as requested by the General Assembly in paragraph 17 (a) of its resolution 46/183. The results of the evaluation made by the Board are presented below.

A. Recommendation 9 (a)

2. The incurrence of bank overdraft should be avoided to prevent unnecessary interest expenses. There should be closed coordination by the officers responsible for transfer of funds, such as the Payment Section, the Cashier Section, the Investment Management Service (IMS), and the Fiduciary Trust Company International.

1. Measures taken by the Administration

3. The Administration took steps to coordinate with the offices concerned and obtained commitments from the banks to make the necessary reversions for interests erroneously charged from the Fund.

2. Comments of the Board

4. The Board noted that, although interest expense due to bank overdrafts were incurred this year, there was a significant reduction in the amount incurred, which can be attributed as resulting from the steps taken by the Administration.

B. Recommendation 9 (b)

5. Efforts should be exerted in collecting the corresponding interest or encouraging early remittances from organizations that have delayed their remittances of contributions pursuant to administrative rule No. D.5.

Comments of the Board

6. This recommendation has been implemented.

C. Recommendation 9 (c)

7. The new IMS Policies and Procedures Manual should be improved to incorporate the following:

(a) The guidelines and procedures to be observed in the purchase sale of bonds and temporary investments;

(b) A provision on the limit on the maximum size of holdings in real estate related investments;

(c) A statement on the exemption of Governments and government agencies from the 5 per cent limitation of bond holdings.

Comments of the Board

8. Although all of the above-mentioned recommendations have been implemented, the IMS Policies and Procedures Manual needs to be further improved because of the new multi-currency accounting system as discussed in paragraphs 30 to 32.

D. Recommendation 9 (d)

9. There should be strict adherence to the requirements and documentation procedures when purchase or sale of investments are being made.

Comments of the Board

This recommendation has been implemented.

Notes

a/ *Official Records of the General Assembly, Forty-sixth Session, Supplement No. 9* (A/46/9), annex III.

ANNEX IV

Proposed agreement between the United Nations Joint Staff Pension Board and the Inter-American Development Bank on the continuity and transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of participants in the Staff Retirement Plan of the Inter-American Development Bank

Whereas in furtherance of the policy of the United Nations and of the specialized agencies brought into relationship with the United Nations to facilitate the exchange of personnel, it is desirable to secure continuity of pension rights of staff members transferring between these organizations;

Whereas the provisions of article 13 of the Regulations of the United Nations Joint Staff Pension Fund authorize the United Nations Joint Staff Pension Board, subject to the concurrence of the General Assembly, to approve agreements with member Governments of a member organization and with intergovernmental organizations with a view to securing continuity of such rights;

Whereas the provisions of article 14 of the Staff Retirement Plan of the Inter-American Development Bank authorize the conclusion of agreements by the Bank with other international organizations and with member Governments for transfer and continuity of such rights;

It is therefore agreed between the United Nations Joint Staff Pension Board and the Inter-American Development Bank as follows:

Article 1

1.1 For the purposes of this Agreement, the following words and phrases as used herein shall have the following meaning unless a different meaning is plainly required by the context:

(a) "Fund" means the United Nations Joint Staff Pension Fund;

(b) "Member organization" means a member organization of the Fund as defined in the Regulations of the Fund;

(c) "Bank" means the Inter-American Development Bank;

(d) "Plan" means the Staff Retirement Plan of the Bank;

(e) "Contributory service in the Fund" means the contributory service which, under the Regulations of the Fund, may be taken into account for the computation of benefits, and includes service credited to a participant under agreements similar in nature to the present Agreement;

(f) "Eligible service under the Plan" means eligible service as defined in section 3.2 of the Plan and includes all periods of service used to compute benefits under the Plan.

1.2 Unless otherwise defined herein, words and phrases used in the Regulations of the Fund or in the Plan shall have the same meanings in this Agreement.

1.3 References to participants in either the masculine or feminine gender shall apply equally to men and to women.

Article 2

2.1 A former participant in the Fund to whom a benefit under its Regulations has not been paid and who, within six months after the cessation of his participation therein, becomes a participant in the Plan may elect, by notice in writing to the Executive Secretary of the Plan not later than 90 days after his participation in the Plan has commenced, to have continuity of his pension rights established as provided under this Agreement.

2.2 Upon such election, the participant shall cease to be entitled to any benefit from the Fund and shall be credited instead in the Plan with the following:

(a) Accumulated contributions equal to his own contributions as of his last day of participation in the Fund, plus interest thereon at the rate applicable in the Plan for the period from the date he ceases to be a participant in the Fund to the date he becomes a participant in the Plan;

(b) Eligible service equal to the period of contributory service standing to his credit as of his last day of participation in the Fund; and

(c) Pensionable remuneration equal to 85 per cent of his pensionable remuneration as recorded during his period of contributory service in the Fund.

2.3 The Fund shall, in respect of such a participant, pay to the Plan an amount equal to three times the participant's own contributions as of his last day of contributory service in the Fund.

2.4 The provisions of Articles 2.2 and 2.3 shall apply in the case of a former participant in the Fund to whom a benefit under its Regulations has not been paid and who is a participant in the Plan on 1 January 1993, provided:

(a) That he became a participant in the Plan within six months after ceasing to be a participant in the Fund;

(b) That his participation in the Plan continued until 1 January 1993; and

(c) That he elects by notice in writing to the Executive Secretary of the Plan, not later than the close of business on 30 June 1993 and while still a participant in the Plan, to have continuity of his pension rights established as provided in this Agreement.

2.5 For the purposes of the present Article, a participant's last day of participation in the Fund shall, except as provided in Article 4, be no later than the day preceding his first day of participation in the Plan.

