UNITED NATIONS JOINT STAFF PENSION FUND

REPORT
OF THE
UNITED NATIONS JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

OFFICIAL RECORDS: THIRTY-FIFTH SESSION

SUPPLEMENT No. 9 (A/35/9)

UNITED NATIONS

New York, 1980

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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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 which since then have been amended at various times.

2. Under the Regulations, the 13 member organizations jointly administer the Fund through the United Nations Joint Staff Pension Board, consisting of 21 members. One third of the members are chosen by the General Assembly and the corresponding legislative bodies of the organizations, one third by the executive heads, and one third by the participants. The Board reports annually to the General Assembly on the operation of the Fund and the investment of its assets and, when necessary, recommends to it amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (7 per cent of their pensionable remuneration) and by the organizations (14 per cent), the conditions of eligibility for participation and the various benefits to which staff 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 the United Nations Headquarters in New York and the management expenses for its investments - are met by the Fund.

3. The present report is submitted by the Board following its twenty-seventh session, held in June 1980 at the WHO Regional Office for the Americas, Washington, D.C., and its twenty-eighth session (special), held in September 1980 at United Nations Headquarters, New York. The report contains an account of the proceedings of those sessions on the principal items dealt with, including proposals for changes to be made with respect to pensionable remuneration. It also includes financial statements and schedules (annex I) and statistics on the operation of the Fund for the year ended 31 December 1979 (annex II), together with the report of the Board of Auditors on the annual audit of the Fund (annex IV), as well as recommendations for action by the General Assembly with respect to changes in the Regulations and other matters.

II. MEMBER ORGANIZATIONS

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

Food and Agriculture Organization of the United Nations (FAO);

Inter-Governmental Maritime Consultative Organization (IMCO);

Interim Commission for the International Trade Organization (ICITO);

International Atomic Energy Agency (IAEA);

International Civil Aviation Organization (ICAO);

International Fund for Agricultural Development (IFAD);

International Labour Organisation (ILO);

International Telecommunication Union (ITU);

United Nations Educational, Scientific and Cultural Organization (UNESCO);

World Health Organization (WHO);

World Intellectual Property Organization (WIPO);

World Meteorological Organization (WMO).

III. SUMMARY OF THE OPERATION OF THE FUND DURING THE YEAR ENDED 31 DECEMBER 1979

5. The number of participants in the Fund increased during the year from 44,983 to 46,904.

6. The principal of the Fund increased from $1,610,512,081 on 31 December 1978 to $1,870,216,859 on 31 December 1979 (see annex I).

7. The income of the Fund from interest and dividends during the year, less investment management costs, was $124,688,000. A summary of the investments as at 31 December 1979 and a comparison of their book and market values at that date are contained in annex I, schedules 3 and 4.

8. The Fund on 31 December 1979 was paying 4,859 retirement benefits, 4,650 deferred and early retirement benefits, 1,699 widows' and widowers' benefits, 2,921 children's benefits, 325 disability benefits and 32 secondary dependants' benefits. In the course of the year it also paid 3,108 lump-sum withdrawal and other settlements (see annex II).

IV. TWENTY-SEVENTH AND TWENTY-EIGHTH (SPECIAL) SESSIONS OF THE BOARD

A. Membership and attendance

9. The following members and alternates were accredited to the Board by the staff pension committees of the member organizations of the Fund in accordance with the rules of procedure:

Members	Alternates	Representing
United Nations		
Mr. M. Majoli (Italy)	Mr. S. Kuttner (United States of America)	General Assembly
Mr. E. Garrido (Philippines)	Mr. E. Buj-Flores (Mexico)	General Assembly
	Mr. M. Okeyo (Kenya)	General Assembly
	Mr. R. Schmidt (Federal Republic of Germany)	General Assembly
Mr. H. Debatin (Federal Republic of Germany)	Mr. C. Timbrell (United States of America)	Secretary-General

Members	Alternates	Representing
Mr. J. O. C. Jonah (Sierra Leone)	Mr. R. Gieri (United States of America)	Secretary-General
	*Mr. V. Elissevej (Union of Soviet Socialist Republics)	Secretary-General
Mr. A. A. García (United States of America)	Mr. A. Tholle (Denmark)	Participants
Mr. E. Albertal (Argentina)	Mrs. M. Vicien-Milburn (Argentina)	Participants
	Mr. S. Zampetti (Italy)	Participants
	Mr. B. Hillis (Canada)	Participants
International Labour Organisation		
Mr. W. M. Yoffee (United States of America)	Mr. S. H. Sirag (Sudan)	Governing Body
	Mr. M. V. Sohonie (India)	Governing Body
World Health Organization		
Mr. A. J. S. Taylor (United Kingdom)	Mr. J. Morgan (Australia)	Executive Head
	*Mr. R. Munteanu (Romania)	Executive Head
Dr. A. Vessereau (France)	Mrs. V. Pedersen (Switzerland)	Participants
	Mr. G. Dazin (France)	Participants
	Dr. P. Cavalié (France)	Participants
	Mr. A. Piel (United States of America)	Participants
	Mrs. E. Ambler (Cuba)	Participants
Food and Agriculture Organization of the United Nations		
Ramadhar (India)	Mr. R. De Meira (Portugal)	Governing Body
	Mr. C. Palmer (Sierra Leone)	Governing Body
	*Mr. H. Mends (Ghana)	Governing Body
Mr. K. A. P. Stevenson (India)	Mr. U. Skullerud (Norway)	Executive Head

* Accredited to twenty-eighth session (special).