Article 3

3.1 A former participant in the Plan to whom a benefit under its provisions has not been paid and who, within six months after the cessation of his participation therein, becomes a participant in the Fund may elect, by notice in writing to the Secretary of the United Nations Joint Staff Pension Board not later than 90 days after his participation in the Fund has commenced, to have continuity of his pension rights established as provided under this Agreement.

3.2 Upon such election, the participant shall cease to be entitled to any benefit from the Plan and shall be credited instead in the Fund with the following:

(a) His own contributions equal to his accumulated contributions as of his last day of participation in the Plan, plus interest thereon at the rate applicable in the Fund for the period from the date he ceases to be a participant in the Plan to the date he becomes a participant in the Fund;

(b) His contributory service equal to the period of eligible service standing to his credit as of his last day of participation in the Plan; and

(c) His pensionable remuneration equal to 120 per cent of his pensionable remuneration as recorded during his period of eligible service in the Plan.

3.3 The Plan shall, in respect of such a participant, pay to the Fund an amount equal to three times the participant's accumulated contributions as of his last day of eligible service in the Plan.

3.4 The provisions of articles 3.2 and 3.3 shall apply in the case of a former participant in the Plan to whom a benefit under its provisions has not been paid and who is a participant in the Fund on 1 January 1993, provided:

(a) That he becomes a participant in the Fund within six months after ceasing to be a participant in the Plan;

(b) That his participation in the Fund continued until 1 January 1993; and

(c) That he elects by notice in writing to the Secretary of the United Nations Joint Staff Pension Board, not later than the close of business on 30 June 1993 and while still a participant in the Fund, to have continuity of his pension rights established as provided in this Agreement.

3.5 For the purposes of the present article, a participant's last day of participation in the Plan shall, except as provided in article 4, be no later than the day preceding his first day of participation in the Fund.

Article 4

4.1 (a) If a participant in the Fund becomes a participant in the Plan during a period of leave without pay from a member organization of the Fund and, upon termination of such period, ceases to be a participant in the Plan and resumes his participation in pay status in the Fund, he shall not be entitled to any benefit under the provisions of the Plan in respect of such period, but shall instead receive credits in the Fund as provided in article 3.2, with the Plan paying to the Fund an amount determined in accordance with article 3.3. Such period shall not also accrue to him as contributory service in the Fund under article 22 (b) of its Regulations;

(b) If upon termination of such period the participant ceases to be a participant in the Fund and continues his participation in the Plan, he shall, upon election made by him in writing to the Executive Secretary of the Plan within 90 days of the date of termination of such period, have the provisions of articles 2.2 and 2.3 applied in his case. Those provisions shall also apply in the event of the death of the participant or of his disability retirement under the Plan during such period without having made an election.

4.2 (a) If a participant in the Plan becomes a participant in the Fund during a period of leave without pay from the Bank and, upon termination of such period, ceases to be a participant in the Fund and resumes his contributory service in the Plan, he shall not be entitled to any benefit under the Regulations of the Fund in respect of such period but shall instead receive credits in the Plan as provided in article 2.2 with the Fund paying to the Plan an amount determined in accordance with article 2.3. Such period shall not also be included in his participating service in the Plan under section 3.1 thereof;

(b) If upon termination of such period, the participant ceases to be a participant in the Plan and continues his participation in the Fund, he shall, upon election made by him in writing to the Secretary of the United Nations Joint Staff Pension Board within 90 days of the date of termination of such period, have the provisions of articles 3.2 and 3.3 applied in his case. Those provisions shall also apply in the event of the death of the participant or of his disability under the Regulations of the Fund during such period without having made an election.

4.3 Under no circumstances shall any participant covered by this Agreement accrue, at the same time, eligible service under the Plan and contributory service in the Fund.

Article 5

5.1 Interest to the date on which payment of the amount due under articles 2.3 or 3.3 is made shall be paid at the rate of 6 per cent per annum, or at such other rates as may be agreed from time to time between the Secretary of the United Nations Joint Staff Pension Board and the Executive Secretary of the Plan.

Article 6

6.1 Voluntary deposits in the Fund and optional additional contributions made to the Plan shall, upon the transfer of his entitlements from the one to the other, be returned to the participant by the Fund or the Plan, as the case may be, in a lump sum, together with the interest applicable thereto, as provided in the Regulations of the Fund or in the Plan.

Article 7

7.1 The Secretary of the United Nations Joint Staff Pension Board, acting under the authority of the Board, and the Executive Secretary of the Plan, acting under the authority of the Plan's Pension Committee, shall take such agreed measures and make such arrangements as may be appropriate to give effect to this Agreement and to resolve such problems as may arise in the application of its provisions to individual cases.

Article 8

8.1 This Agreement shall enter into effect on 1 January 1993 and shall continue in effect thereafter until modified or terminated by written mutual consent of the Parties hereto.

8.2 Either Party may terminate this Agreement by notice in writing given to the other Party at least one year before the date of termination specified in the notice.

ANNEX V

Breakdown by age/length of contributory service at separation of the cases of transfers to the USSR Social Security Fund

Age at separation	Years of contributory service at separation: Less than 5	5 to 9	10 to 14	15 to 19	20 and more	Total
Under 30	198	27	-	-	-	225
30 to 39	376	85	4	-	-	465
40 to 49	350	190	2	-	-	542
50 to 54	126	66	1	-	-	193
55 to 59	93	42	4	-	-	139
60 and above	42	33	6	1	1	83
Totals	1 185	443	17	1	1	1 647
(Percentage)	(71.9)	(26.9)	(1)	(0.1)	(0.1)	(100)