Members	Alternates	Representing
United Nations Educational, Scientific and Cultural Organization		
Mr. A. Chakour (Lebanon)	**Mr. S. Vieux (Haiti)	Executive Head
	*Mr. D. Diène (Senegal)	Executive Head
Mr. W. Zyss (Israel)	Mr. P. Coeytaux (Switzerland)	Participants
International Civil Aviation Organization		
Mr. F. X. Byrne (Ireland)	Mr. J. Marrett (Jamaica)	Participants
	Mr. A. Minot (Canada)	Participants
International Atomic Energy Agency		
Mr. L. Alonso de Huarte (Spain)		Executive Head
World Meteorological Organization		
Dr. H. Voss (Federal Republic of Germany)		Executive Head
Inter-Governmental Maritime Consultative Organization		
Mr. L. Goll (Norway)	Mr. F. Frere Van Tongerlooy (Belgium)	Participants
International Telecommunication Union		
Mr. J. A. Msambichaka (United Republic of Tanzania)	Mr. F. Molina Negro (Spain)	Governing Body
Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade		
Mrs. E. Michaud (France)	Mr. C. A. Stünzi (Switzerland)	Governing Body
World Intellectual Property Organization		
Mr. R. Wipf (France)		Participants
International Fund for Agricultural Development		
**Mr. A. J. Peckham (United Kingdom)		Governing Body

* Accredited to twenty-eighth session (special).

** Accredited to twenty-seventh session.

10. Also present during the discussion of relevant items on the agenda were Mr. B. K. Nehru, Chairman of the Investments Committee, Mr. Aloysio de Andrade Faria, Mr. J. Guyot, Mr. G. Johnston, The Honourable David Montagu, Mr. Y. Oltramare, Mr. E. N. Omaboe and Mr. T. Shishido, members of the Investments Committee, Mr. J. J. Wilson, Consultant on real estate to the Investments Committee, and Mr. R. J. Myers, Rapporteur of the Committee of Actuaries. The Board was assisted, additionally, by Mr. R. M. Leblond, representing George B. Buck Consulting Actuaries, Inc. (Consulting Actuary to the Board), Mr. H. Fowler, Chairman of the Board of the Fiduciary Trust Company of New York and Mr. P. Vermilye, Senior Vice-President, Citicorp, the Fund's investment advisers. Mr. A. C. Liveran and Mr. E. M. De Turris attended as Secretary and Deputy Secretary, respectively, of the Board.

11. The following attended the sessions as observers for member organizations or as secretaries of staff pension committees:

Observer	Secretary	Staff Pension Committee
Mr. W. Farr (Alt: Mr. N. MacCabe) Mr. E. Ryser	*Mrs. J. Flügel	ILO
**Dr. A. Sauter	Mr. J. Duriez	WHO
**Mr. A. Dawson *Mr. A. Marcucci **Mr. V. Orebi	Ms. C. Gross	FAO
*Mr. G. H. Dumont	*Mr. K. M. Angelides	UNESCO
Mr. S. E. Jayasekera	*Miss R. Douesnard	ICAO
*Mr. S. Scheller Mr. W. Price	*Mr. D. Goethel	IAEA
	*Mr. E. Renlund	WMO
**Mr. M. Bley *Mr. G. S. Santa Cruz *Mr. M. Landey		IMCO
*Mr. M. Bardoux Mr. J. P. Baré	*Mr. E. Augsburger	ITU
Mr. J. Tassin Mr. P. Williams	*Mr. Y. Ogaard	ICITO
*Mr. G. Wirth	Mr. Cl. Kindler	WIPO
	Ms. Hope Hanlan	IFAD
*Mr. D. Mant		UNIDO

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* Attended twenty-seventh session only.

** Attended twenty-eighth session (special) only.

12. Certain other bodies or organizations were represented during the whole or part of the session as follows:

Organization	Representative
International Civil Service Commission (ICSC)	Mr. R. M. Akwei **Mr. G. Prat Gay **Mr. N. G. Rathore **Mr. E. Pokorny Mr. S. Iutaka
Consultative Committee on Administrative Questions (CCAQ)	*Mr. R. Barnes **Mr. M. Bardoux
Federation of Associations of Former International Civil Servants (FAFICS)	*Mr. J. Rivet Mr. F. Weisl Mr. R. L. Smith *Mr. J. Guiton
Federation of International Civil Servants' Associations (FICSA)	Mr. J. Hanus *Mr. G. M. Gillespie **Mr. V. Reid
International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)	*Mr. P. Perrot

13. The Board elected the following officers:

Chairman: Mr. K. A. P. Stevenson (representative of the Executive Head of the Food and Agriculture Organization)

First Vice-Chairman: Mr. E. Garrido (representative of the General Assembly of the United Nations)

Second Vice-Chairman: Mr. W. Zyss (representative of the participants of the United Nations Educational, Scientific and Cultural Organization)

Rapporteur: Mr. L. Goll (representative of the participants of the Inter-Governmental Maritime Consultative Organization)

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* Attended twenty-seventh session only.

** Attended twenty-eighth session (special) only.

B. Principal matters considered

14. The principal subject of discussion at both sessions was the problem of pensionable remuneration, on which preparatory studies had been carried out earlier in the year in order to fulfil the mandate the General Assembly had given the Board and the International Civil Service Commission (ICSC) in its resolution 34/221. A summary of the Board's deliberations, together with its proposals, are contained in section C below. Annex V to this report gives details concerning the implementation of those proposals, and annex VII contains a consequential amendment to the Regulations.

15. The Board again considered the application by the International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM) for admission to the Fund. The Board's recommendation is contained in section C. The Board also submits, in the same section, for the concurrence of the General Assembly, transfer agreements under article 13 of the Regulations with the Union of Soviet Socialist Republics, with the Ukrainian Soviet Socialist Republic, with the Byelorussian Soviet Socialist Republic, with the Organisation for Economic Co-operation and Development (OECD), and with the European Centre for Medium Range Weather Forecasts (ECMWF). Finally, also in section C, the Board recommends, for the approval of the General Assembly, the estimates of the Fund's administrative expenses for 1981 and the supplementary expenses for 1980 as well as the continuation of the Emergency Fund established by the Board in 1973.

16. The Board also dealt with a number of other items of a broad management character which lie within its own authority under the Regulations and thus do not require specific approval by the General Assembly. Details of the action or decisions taken in connexion with these items are reported in section D below. They relate to the investment of the assets of the Fund, to the methodology and assumptions to be used in the Fund's next actuarial valuation as at 31 December 1980, and to the financial statements.

C. Recommendations for action by the General Assembly

1. Changes in pensionable remuneration

(a) Introduction

17. When the Board submitted to the General Assembly at its thirty-third session recommendations for the adjustment of pensions after award, 1/ it was recognized that, because of the profound effect of inflation and of currency fluctuations on the initial value of a pension, these recommendations would have to be supplemented by proposals designed to solve the problem of how to establish the initial pension. The Board considered that this could best be achieved through a review carried out by the ICSC and by the Board, of the pensionable remuneration of staff in the Professional and higher categories and in the General Service category because of the crucial role it plays in the determination of their initial pension.

1/ Official Records of the General Assembly, Thirty-third Session, Supplement No. 9 (A/33/9 and Corr.1 and Add.1), paras. 29-31.

18. In its resolution 33/119, the General Assembly approved the intention of ICSC to make an examination of the functioning, methods of establishment and adjustment and appropriate level of pensionable remuneration, in particular with a view to preparing in co-operation with the Board, proposals to be submitted to the Assembly at its thirty-fourth session for correcting anomalies in the United Nations pension system brought about by the current economic and monetary circumstances.

19. As, however, in 1979 no agreed proposal could be recommended to the General Assembly, the Commission undertook to continue in 1980 its search for such a solution in co-operation with the Board with a view to the elaboration of a long-term solution to enter into effect no later than January 1981. 2/

20. Pending such a solution, the Board and ICSC suggested interim measures, intended to deal with at least some manifestations of the anomalies referred to in General Assembly resolution 33/119, which would be applicable to participants in the Professional category or above whose entitlements began in 1980. The Advisory Committee on Administrative and Budgetary Questions endorsed the concept of interim measures for 1980, but suggested modifications therein (A/34/721, paras. 34 and 39).

21. In Section V of its resolution 34/221, the General Assembly authorized the Pension Fund to implement in 1980 the interim measures recommended by the Advisory Committee on Administrative and Budgetary Questions. This authorization was given on the clear understanding that it did not create any entitlement to additional payments or their equivalent beyond 1980 and that, should any long-term scheme adopted in 1980 have resulted in a pension payment which would eliminate some or all of the additional payments deriving from the interim measures, the lower payment would be the one applicable for 1981 and beyond.

22. In Section VI, paragraph 1, of the resolution, the General Assembly requested ICSC and the Board to conclude in 1980 their comprehensive examination of the functioning, methods of establishment and adjustment and appropriate level of pensionable remuneration with a view to submitting proposals to the Assembly at its thirty-fifth session for correcting, no later than January 1981, anomalies in the United Nations pension system brought about by the current economic and monetary circumstances, giving due consideration in the elaboration of those proposals to the fact that the adverse effects of currency fluctuations and inflation could less readily be absorbed by those with smaller pensions than by those with higher pensions.

23. In Section VI, paragraph 2 of the resolution, the General Assembly further invited ICSC and the Board to take full account of the views expressed on this and related matters in the Fifth Committee during the thirty-fourth session of the General Assembly.

24. As a result of the intensive work carried out in close co-operation by ICSC and by the Board and its organs in response to that resolution, the Board now recommends to the General Assembly for adoption changes in pensionable

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2/ *Ibid.*, *Thirty-fourth Session, Supplement No. 30* (A/34/30 and Corr.1), para. 84.

remuneration which have received endorsement by ICSC. These changes will require revisions in the pension adjustment system as well as in the mechanism which has been used until now to index the pensionable remuneration of staff in the Professional and higher categories.

25. The measures proposed will apply to staff in the General Service category and in the Professional and higher categories. However, because of the inherent differences in their respective salary systems, it is necessary to analyse each category separately and to recount briefly prior attempts made to remove the anomalies referred to in the General Assembly resolution, before detailing the actual proposals now being submitted.

(b) Professional and higher categories

26. In dealing with the problem of the pensionable remuneration of staff in the Professional and higher categories, the Board had to take into account the following features of their salary system:

(a) The remuneration received by them comprises two main parts:

(i) A base salary in United States dollars, applied on a global scale, irrespective of the staff member's nationality and duty station;

(ii) A post adjustment, variable by duty station, designed to maintain equality of purchasing power of the base salary at all duty stations by compensating for differences in cost of living and in the exchange value of the United States dollar to the currency of the duty station.

(b) By contrast, their pensionable remuneration is established notionally on a global, or universal, basis and no part of it varies by duty station. It does not reflect the post adjustment received in a given duty station but instead, it is periodically adjusted according to the movement of the weighted average of post adjustments (WAPA) in major duty stations. As a result, in a duty station where the post adjustment differs from the average, the pensionable remuneration does not reflect the actual cost of living in that duty station.

27. A possible solution to that problem which was considered by the Board's Standing Committee in the early part of 1980 and by ICSC at its eleventh session came to be known as the "Band proposal". It would have consisted of grouping all countries into four "bands", each consisting of countries with reasonably similar levels of cost of living. For lack of a universal system to rank every country's cost of living for pensioners in relation to that of all other countries, the post adjustment classification would, at least initially, have been used for that purpose. The pensionable remuneration applicable to the countries of retirement grouped in the lowest band was to equal the gross remuneration without post adjustments. For countries of retirement in the other bands, the basic gross remuneration would have been increased by a percentage adjustment based on the post adjustment multiplier applicable to the lowest class of post adjustment in their respective band. Details of the proposal are contained in the report of ICSC to the General Assembly at its thirty-fifth session. 3/

3/ Ibid., Thirty-fifth Session, Supplement No. 30 (A/35/30), paras. 24 and 25.

28. Further analysis, however, showed that the "Band proposal" would have required the periodic consolidation of a number of classes of post adjustment; otherwise, the pensionable remuneration applicable to countries in the highest group of post adjustment classes would in effect have been frozen. Because the Board considered the retention of the current basic dollar pension entitlement and of the two-track system of pension adjustment as essential, the adjustments to gross remuneration for countries above the lowest band would have been reflected only in the calculation of the pension on the local currency track. These two facts suggested that, in order to avoid the need to resort to infrequent but substantial increases in pensionable remuneration (i.e. at the time of a consolidation of a number of classes of post adjustment into the basic gross remuneration), the pensionable remuneration used to compute the dollar track pension and to serve as the basis for contributions could not be made a direct function of gross remuneration without a mechanism for automatic indexing (based on the movements of WAPA, for example) resulting in a gradual increase.