ANNEX VI

Extracts from the report of the Committee of Actuaries

"25. The Committee was unanimous and firm in its view that this 'local' approach would be replete with difficulties, would be costly and would ultimately prove to be a futile exercise. At a time when many entities are attempting to unify their various pension arrangements, the United Nations system would be creating a multiplicity of pension arrangements for General Service staff at more than 150 duty stations. A vast amount of information and data will have to be collected and constantly updated on the plans of surveyed employers and national social security schemes, reflecting widely varying types of plans (provident funds, defined-contribution schemes, defined-benefit schemes, savings plans, etc.), and differing provisions governing retirement ages and the determination of basic benefits, survivor benefits, disability benefits, etc. The Board and the Commission would be faced with a quagmire of data and information, which would be difficult to collect, aggregate, and quantify with any degree of precision. That data and information would be constantly changing, because of changes in surveyed employers, in plan provisions, in national social security provisions, etc. There would inevitably be contentious problems related to determining the best prevailing pension practice at each location. Assuming that these problems could be resolved satisfactorily, the next step would be translating the results of the quantification and assessment exercises into pension plans for General Service staff in each location, again giving rise to a myriad of questions: should a defined-benefit scheme apply at all locations or should the nature of the United Nations scheme for General Service staff vary according to duty stations; what should be the provisions regarding the determination of the United Nations basic benefits, survivor benefits, disability benefits, etc.; what should be the arrangements for the cost-of-living adjustments of benefits after award; should there continue to be a two-track pension adjustment system for General Service staff, etc.? These and many more questions would have to be debated and decided upon again and again, with each change of circumstances in a particular location.

"26. The Committee noted that vexing problems would also arise as regards the funding of a multiplicity of schemes. Would there be separate pension arrangements for each duty station, irrespective of the number of staff involved? How would the costs of multiple plans be shared among the organizations? How would these plans be administered: self-administration at each location or through arrangements with insurance companies? If a changeover is made, what would be the arrangements as regards the past service of staff - i.e., how would entitlements under the current unified plan as regards past service be combined with future accruals under a locality scheme? How would promotion from the General Service category to the Professional category be handled as regards pension entitlements? How would changes in the duty stations of General Service staff affect their pension entitlements?

"27. In the Committee's view, the currently perceived problems/anomalies as regards the pension benefits of General Service staff would undoubtedly increase greatly under a multiplicity of pension plans. Comparisons of pension coverage would not only relate to the situations of the different categories of staff, but also to the different plans in operation at the various duty stations.

"28. The Committee therefore was convinced that determining United Nations General Service pensions by reference to the local practices of surveyed employers, rather than under the current unified plan applicable to all United Nations system staff, was not a desirable or viable course of action. It strongly believed that consideration of this approach should be abandoned."

ANNEX VII

Analysis of impact of Chairman's proposal on General Service pensionable remuneration for net salaries ranging from $1,000 to $70,000

Net salary (US dollars)	Corresponding Professional pensionable remuneration using Professional pensionable remuneration, staff assessment rates and 46.25 per cent grossing up		Corresponding General Service pensionable remuneration, using 1991 staff assessment rates		Corresponding General Service pensionable remuneration, using 1992 staff assessment rates		General Service pensionable remuneration, using 56.25 per cent for grossing up and 1992 staff assessment		General Service pensionable remuneration, using Professional staff assessment rates and 56.25 per cent grossing up		
	$	index	$	index	$	index	$	index	$	index	index staff assessment General Service/ Professional difference (8/10)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
1 000	1 042	100	1 124	107.9	1 176	112.9	1 176	112.8	1 042	100	112.8
5 000	5 208	100	5 807	111.5	6 076	116.7	5 967	114.6	5 208	100	114.6
10 000	10 417	100	12 157	116.7	12 468	119.7	12 208	117.2	10 417	100	117.2
20 000	20 833	100	25 722	123.5	25 653	123.1	25 051	120.2	20 833	100	120.2
30 000	31 250	100	40 235	128.8	39 129	125.2	38 199	122.2	32 167	102.9	118.8
40 000	43 514	100	55 750	128.1	52 781	121.3	51 567	118.5	44 681	102.7	115.4
50 000	56 144	100	71 375	127.1	66 597	118.6	65 045	115.9	58 015	103.3	112.1
60 000	69 477	100	87 000	125.2	80 634	116.1	78 633	113.2	71 865	103.4	109.4
70 000	83 213	100	102 625	123.3	94 718	113.8	92 311	110.9	85 949	103.3	107.4

Differences between columns 7 and 5 represent impact of new General Service staff assessment rate.

Differences between columns 9 and 7 " " of using 56.25 per cent versus 100 per cent.

Differences between columns 11 and 9 " " of different staff assessment rate Professional versus General Service (column 12).

ANNEX VIII

Statements of three groups in the Board on methodology for determining the pensionable remuneration of staff in General Service and related categories

A. Statement by the representatives of executive heads

"In an effort to reach a consensus, the representatives of the executive heads were prepared to consider favourably the proposal put forward by the Chairman of the Board, in an effort to achieve an agreement of the three groups represented on the Board.

"As no consensus could be reached, the representatives of the executive heads had to reaffirm that the following principles should guide any further consideration of this matter:

"1. General Service staff continue to be part of the Fund;

"2. All regular elements of salary to be pensionable;

"3. Pensionable remuneration to be never less than net salary;

"4. Maintenance of existing minima, as adjusted, in pensions;

"5. Movement toward local approach, but rejection of totally local approach (on basis of statement in report of Committee of Actuaries);

"6. Any change to be prospective, with transitional measures;

"7. No reduction or even freeze in pensionable remuneration, i.e., if pensionable remuneration were to be reduced, as salary increases pensionable remuneration would still increase, but by proportionately less, so that lower levels would be achieved over a (longer) period of time. This would be less damaging to serving staff and, by permitting some increases in contributions, would also protect the actuarial situation of the Fund by increasing contributions."

B. Statement by the participants' representatives

"During this session we were in fact asked to address two problems which will, in our view, be solved in the near future, one the so-called 'income inversion' and the other one the 'overlap' between General Service and Professional pensionable remuneration scales.

"We are in a situation where drastic cuts were first made in General Service pensionable remuneration through a revision of staff assessment rates (7 to 10 percentage points in upper part of the scale, where the so-called anomalies were detected); we are in a situation where in several duty stations the new pension adjustment system for Professional staff (which incidentally this Board could not concur to extend now to concerned General Service staff, irrespective of the principles of equity advocated for other matters in this same forum), provokes increases in pensions expressed in local currency up to 20 per cent in some cases (at Geneva, for example, income inversion in terms of pension has virtually disappeared); we are in a situation where an increase in Professional remuneration and hence pensionable remuneration can be expected in a foreseeable future as a consequence of the United States Federal Employees Pay Comparability Act.

"We are at the same time in a situation where a freeze for the next two years has already started for General Service pensionable remuneration in many duty stations, and we were asked to make other sacrifices for General Service staff on the sole ground that Professional staff pensions are too low.

"This we cannot accept. We strongly believe that the pension system for General Service staff is sound, works well, and does not need or deserve to be drastically modified or dismantled.

"This being said, we are not the type of persons who refuse to move when movement is needed. There were several statements made by the Governing Body or Administration representatives that we could easily endorse. Some points of the previous statement by the spokesperson for the Administrations could also deserve further consideration. Some examples of this kind of common position will follow.

"Allow me, however, before pursuing this subject, to tackle briefly the issue of negotiations. Some might in fact feel that the staff position was too rigid here in Montreal, and did not allow for appropriate consultations. They might be tempted to oppose this attitude to the one which prevailed last year in Paris.

"Those who think so should realise nonetheless that the initial - and final - positions of many Governing Body and Administration representatives simply aimed at destroying an existing system, without any technical ground, and against the common will, very clearly stated, of the whole staff of the United Nations system. This type of destruction, Mr. Chairman, is plainly not negotiable: we could never accept to discuss the ways and means to bring the General Service pension system back to the state where it was more than 30 years ago.

"Here follow now the views of the participants' representatives:

"We agree on having more local practice incorporated in the scheme and express interest in local taxes and band approach. We feel, however, that further studies are needed, while we oppose any fully local approach, on the basis of the report of the Committee of Actuaries.

"We agree that too big intervals in between revisions of staff assessment scales create difficulties, and thus advocate yearly revisions of these scales (which incidentally eliminate the one-to-one dilemma).

"We agree General Service Staff should remain in the Pension Fund.

"We agree that all regular elements of remuneration should be pensionable.

"We agree that pensionable remuneration should never be less than net pay, which refers in particular to the situation of duty stations with 'explosive' inflation rates.

"We recall that the current 'full gross' approach dates back from the mid-sixties. Any departure from this principle could in no way be technically justified, and there appears to be no reason to bring the General Service pension scheme 30 years backwards.

"We therefore insist that General Service pensionable remuneration continues to be based on 100 per cent of net salary, thus remaining congruent with national practices universally applied, where full and not part of gross salary is used for pension purposes - which results in replacement rates (net pension/net salary) actually higher than those resulting from the direct accumulation rates shown in pension formulae, due to tax progressivity.

"We thus reiterate that any partial gross approach, even if it is misleadingly called 'income replacement approach', is totally unjustified, unacceptable and detrimental to the interests of the staff and of the Fund itself (including from the actuarial and financial points of view).

"We participants' representatives urge the Board to fully take into account these views, and to act technically in what is basically a technical matter.

"We propose therefore that the Board take the following position:

"(a) The full gross approach is the only justified way of deriving pensionable remuneration from net remuneration;

"(b) 'Local approaches' for grossing up procedures should be further explored, inter alia, local tax rates and band approach, and a decision should be taken at the next regular session of the Board on the basis of a full documentation;

"(c) In between, the current system should be maintained, but staff assessment rates should be reviewed in January 1993 and January 1994."

C. Statement by the representatives of governing bodies

"I am speaking on behalf of the representatives of the governing bodies. We very much regret that the Board has been unable to reach agreement on agenda item 12 - Comprehensive review of the pensionable remuneration and consequent pensions of staff in the General Service and related categories. In statements made by members of our group we expressed our willingness to work together with others to achieve a compromise acceptable to all. We believe that a solution is required to the problem of income inversion. As indicated last year in the 'comprehensive inventory of anomalies' requested by the Board, there are, under the present system, situations where the net remuneration received by a General Service staff member has a corresponding higher pensionable remuneration than that of a Professional staff member with the same net remuneration. The extent of existing discrepancies is illustrated in the documents which are before the Board, notably in document ICSC/35/R.12, annex III. We request that this table should be reproduced in the Board's report to the General Assembly.

"Expressing the objective as simply as possible, it should be to ensure that the same level of pay produces the same level of pension, or at least that excessive variations should be avoided. Representatives of the governing bodies have made clear their wish to provide for transitional measures, which take account of the position of staff currently in service.

"This applies particularly to those on the point of retirement. We wish to emphasize that we were prepared to support the continuation of a gradual phased implementation of adjustments in the hope that this would facilitate a tripartite agreement. In the general debate on this item, members representing the General Assembly emphasized that the Assembly had requested examination of the income replacement approach in the variant involving use of dollar-based staff assessment rates, as in the case of the Professional and higher categories. It had also agreed to further studies, including on the feasibility of using local practice of employers and local taxes, while endorsing the timetable established by the ICSC for the submission of final recommendations to the Assembly's forty-seventh session. This did not involve ruling options out. Representatives of the governing bodies wish to confirm that their position was accurately represented in the paper which you, Mr. Chairman, prepared; that is to say that we took no firm position but expressed preference for the approach which would best address the income inversion problem.