29. Another defect of the "Band proposal" was that, since each band comprised five classes of post adjustment, a given country would remain in the same band for a number of years, until such time as its post adjustment classification increased by five classes. The pension in local currency of a participant retiring towards the end of that period would not reflect the inflation which had taken place in the most recent years before his retirement, since the adjustment to gross remuneration applicable in that band would be based on the post adjustment multiplier applicable to the lowest class of post adjustment within the band.

30. These considerations, combined with the estimate of costs for the "Band proposal" submitted by the Consulting Actuary, led the Board to the development of an alternative approach at its twenty-seventh session, in Washington, D.C.

31. At that session, the Board, after considering possible alternatives, decided that the system of pensionable remuneration for Professional and higher categories should continue to be universal. However, it was to be supplemented by a selective system which would provide for the application of cost-of-living differential factors to the final average remuneration for purposes of computing the local currency track pension when a participant retired in a country where the cost of living was substantially higher than at the base of the post adjustment system (currently New York).

32. Recognizing the need to provide greater compensation for cost-of-living levels where they are substantially higher than at the base, the Board decided to adopt a progressive scale of factors which would become applicable from a threshold set at four classes of post adjustment above the base. A table indicating the method to be applied is contained in annex V.

33. The cost-of-living differential factors would compensate only partially for the differences in the cost of living. That difference would be measured, at least initially, by reference to the country's classification in the system of post adjustment relative to that of New York. An adjustment would be made in those countries where the post adjustment was four or more classes above that of New York. The adjustment would be calculated by using a progressive scale of cost-of-living differential factors, varying by classes of post adjustment, but falling short of the full five per cent differential for each class.

34. In view of the reminder, contained in General Assembly resolution 34/221, that the adverse effects of currency fluctuations and inflation could less readily be absorbed by those with smaller pensions than by those with higher ones, the Board decided that any new measures to increase the pensionable remuneration used to compute the pensions of those retiring in high-cost areas should be applied to only a limited amount of their pensionable remuneration. The level chosen for that purpose was the pensionable remuneration at grade P-2, step XI.

35. The system of cost-of-living differential factors would be incorporated into the pension adjustment system, as described in detail in annex V.

36. At its twelfth session, in Geneva, ICSC decided to endorse the recommendations formulated above, which are referred to in its report as the "Washington proposal". It agreed that the post adjustment system would have to be used, initially, to measure the cost-of-living differences in the countries of residence of pensioners, in order to allow the proposal to become effective by 1 January 1981. However, it undertook to conduct, at an early date, an in-depth study of all the implications, both technical and financial, of developing a special index for pensioners. 4/

37. The members representing the participants of the United Nations expressed reservations on the use of the post adjustment system for the purpose of measuring the cost-of-living differences in the countries of residence of pensioners. Post adjustment indexes were constructed on the basis of expenditure patterns of active staff which, in particular, did not reflect income tax as an item of expenditure. They were designed for providing adjustments to the net salaries of United Nations staff. For this reason, the results produced by using the post adjustment system overestimated the differences in cost of living between the base of the system (New York) and those locations where United Nations pensions - though based on gross - were not subject to income tax or to lower rates of income tax than at the base. The members representing the United Nations participants therefore proposed that the new system submitted to the General Assembly should not be implemented until a special index for pensioners, which would include income tax as an item of expenditure, was constructed and approved by both ICSC and the Board. This would avoid the unjustified allocation of the limited resources of the Fund. The effective date of the proposed system, however, should continue to be 1 January 1981 in order not to penalize those retirees who would legitimately qualify for the supplementary payments envisaged.

38. Other members of the Board pointed out that, the new definition of pensionable remuneration having been originally intended by the General Assembly to apply from 1 January 1980, a further delay in its implementation pending the elaboration of a special index would be detrimental to the interests of a substantial group of pensioners and future retirees in high-cost countries. To avoid such a delay, the Board agreed with ICSC that the post adjustment system would have to be used intially.

39. ICSC recognized that the universal scale selected should be appropriate for Professional staff at the base of the system (i.e. currently New York). In order to avoid the need to devise a system for the preservation of acquired rights

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4/ *Ibid.*, para. 75.

which would be both legally sound and administratively workable, it decided to recommend that the rates of pensionable remuneration on 1 January 1981 should be established at the level that would be reached by the application of the present WAPA system through September 1980. 5/

40. Thereafter, the rates of pensionable remuneration would be adjusted periodically to reflect changing levels of inflation. To maintain the pensionable remuneration used to determine the basic dollar entitlement at a level appropriate at the base of the system (currently New York), the movement of the United States Consumer Price Index (CPI) would be used to determine the periodic adjustments of that pensionable remuneration. However, to ensure that the Fund would obtain the resources needed to pay for the cost of applying cost-of-living differential factors to the local currency entitlements of participants retiring in countries where the cost of living was substantially higher than at the base, the pensionable remuneration used to determine the contributions to the Fund would continue to be adjusted in accordance with the movement of the weighted average of post adjustments (WAPA).

41. ICSC proposed to measure each index twice a year, in January and in July. A change in pensionable remuneration would be effected on the following 1 April or 1 October respectively if the movement amounted to 5 per cent or more of the rates of pensionable remuneration then in effect. The full extent of the index movement would be applied, but with the provision that the rates of pensionable remuneration for contribution purposes could never fall below the rates of pensionable remuneration used for benefit purposes. 6/

42. At its twenty-eighth (special) session, the Board discussed whether to impose a limit (e.g. 10 per cent) on the extent by which the pensionable remuneration for contribution purposes could exceed the pensionable remuneration for benefit purposes. It agreed not to modify the ICSC recommendation in that respect but instead to monitor, in conjunction with ICSC, the two scales of pensionable remuneration and to recommend remedial action whenever they showed an excessive divergence.

43. The members representing the United Nations participants expressed reservations on the double mechanism for future indexation of pensionable remuneration, for, while all Professional staff would be required to contribute at the higher of the two pensionable remuneration levels, only some of them would receive the additional benefits financed by the higher contributions. Furthermore, the concept of a dual pensionable remuneration would introduce a fundamental change in the basic principles which underlie and should continue to underlie the pension scheme for the United Nations International Civil Service. They had been prepared to support the use of the United States CPI as the mechanism for determining pensionable remuneration in respect of both contributions and benefits. However, should the double mechanism for adjusting pensionable remuneration be adopted by the General Assembly, the pensionable remuneration used for determining the contributions to the Fund should not be allowed to be more than 10 per cent higher than the pensionable remuneration used for computing the basic pension entitlement.

5/ *Ibid.*, para. 67

6/ *Ibid.*, para. 69.

(c) General Service category

44. In dealing with the problem of the pensionable remuneration of staff in the General Service category, both ICSC and the Board recognized that, unlike that of staff in the Professional and higher categories, the pensionable remuneration of staff in the General Service category (a) is determined on the basis of local conditions and, as such, varies by duty station; (b) reflects all elements of their compensation, including any language allowances and, in the case of non-locally recruited staff, any non-resident allowance; and (c) is automatically affected by any cost-of-living increases in salaries.

45. As in the case of Professional staff, the pensionable remuneration of the General Service category is expressed on a gross basis, by the reverse application of a staff assessment scale. The existing staff assessment rates used for that purpose have been in effect since 1 January 1966 and were derived from an averaging of the income tax rates in effect in 1964 in the seven headquarters countries, weighted by the number of staff in each. By contrast, the scale of staff assessment for staff in the Professional and higher categories was revised on 1 January 1977 to reflect the income tax rates in effect at that time.

46. ICSC had considered that issue at its twelfth session and decided to retain a global scale of staff assessment for all staff in the General Service category but to update the scale to reflect the most recent income tax rates in the seven headquarters countries and in the 10 countries where regional offices were located. 7/

47. The Board, at its special session, took note of that decision. The members representing the participants reiterated the arguments presented by the representatives of FICSA during the discussion of this item by ICSC and expressed regret that a new scale of staff assessment was being recommended at a time when improvements in other elements of the benefits system were being proposed.

48. Both ICSC and the Board discussed whether the mechanism described above for the application of cost-of-living differential factors to the local currency track entitlement of participants from the Professional and higher categories should apply to some or all of the retirees from the General Service category and, if so, in what manner.

49. It was recognized that the primary reason for applying cost-of-living differential factors in the case of Professional staff was that their pensionable remuneration excluded any portion of the post adjustment in the country of retirement which exceeded the WAPA level. Thus, even if a participant from the Professional or a higher category retired in the country of his duty station, his pension entitlement in local currency would not reflect his total remuneration (including post adjustment) before his separation if the post adjustment in that country exceeded the WAPA level.

50. By contrast, a participant from the General Service category who retired in the country of his duty station received a pension which was related to his total remuneration, since all elements of the compensation he received there were

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7/ Ibid., paras. 83 and 84.

included in his pensionable remuneration (see para. 44 above). It was therefore clear to ICSC and the Board that no additional measures were needed for staff members in the General Service category who retired in the country of their duty station.

51. However, for those staff members who retired in a country other than that of their duty station, ICSC suggested that a cost-of-living differential factor should be applied on the basis of the differences between the General Service pay scales at the country of retirement and at the duty station. By analogy with the approach suggested for Professional staff, an adjustment would be made to the local currency pension entitlement of a General Service staff member if he retired in a country where the General Service net salaries, excluding the non-resident allowance, exceeded the General Service net salaries, including the non-resident allowance, in his duty station by 22 per cent or more, i.e. the equivalent of four classes of post adjustment.

52. The adjustment would be calculated by reference to the same progressive scale of cost-of-living differential factors used for staff members in the Professional and higher categories. The appropriate factor, when applicable, would be applied to that portion of a participant's final average remuneration not exceeding the pensionable remuneration at grade P-2, step XI (i.e. with the same limitation as for participants in the Professional and higher categories). The system is described in detail in annex V.

53. In view of the fact that the above measures proposed for General Service staff would apply only to those retiring in a country other than that of their duty station (i.e. a minority of that staff), the Board decided to recommend a modification in the pension adjustment system which would give further recognition to the reminder, contained in General Assembly resolution 34/221, that the smallest pensions were the ones most adversely affected by currency fluctuations and inflation.

54. That modification would affect only the dollar track of the pension adjustment system. It would apply to retirement and disability benefits which, before any commutation and despite being based on 15 or more years of contributory service, amounted to less than $4,000 per annum. Such pensions would be increased by the application of a special adjustment derived from a progressive scale of factors, the percentage adjustments increasing for each $200 by which the pension fell short of $4,000 per annum. The factors would be the same as those used in the scale of cost-of-living differential factors described earlier. The system is described in detail in annex V.

55. The special adjustments described in the previous paragraph would apply to all participants, including those who retired in the country of their duty station. In view of the fact that the lowest pensionable remuneration for a participant in the Professional and higher categories generated a final average remuneration which, together with 15 or more years of contributory service, produced an annual pension in excess of $4,000, the adjustments would affect participants from the General Service category only. They would not apply to early or to deferred retirement benefits. They would apply to widows', widowers', children's (orphans') and secondary dependants' benefits, provided these were derived from retirement or disability benefits which themselves were (or would have been) affected by the special adjustments.

(d) Voluntary contributions

56. In the Fifth Committee's discussions on pensionable remuneration during the thirty-fourth session of the General Assembly, the view was expressed that it might be possible to arrange for voluntary contributions by participants to supplement the pensions they wished to receive in high cost-of-living countries of their eventual retirement.

57. In the Board's discussion of that suggestion, it was pointed out that various problems of implementation would have to be resolved (e.g., what to do if the staff member did not eventually retire to the country on which his voluntary contributions had been based, whether to impose a limit on the extent of the voluntary contributions and, if so, how).

58. While, technically, it might be feasible to devise a system of voluntary contributions which would resolve all of the above problems, the Board found it difficult to overcome the objections of principle to the linking of any system of benefits based on voluntary contributions with a compulsory system based on the recognition of a social obligation on the part of the employer.