"Representatives of the governing bodies understand the depth of concern on the part of the participants and their representatives with regard to this issue. We note that this concern arises in the context of the introduction of the revised scale of staff assessment, which is being applied with effect from 1 January 1992, and it relates also to the fact that other negotiations are being presently carried out in ICSC on their conditions of service and the level of their salary. We appreciate the orderly manner in which, on this occasion, the demonstration by the staff was conducted. We would wish to take account of the participants' legitimate interests. At the same time, we would observe that the issue in all its aspects has been under study for some time. Agreement to the continuation of studies does not in itself represent negotiating flexibilities.

"In the interest of promoting a compromise, you yourself made a proposal. It included elements relating notably to the non-pensionable component which you acknowledged were more for ICSC and which, in our view, could potentially have been advantageous to participants. It caused difficulty in varying degrees for representatives of the governing bodies, but as a group we were prepared to accept it as a basis for negotiation, provided others did so as well. It would have begun to address two of the factors identified as contributing to income inversion, namely, the interim adjustment procedure and the differences in grossing-up methodologies applicable to Professional staff and General Service staff, respectively. At the same time, it would have had no mitigating impact on the existing difference in staff assessment rates or on the effect of currency fluctuations.

"We regret that the participants have not entered into negotiations with the representatives of the administrations and those of Governing Bodies in a forum which offers them the opportunity to do so. We appreciated that the administrations were prepared to make an initial proposal for changing the present system. And we would like to express our gratitude to you, Mr. Chairman, for your efforts and your ingenuity in attempting to promote a solution. We trust that this statement will be reflected in the Board's report and taken into account by ICSC in its own consideration of the issue."

ANNEX IX

Target dates for development of new computer systems

	Target completion date	Status
1. PENSYS development		
Requirements document	March 1991	Completed
Logical design document	September 1991	Completed
PENSYS development (priority applications)		
Operations Control System		
Central Information File	October 1992	Open
Case Tracking System	October 1992	Open
Additional enhancements	December 1992	Open
Participant System		
Active Staff Administration	October 1992	Open
Validation/Restoration System	December 1992	Open
Benefits System/First Payments System		
Withdrawal Settlements	October 1992	Open
All other benefit types	January 1993	Open
Payroll System	June 1993	Open
Accounts System	June 1993	Open
Cashier System	June 1993	Open
Year-end System	June 1993	Open
Executive Office Systems	To be determined	Open
2. Optical Based Imaging System (OBIS)		
Request For Proposal (RFP) distributed to vendors	March 1991	Completed
Vendor conference	April 1991	Completed
Vendor proposals submitted	May 1991	Completed

	Target completion date	Status
Proposal evaluation	June 1991	Completed
Benchmark testing and vendor demonstrations	June 1991	Completed
Vendor selection	September 1991	Completed
Document conversion started	January 1992	Completed
Active file conversion completed	April 1992	Completed
Document conversion completed	October 1992	Open
Installation of full system	November 1992	Open
Training completed	November 1992	Open
System in production	November 1992	Open

3. Database Management System

DB2 and related products requested from Electronic Services Division (ESD)	April 1991	Completed
ESD capacity analysis	June 1991	Completed
Training completed	July 1991	Completed
Software development begins for PENSYS	September 1991	Completed
Installation of DB2 and related products at United Nations	September 1991	Completed

ANNEX X

Member organizations of the Fund

The member organizations of the Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

Interim Commission for the International Trade Organization (ICITO)

International Atomic Energy Agency (IAEA)

International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunication Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

ANNEX XI

Attendance at the forty-fourth session of the Board

1. The following members and alternate members were accredited by the staff pension committees of the member organizations of the Fund, in accordance with the rules of procedure:

Representing	Members	Alternates
United Nations		
General Assembly	Mr. J. J. Duhalt (Mexico)	Mr. M. F. Belhaj (Tunisia)
General Assembly	Mr. T. Inomata (Japan) a/	Mr. L. E. Bidny (Russia)
General Assembly	Mr. M. G. Okeyo (Kenya)*	Mr. R. Kinchen (United Kingdom of Great Britain and Northern Ireland)
General Assembly	Ms. S. Shearouse (United States of America)	Mr. R. Rae (India)
Secretary-General	Mr. A. Ciss (Senegal)	Ms. D. Bull (United Kingdom)
Secretary-General	Mr. J. R. Foran (Canada)	Mr. A. Barabanov (Russia)*
Secretary-General	Mr. A. Miller (Australia)	
Secretary-General	Mr. A. Duque (Colombia)	
Participants	Mr. B. Hillis (Canada)	Mr. N. Kakar (India)
Participants	Ms. S. Johnston (United States of America)	
Participants	Ms. V. Baeza (Chile)	
Participants	Ms. N. Watanaphanich (Thailand)	
Food and Agriculture Organization of the United Nations		
Governing body	Mr. C. Bonaparte (Haiti)	
Executive head	Mr. G. Zorn (United) States of America)	Mr. A. T. Slater (United States of America)
Participants	Mr. A. Marcucci (Italy) b/	Mr. M. Arrigo (Italy)
World Health Organization		
Governing body	Sir John Reid (United Kingdom)	
Executive head	Mr. D. G. Aitken (United Kingdom) c/	Mr. A. Asamoah (Ghana)
Participants	Ms. M. Dam (United States of America)	Ms. M. Melloni (France)

* Did not attend.