59. Thus, if the amount of a pension was determined by the extent of that recognition, additions should not be considered desirable only for those who could afford to pay for them. If they were necessary, those who could least afford to pay should be assumed to be most in need of them. However, as the amounts required to make a system based on voluntary contributions meaningful in the present context would have to be substantial, they would effectively be the ones excluded from making use of it.

60. Moreover, a system of voluntary contributions would not provide a solution in cases of death in service or disability. Neither could it serve to meet situations where the cost-of-living relationships between different countries measured in United States dollar terms changed radically prior to retirement, nor would it permit of application to existing pensioners.

61. The Board concluded therefore that voluntary contributions did not seem to be an appropriate vehicle for achieving the objective, set by the General Assembly for ICSC and the Board, of removing certain anomalies from the United Nations pension system.

(e) Transitional measures for existing pensioners

62. The Board examined the possible effect of its proposals on the initial pension, in local currency, of participants who separated from the Fund before 1981. It noted that for participants in the Professional and higher categories the effect would have been minimal before 1978, even in the country with the highest post adjustment classification at that time.

63. Accordingly, it decided to recommend that the measures being proposed for serving staff of all categories should be extended to existing pensioners whose entitlements began after 1977. There would be no question, of course, of any retroactivity, and higher amounts resulting from the measures would be taken into account for the future only. Should the new measures result, in the case of pensioners whose entitlements began in 1980, in pension payments lower than those derived from the interim measures adopted by the General Assembly last year, the

lower payments would be used for 1981 and beyond, as stipulated in resolution 34/221.

64. To avoid creating inequities, as between pensioners whose entitlements began on 1 January 1978 and those whose entitlements began a few months earlier, a phase-in formula would be applied to existing pensioners whose entitlements began in 1977 and whose country of retirement would have had a cost-of-living differential factor of 3 per cent or more for January 1978.

65. These transitional measures would be applied in such a way as to avoid producing a pension on 1 January 1981 which would be higher than the pension of a new pensioner of equivalent grade whose entitlement begins on 1 January 1981 and who retires in the same country. The application of such a ceiling would be effected on an average basis for each country, so as to avoid the administratively unmanageable burden of precise calculations for each eligible pensioner. Details regarding the implementation of the transitional measures proposed can be found in annex V.

(f) Cost estimates

66. The cost of the benefits payable from the Pension Fund is met by contributions from participants, at the rate of 7 per cent of their pensionable remuneration, and from the employing member organizations, at twice that rate. There being no change in the mechanism being proposed to index the pensionable remuneration of staff in the Professional and higher categories for purposes of determining their contributions, the over-all pensionable remuneration of all participants combined would not change as a result of the measures being proposed jointly by ICSC and the Board. The proposed measures therefore would not increase the budgets of the member organizations.

67. The Board was informed by its Consulting Actuary that the new measures would increase the actuarial liabilities of the Fund over the long term by about $160 million, in lump-sum terms, which represented about one half of one per cent of the future payroll of participants or 1.8 per cent of the $8,800 million liability determined in the fifteenth actuarial valuation. The Consulting Actuary expressed the view, however, that long-term savings were expected to be generated by the replacement of WAPA by the United States CPI for purposes of indexing the pensionable remuneration used to compute benefits for participants from the Professional and higher categories, while retaining it for determining contributions. These savings would go towards offsetting the cost of the measures now being proposed.

68. Furthermore, the Consulting Actuary expressed the view that the additional actuarial liability was not of a magnitude to require supplementary payments by Member States, in accordance with article 27 (a) of the Regulations. As the Committee of Actuaries had already pointed out, changes in one or more of the elements on which the current estimate had been based, such as age of retirement or age of entry into the Fund, could substantially affect the actuarial position of the Fund one way or the other.

(g) Conclusion

69. The Board respectfully submits the present proposals which represent the joint outcome of painstaking efforts on the part of both ICSC and the Board during

a period of two years to find a remedy, in accordance with the mandate of the General Assembly and within the guidelines established by it, for the anomalies created in the United Nations pension system by currency fluctuations and inflation.

70. The revised definition of pensionable remuneration reflecting the recommendations of ICSC and the Board which is required if they are to become effective on 1 January 1981 is contained in annex VII. A new article would be added to the Fund's Regulations, detailing the indexation mechanism described above, with the added proviso that the pensionable remuneration for contribution purposes would never be less than the pensionable remuneration for computing the final average remuneration and, thus, the dollar entitlements from the Fund. Annex V would supersede the terms of the present pension adjustment system as adopted by the General Assembly in Section I of its resolution 33/120.

2. Admission of the International Centre for the Study of the Preservation and the Restoration of Cultural Property

71. Last year the Board recommended to the General Assembly to admit the International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM) to membership in the Fund with effect from 1 January 1980, in accordance with article 3 of the Regulations of the Fund.

72. The General Assembly accepted the recommendation of the Advisory Committee (A/34/721, paras. 49-52) to defer action on the ICCROM application until its thirty-fifth session, pending consideration by the Board of the possibility of regarding ICCROM staff for the purpose of pension coverage as staff of the parent organization, UNESCO.

73. The Board, having been informed by UNESCO that, as ICCROM was a separate and autonomous organization, the alternative suggestion made by the Advisory Committee was not feasible, decided therefore that ICCROM, having fulfilled all the requirements of article 3 (b) of the Regulations, should be admitted to membership in the Fund. It recommends that the General Assembly should take appropriate action for the admission of ICCROM to take effect on 1 January 1981, so as not to delay further the pension coverage of ICCROM staff, ICCROM having met the test of eligibility to membership in accordance with article 3 (b) of the Regulations in its present form.

74. As a separate issue, the Board decided in accordance with a suggestion by the Advisory Committee to review article 3 (b) of the Regulations with a view to ascertaining whether it should be revised in order to determine the requirements for admission of new member organizations in the future. The results of that study will be transmitted next year.