Representing	Members	Alternates
International Labour Organisation		
Governing body	Mr. Y. Chotard (France)	Mr. W. M. Yoffee (United States of America)
Executive head	Ms. S. C. Cornwell (United States of America)	Mr. A. Castro Gutiérrez (Nicaragua)
United Nations Educational, Scientific and Cultural Organization		
Governing body	Mr. G. V. Rao (India)	
Participants	Mr. A. McLurg (United Kingdom)	
United Nations Industrial Development Organization		
Governing body	Mr. E. Zador (Hungary)	
Executive head	Ms. U. Peer (Austria)	
International Civil Aviation Organization		
Executive head	Mr. D. J. Goossen (Netherlands) d/	
Participants	Ms. C. Gallagher-Croxen (Canada)	Mr. L. Mortimer (United Kingdom)
International Atomic Energy Agency		
Participants	Mr. W. Scherzer (Austria)	
International Telecommunication Union		
Participants	Ms. H. Eckert (France)	Mr. V. Paratian (Mauritius)
International Maritime Organization		
Participants	Mr. D. Bertaud (France)	Mr. M. Tun (Myanmar)
Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade		
Governing body	Mr. J. Clarke (United Kingdom)	
World Meteorological Organization		
Executive head	Mr. M. Mlaki (United Republic of Tanzania)	
World Intellectual Property Organization		
Executive head	Mr. B. Machado (France)	

Representing	Members	Alternates
International Fund for Agricultural Development		
Governing body	Ms. M. Deregibus (Argentina)*	

2. The following attended the session of the Board as representatives, observers or secretaries of staff pension committees, in accordance with the rules of procedure:

Representative	Organization	Representing
Mr. J. V. Gruat	ILO	Participants
Mr. D. Daly	UNESCO	Executive head
Mr. K. Ahmed	UNIDO	Participants (25-28 June)
Ms. J. Bancroft	UNIDO	Participants (29 June-3 July)
Mr. D. Goethel	IAEA	Executive head
Mr. R.-G. Lewis	IMO	Governing body
Mr. R. G. Jones	IMO	Executive head
Mr. P. Rolian	ICITO/GATT	Executive head
Mr. J. Villa-Martin	ICITO/GATT	Participants
Mr. V. Yossifov	WIPO	Participants
Mr. S. Grabe	FAFICS	Pensioners
Mr. A. J. Friedgut	FAFICS	Pensioners
Mr. A. Ali (alt.)	FAFICS	Pensioners
Mr. C. Buonaccorsi (alt.)	FAFICS	Pensioners

Observer	Organization
Mr. E. J. Freeman	Federation of International Civil Servants' Associations (FICSA)
Mr. F. Siegenthaler	Coordinating Committee for Independent Staff Unions and Associations of the United Nations system (CCISUA)
Mr. J. F. Armistead	Inter-American Development Bank (IDB)

Secretary	Staff Pension Committee
Mr. G. Eberle	FAO
Ms. R. Wiedmer	WHO
Mr. R. Leone de Magistris	ILO
Ms. C. Kerlouégan	UNESCO
Mr. R. G. Giroux	ICAO
Mr. P. Uhl	IAEA
Mr. A. Nathoo (Deputy Secretary)	IMO
Mr. R. Luther	ICITO/GATT
Mr. J.-L. Perrin	WIPO
Ms. J. Sisto	IFAD

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* Did not attend.

3. The following attended all or part of the session of the Board:

International Civil Service Commission

Mr. M. Bel Hadj Amor, Chairman
Mr. P. Ranadive, Executive Secretary
Mr. W. Sach, Secretariat

Committee of Actuaries

Mr. L. J. Martin, Rapporteur

Consulting Actuary

Ms. M. Adams

Medical Consultant

Dr. I. Laux

Investments Committee, advisers and staff

Mr. Jean Guyot, Chairman
Ms. Francine Bovich, Member
Mr. Michiya Matsukawa, Member
Mr. Yves Oltramare, Member
Mr. Emmanuel N. Omaboe, Member
Mr. Alexander Papamarkou, Member
Professor Stanley Raczkowski, Member
Mr. L. Thomas, Vice-Chairman, FTCI
Mr. C. Elkus, Senior Vice-President, FTCI
Mr. D. Smart, Senior Vice-President, FTCI
Mr. R. Potter, Senior Vice-President, FTCI
Mr. A. Steinkamp, Senior Vice-President, FTCI
Mr. B. Hopkinson, Vice-President, FTCI
Ms. S. R. Mills, Deputy Controller, United Nations
Mr. H. L. Ouma, Chief, Investment Management Service
Mr. A. S. Gonzales, Senior Investment Officer, IMS
Mr. M. L. Cheng, Secretary, Investments Committee

4. Mr. R. Gieri and Mr. S. K. Chow (Secretary and Deputy Secretary to the Board) served as Secretary and Deputy Secretary of the session with the assistance of Mr. J. Flanagan, Mr. J. P. Dietz, Mr. G. Ferrari, Ms. T. M. Mills and Ms. P. Ryder.

Notes

a/ Second Vice-Chairman.

b/ First Vice-Chairman.

c/ Chairman.

d/ Rapporteur.

ANNEX XII

Membership of the Standing Committee

The following members and alternates were appointed by the Board at its forty-fourth session:

Representing	Members	Alternates
United Nations (Group I)		
General Assembly	Mr. T. Inomata	Mr. R. Rae
General Assembly	Mr. M. F. Belhaj	Ms. S. Shearouse
Secretary-General	Mr. A. Ciss	Mr. A. Duque
Secretary-General	Mr. A. Miller	Ms. D. Bull
Participants	Mr. B. Hillis	Ms. V. Baeza
Participants	Ms. S. Johnston	Ms. N. Watanaphanich
Specialized agencies (Group II)		
Governing body	Mr. C. Bonaparte (FAO)	(to be designated)
Executive head	Mr. D. G. Aitken (WHO)	Mr. A. Asamoah (WHO)
Participants	Ms. M. Dam (WHO)	Mr. A. Marcucci (FAO)
Specialized agencies (Group III)		
Governing body	Mr. W. M. Yoffee (ILO)	Mr. Y. Chotard (ILO)
Executive head	Mr. D. Daly (UNESCO)	Ms. C. Kerlouegan (UNESCO)
Specialized agencies (Group IV)		
Executive head	Mr. D. Goethel (IAEA)	Ms. U. Peer (UNIDO)
Participants	Ms. H. Eckert (ITU)	Ms. C. Gallagher-Croxen (ICAO)
Specialized agencies (Group V)		
Governing body	Mr. R. G. Lewis (IMO)	Mr. J. Clarke (ICITO/GATT)
Participants	Mr. S. Mbele-Mbong (WMO)	Mr. V. Yossifov (WIPO)