3. Transfer of pension rights

75. Under article 13 of the Fund's Regulations, agreements with Governments and with intergovernmental organizations may be approved by the Board, subject to the concurrence of the General Assembly, with a view to securing continuity of pension rights between such Governments or oganizations and the Fund, in circumstances of transfer of staff between United Nations organizations and government or other

international service. In pursuance of these provisions, the Board has in 1980 negotiated and approved agreements with the Governments of the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic and agreements with the Organisation for Economic Co-operation and Development (OECD) and with the European Centre for Medium Range Weather Forecasts (ECMWF).

76. The secretariat of the Board, under the authority given to it, has entered into negotiations with the Governments of the Federal Republic of Germany and Switzerland in connexion with the transfer of pension rights under article 13.

77. The agreements with the Governments of three States Members of the United Nations, the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic, follow in broad principle that concluded with the Government of Canada in 1970, with which the General Assembly expressed its concurrence in its resolution 2696 (XXV). The basic provision governing transfer of pension rights would be the determination by methods specified in the agreements of a "transfer value" for each participant leaving the service of a member organization of the Fund and entering the public service of the government concerned. The amount of the transfer value so determined would be paid by the Fund to the social security fund of the government which would, in accordance with its regulations, give recognition to the individual's contributory service in a member organization of the Fund as if it had been performed in the national service.

78. In its consideration of these agreements at its twenty-seventh session, the Board stressed the basic purpose of transfer agreements under article 13. That purpose is to allow individuals who perform pensionable service in a member organization of the Fund, at their choice, to have that service linked with pensionable service performed for the other contracting party in order thereby to derive a pension benefit from such combined service which is greater than the value of unlinked entitlements deriving from separate employment. The essential characteristic of free choice by the individual of such a greater benefit was a paramount consideration in the conclusion of all such agreements. Their operation must constantly be monitored by the Board in order to ensure its preservation. The rules for implementing the agreements, required to make them enter into effect after acceptance by the General Assembly, include the necessary provisions to that end.

79. The Board has since been informed by the three Governments concerned that upon entry into force of the agreements concerning the transfer of pension entitlement for the purpose of ensuring succession thereto the agreements will acquire the force of law, service by their citizens with international organizations would be included in the period of employment giving entitlement to a pension under their legislation, and the sum transferred by the United Nations Joint Staff Pension Fund to the Social Security Fund would be taken into account in the determination of the type and amount of pensions and appropriate benefits.

80. In the case of the agreements proposed with the Organisation for Economic Co-operation and Development (OECD) and with the European Centre for Medium Range Weather Forecasts (ECMWF) the basic provisions governing the reciprocal recognition of contributory service follow the principles embodied in the transfer agreement with the Commission of the European Communities, approved by the General Assembly

in resolution 32/74, and the agreements with the European Space Agency and the European Free Trade Association, approved by the Assembly in resolution 34/221.

81. The Board invites the concurrence of the General Assembly in the agreements now being proposed. Their texts are contained in an addendum to the present report.

4. Administrative expenses

(a) Introduction

82. The Regulations of the Fund provide, in article 15, that expenses incurred by the Board in the administration of the Fund - as distinct from those incurred by member organizations in local pension administrations - shall be met by the Fund itself and that estimates thereof shall be submitted annually to the General Assembly, during the preceding year, for approval. The Board submits, under this heading, estimates of $4,744,200 (net) for 1981 (see annex III, table 1) and $181,700 (net) for 1980 (see annex III, table 3). These expenses are a charge entirely on the Fund and do not in any way involve the budget of the United Nations or that of any other member organization.

83. The Board wishes to observe, in general, on the 1981 estimates that, while the over-all total represents an increase over the appropriations for 1980, the approved guidelines recommended initially by the Pension Review Group in 1960 and followed consistently since then, of distinguishing between administrative costs, on the one hand, and investment costs, on the other, and of holding the former within 0.14 per cent of the total pensionable remuneration of the Fund's participants, will nevertheless be maintained. As may be seen from the details provided in annex III, table 1, the administrative costs amount to $2,014,000 or to about 0.13 per cent of the anticipated 1981 pensionable remuneration. The balance of $2,730,200 covers the cost of managing the Fund's investments which, under the Regulations of the Fund, is the responsibility of the Secretary-General and is dealt with in paragraphs 95-97 and 100 below.

(b) Budget estimates for 1981

Administrative costs

84. It will be noted that a part of the increase for 1981 results from the provision made for established posts and common staff costs, which relates principally to eight new posts whose establishment the Board considers necessary in 1981 in the light of the increased volume and complexity of the Fund's operations and to the transfer of six posts currently financed under the heading of temporary assistance to established posts. Of the new posts, two are at the Professional (P-2) level, one at the G-5 level and five at the G-3/G-4 level. The developments which make these changes imperative are the following.

85. Existing staff has been under considerable pressure generated by the frequency and complexity of changes in both the Regulations and in the cost-of-living adjustment system. These necessitated, in addition to the normal workload, the manual recalculation of over 800 cases in both United States dollars and in a variety of local currencies involving highly complex elements. In was also necessary to verify the output generated by computer in connexion with the

conversion of some 13,000 benefits to the new adjustment system. To cope with the added workload, which could not be absorbed by overtime and increased productivity, recourse had to be had to outside contractual personnel, which is not possible on a constantly recurring basis. Hence, a P-2 post for an Associate Auditor and a G-3/G-4 post for an Accounting Clerk are required for the Benefits Unit.

86. As a continuation of the reorganization process started in 1979, the Secretary has established a Communications and Records Management Unit within the Registry Section. That unit controls, records and distributes all incoming information such as correspondence, documents and other material and is responsible for the management of all records and files pertaining to both participants and beneficiaries, now numbering more than 60,000. Because of the sharp and continuing increase in incoming communications resulting from the new adjustment system, in documents (personnel actions, applications for validations and restorations, status reports, etc.), and in the number of participants and pensioners being serviced by the Fund, a P-2 post and two G-3/G-4 posts are required in 1981. The P-2 post is that of Chief of the Communications and Records Management Unit and the G-3/G-4 post is that of file clerk in the same unit. The other G-3/G-4 post is required for a clerk-typist to register new participants, validations and restorations for the Participants Unit.