ANNEX XIII

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. O. Ogunshola (Nigeria) - Region I (African States)

Mr. K. Takeuchi (Japan) - Region II (Asian States)

Mr. E. M. Chetyrkin (the Russian Federation) - Region III (Eastern European States)

Mr. H. Perez Montas (Dominican Republic) - Region IV (Latin America)

Mr. L. J. Martin (United Kingdom) - Region V (Western European and other States)

ANNEX XIV

Recommendation to the General Assembly for the amendment of the Regulations of the United Nations Joint Staff Pension Fund

Existing text	Proposed text	Comments
Article 28 **Retirement benefit**	**Article 28** **Retirement benefit**	
	(No change in paragraphs (a), (b) and (c))	
(d) (i) However, except as provided in (ii) below, the benefit otherwise payable at the standard annual rate in accordance with the applicable provisions of (b) or (c) above to a participant at the level of Under-Secretary-General, Assistant Secretary-General or their equivalent level who separates from service on or after 1 April 1986 shall not exceed, as at the time of the participant's separation, the greater of: (a) 60 per cent of his pensionable remuneration on the date of separation; or (b) The maximum benefit payable under the same provisions of (b) or (c) above to a participant at the level D-2 (top step for the preceding five years) with 35 years of contributory service, separating on the same date as the participant.	(d) (i) However, except as provided in (ii) below, the benefit otherwise payable at the standard annual rate in accordance with the applicable provisions of (b) or (c) above to a participant at a level above D-2, top step, of the scale of pensionable remuneration appended to article 54, shall not exceed, as at the time of the participant's separation, the greater of: (a) 60 per cent of his pensionable remuneration on the date of separation; or (b) The maximum benefit payable under the same provisions of (b) or (c) above to a participant at the level D-2 (top step for the preceding five years of the scale of pensionable remuneration appended to article 54, as adjusted), with 35 years of contributory service, separating on the same date as the participant.	To extend to all participants the limit on the highest levels of pensions from the Fund, subject to transitional arrangements (see para. 85 in the present report of the Board)

Existing text	Proposed text	Comments
(ii) However, the benefit payable to a participant to whom the provisions of (i) above are applicable shall not be less than the benefit that would have been payable to him at the standard annual rate if he had separated from service on 31 March 1986	(ii) However, for a participant separating at the level of Under-Secretary-General, Assistant Secretary-General or their equivalent level to whom the provisions of (i) above are applicable, the benefit payable shall not be less than the benefit that would have been payable to him at the standard annual rate if he had separated from service on 31 March 1986; for participants separating at other levels above D-2, top step in the scale of pensionable remuneration appended to article 54, to whom the provisions of (i) above are applicable, the benefit payable shall not be less than the benefit that would have been payable to the participant at the standard annual rate if he/she had separated from service on 31 March 1993; for participants who entered or re-entered the Fund at an ungraded level before 1 April 1993, the provisions of (i) above shall not be applicable.	

(No change in paragraphs (e), (f), (g) and (h))

ANNEX XV

Recommendation to the General Assembly for changes in the pension adjustment system a/

Existing text	Proposed text	Comments
Section E **Special adjustment for small pensions** 7. Whenever the dollar amount of the standard annual rate of a retirement or a disability pension, based on 15 or more years of contributory service, is less than $4,000 before any commutation, it shall be subject to a special adjustment in accordance with the following table:	**Section E** **Special adjustment for small pensions** 7. Whenever the standard annual rate of a retirement or disability benefit under the Fund's Regulations, before any commutation, is less than the highest dollar amount in the applicable table below, the benefit shall be subject to a special adjustment as follows:	To revise the schedule of annual pension amounts that qualify for the special adjustments (see paras. 101-105 in the present report of the Board)

Existing text:

Annual amount of pension	Special adjustment (Percentage)
$ 4 000	0
3 800	3
3 600	7
3 400	12
3 200	17
3 000	22
2 800	28
2 600	34
2 400	40
2 200 or less	46

Proposed text:

Annual amount of pension	Special adjustment (Percentage)
Separations before 1 April 1993	
$ 4 000	0
3 800	3
3 600	7
3 400	12
3 200	17
3 000	22
2 800	28
2 600	34
2 400	40
2 200 or less	46

Existing text	Proposed text	Comments

Section E

Special adjustment for small pensions

Annual amount of pension	Special Adjustment (Percentage)
Separations on or after 1 April 1993	
$ 6 500	0
6 250	3
6 000	6
5 750	9
5 500	12
5 250	15
5 000	18
4 750	21
4 500	25
4 250	28
4 000	31
3 750	34
3 500	37
3 250	40
3 000	43
2 750 or less	46

(No changes in paragraphs 8, 9 and 10)

a/ The pension adjustment system was adopted by the General Assembly under resolution 37/131 of 17 December 1982 and subsequently amended by Assembly resolutions 39/246 of 18 December 1984, 41/208 of 11 December 1986, 42/222 of 21 December 1987, 44/199 or 21 December 1989, 45/242 of 21 December 1990 and 46/192 of 20 December 1991.

ANNEX XVI

Draft resolution proposed for adoption by the General Assembly

[As some matters dealt with in the annual report of the United Nations Joint Staff Pension Board are also included in the annual report of the International Civil Service Commission, the Board is not in a position to propose to the General Assembly for adoption a draft resolution covering these matters. It proposes, however, that the resolution should contain the following preambular and operative paragraphs:]

The General Assembly,

Recalling its resolutions 46/192 and 46/220 of 20 December 1991,

Having considered the report of the United Nations Joint Staff Pension Board for 1992 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, a/ chapter III of the report of the International Civil Service Commission, b/ the report of the Secretary-General on the investments of the Fund, c/ and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

IMPLICATIONS FOR THE UNITED NATIONS JOINT STAFF PENSION BOARD OF THE BIENNIALIZATION OF THE WORK PROGRAMME OF THE FIFTH COMMITTEE

Recalling its resolution 46/220 on the biennialization of the programme of work of the Fifth Committee,

1. Takes note of the decision of the United Nations Joint Staff Pension Board to reschedule the next actuarial valuation of the United Nations Joint Staff Pension Fund to be as of 31 December 1993, instead of as of 31 December 1992, with subsequent valuations being carried out every two years;

2. Takes note of the additional responsibilities delegated by the Board to its Standing Committee to be carried out in odd-numbered years, as set out in paragraph 14 of the report of the Pension Board; a/

3. Takes note of the observations of the Board on the rescheduling of the dates for the next comprehensive review of the pensionable remuneration and consequent pensions of staff in the Professional and higher categories, and of the review of the maximum number of years of creditable contributory service in the Fund;

II

ACTUARIAL MATTERS

1. Takes note of the observations of the United Nations Joint Staff Pension Board in section III.B of its report a/ on the methodology and assumptions to be used in the actuarial valuation of the United Nations Joint Staff Pension Fund as at 31 December 1993;

2. Takes note of the observations of the Board in section III.B of its report a/ on matters related to the application of the transfer agreements between the United Nations Joint Staff Pension Fund and the former Union of Soviet Socialist Republics, Ukrainian Soviet Socialist Republic and Byelorussian Soviet Socialist Republic,

3. Concurs in the agreement with the Inter-American Development Bank, approved by the Board under article 13 of the Regulations of the United Nations Joint Staff Pension Fund, with a view to securing the continuity of pension rights between the Bank and the Fund, as set out in annex IV of the Board's report; a/

III

PENSIONABLE REMUNERATION OF STAFF IN THE GENERAL SERVICE AND RELATED CATEGORIES

[Paragraphs to be formulated on the basis of the General Assembly's consideration of the relevant portions of the respective reports of the United Nations Joint Staff Pension Board and of the International Civil Service Commission.]

IV

PENSIONABLE REMUNERATION AND PENSIONS OF UNGRADED OFFICIALS

Recalling section III of its resolution 46/192 in which, inter alia, it requested the United Nations Joint Staff Pension Board to consider amendments to the Regulations of the United Nations Joint Staff Pension Fund to incorporate provisions governing the pensionable remuneration of ungraded officials and to extend the provisions placing a limit on the highest level of pensions to cover all participants in the Fund, including ungraded officials;

Concurs with the decision of the Board to defer, until its next regular session in 1994, consideration of an amendment to article 54 to incorporate provisions governing the pensionable remuneration of ungraded officials, in order to allow time for the governing bodies of all member organizations of the Fund to take up the matters referred to them by the General Assembly in section III, paragraphs 5 and 6, of its resolution 46/192;

Approves, with effect from 1 April 1993, an amendment to article 28 (d) of the Regulations of the Fund, as set out in annex XIV of the report of the United Nations Joint Staff Pension Board, a/ to extend the ceiling on pensions to ungraded officials, as well as to other participants who are not currently covered by article 28 (d) of the Regulations, but whose pensionable remuneration is greater than that at D-2, top step, in the scale of pensionable remuneration appended to article 54 of the Regulations;

V

CHANGES IN THE PENSION ADJUSTMENT SYSTEM

Recalling section IV of its resolution 46/192 in which it approved the longer-term modification of the pension adjustment system that the United Nations Joint Staff Pension Board had recommended in 1991;

1. Takes note of the observations of the Board on the additional studies related to that modification, including in particular a change in the "120 per cent cap" provision, reviews of the special index for pensioners, the applicability to staff in the General Service and related categories of the longer-term modification of the pension adjustment system, as well as of the observations on the intention of the Board to make recommendations on these matters to the General Assembly at its forty-ninth session in 1994;

2. Approves, effective 1 April 1993, modification of the schedule for the special adjustment of small pensions under section E of the pension adjustment system, as recommended by the Board in paragraph 104 of its report, a/ and the consequential changes in the pension adjustment system, as set out in annex XV of the report of the Board;

VI

OTHER MATTERS

1. Concurs with the decisions of the United Nations Joint Staff Pension Board, set out in paragraphs 124 and 125 of its report, a/ to consider again, at its next regular session in 1994, amendments to article 54 of the Regulations of the Fund to incorporate therein provisions governing the longevity/merit steps granted by some organizations to their staff, as well as a definition of the pensionable remuneration of staff in the United Nations Field Service category;

2. Takes note of the other matters dealt with in the report of the United Nations Joint Staff Pension Board; a/

VII

INVESTMENTS OF THE UNITED NATIONS JOINT STAFF PENSION FUND

1. Takes note of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund; c/

2. Reiterates its requests to Member States that do not now grant tax exemptions for the investments of the Fund to make all possible efforts to permit such exemptions as soon as possible.

Notes

a/ *Official Records of the General Assembly, Forty-seventh Session, Supplement No. 9* (A/47/9).

b/ Ibid., *Supplement No. 30* (A/47/30).

c/ A/C.5/47/___.