87. A G-5 post is required for a Principal Accounting Clerk for the Payments Unit because of the substantial increases in the volume of periodic payments being processed every month, the frequent changes made therein in application of the adjustment system, and the new comprehensive control procedures which are essential. The additional work outlined above is currently being absorbed by increased use of overtime, deferring other work such as replying to routine correspondence, and the reconciliation of bank accounts.

88. A G-3/G-4 post of bilingual secretary (English/French) is needed for secretarial/clerical assistance for the Pension Fund Geneva Office because of the increasing responsibilities and activities of that office.

89. A G-3/G-4 post is similarly required for secretarial assistance in the Executive Office of the Fund. Resort had to be had to a considerable amount of overtime work to meet deadlines and schedules of the various organs of the Fund.

90. As a further step in the reorganization of the secretariat, the Board has found it necessary to expand the functions of the Chief of the Registry Section to include the additional duties of Deputy to the Operations Co-ordinator, to assist the Co-ordinator. As a result of the continuing mechanization and development of interfacing systems for processing benefits and because of the standardization and improvement of procedures, the Board proposes a reclassification of that post from the P-3 level to the P-4 level.

91. As a result of the restructuring of functions carried out in 1979, the Board also proposes the reclassification of the post of Assistant to the Secretary and Deputy Secretary from the P-3 level to the P-4 level. The incumbent has assumed new duties and responsibilities at the higher level to the Board's complete satisfaction. On 1 April 1980 the name appeared on the promotion register, the determination to do so having been made by the United Nations on the basis of the new duties and responsibilities of the post. This arrangement does not require any supplementary funds for 1980. The proposed change is reflected in annex III, table 2.

92. As stated above (see para. 84) the Board proposes the consolidation into the permanent establishment of six posts that are now under temporary assistance (two at the P-3 level at Headquarters, one at the G-6 level in Geneva and three at the G-3/G-4 level at Headquarters), it having become evident that the functions of the posts will be continuing ones. The Board also proposes two additional posts under temporary assistance for 1981 as a result of the new procedures being introduced for 1981, concerning the establishment of an initial pension. A statistician at the P-3 level would be required to supervise the collection, compilation, analysis and application of data with respect to post adjustment classification and General Service salary scales at all duty stations for the purpose of computing local currency track pensions. A Principal Accounting Clerk at the G-5 level would be required to assist in the auditing of all new benefits and all recalculations due to changes in the Regulations and/or pension adjustment system.

93. Further items involving increases in administrative costs, to which attention is drawn include an increase of $3,000 for overtime, which is required mainly in connexion with special projects for the various organs of the General Assembly and the Board; and a $9,500 increase for travel of staff to meetings and on official business, resulting from the Board meeting in 1981 to be held elsewhere than in New York, (possibly in Europe or Central America). The increase also reflects anticipated higher air fares and subsistence costs. An increase is proposed in the estimate for the Committee of Actuaries by $2,500 to provide for the travel and subsistence costs for a meeting to take place in Vienna. An increase in the estimate for data processing costs by $2,000 relates to costs of supplies and material, such as the printing of the participants' annual statements, specialized data-processing binders, technical manuals, coding pads and data-processing forms. Increases in hospitality costs by $500 and for miscellaneous supplies and services by $1,000 are to take account of inflation.

94. The increase in actuarial consulting services of $20,000 required in 1981 relate mainly to the preparation of the actuarial valuation as at 31 December 1980, including the development of hypothetical models of the future progress of the Fund and the study on the adequacy of the 21 per cent contribution rate, which will require the development of the projected level of actuarial liability for several years in the future on the basis of various economic conditions.

Investment costs

95. The investment costs referred to in paragraph 83 above consist principally of the fees payable to the two financial institutions engaged under contract by the Secretary-General to provide advisory and custodial services in the management of the Fund's investments. They include, also, the costs of the supervisory staff provided by the Fund to the Secretary-General in the Office of Financial Services (see annex III, table 2); the costs related to the meetings of the Investments Committee, which are mainly those of the travel and subsistance of its members; the fees of investment consultants when required, and certain minor related costs.

96. The over-all increase of $345,000 in these costs is due largely, as will be seen from annex III, table 1, to the increased fees payable to the two institutions referred to in the preceding paragraph. These fees, which are separate and distinct from the commissions charged by brokerage houses when securities are sold or purchased, are linked contractually to the market value of the investments themselves. The Secretary-General has estimated that they are

likely to amount to $2,300,000 for 1981, as against appropriations of $2,000,000 for 1980.

97. The remaining increases under this heading amount to $25,000 for established posts resulting from salary increases and regular increments projected for 1981, a $12,000 increase in common staff costs, $500 for overtime, $2,000 for travel of staff in connexion with more diversified international investments and the effects of inflation on air fares and per diem, $1,500 to cover additional travel requirements of the real estate consultant, $3,000 for the Investments Committee to cover the costs of air fares and per diem, and $1,000 for miscellaneous supplies and services.

(c) Supplementary estimates for 1980

Administrative costs

98. The Board proposes supplementary estimates for 1980 (annex III, table 3) in the following amounts: (i) $10,000 for overtime due to the extensive preparatory work required for implementation of the two-track pension adjustment system, involving the manual recalculation and review of a substantial number of benefits for which computer applications were not feasible, as well as for other special projects requested in connexion with the study on pensionable remuneration; (ii) $65,000 for actuarial services required for the actuarial valuation of the final proposals for changes in pensionable remuneration, and for services being rendered in connexion with various transfer agreements; (iii) a $700 increase for hospitality and a $1,000 increase for miscellaneous supplies and services in view of increased requirements and the effect of inflation.

99. With regard to data-processing costs, the Board proposes a redistribution of funds in order to meet the changing requirements of the Fund's secretariat with respect to the continued development of data-processing services. The redistribution involves a decrease of $15,000 for contractual services which the Fund will not be able to utilize during 1980. Instead, the full utilization and increased development of equipment and systems already available require a supplemental amount of $10,000 in the category of acquisition, rental and maintenance of equipment. An increase of $5,000 is also required to cover the higher than expected costs of data-processing forms, supplies and related materials.

Investment costs

100. The Board also proposes increases in investment costs under the supplementary estimates for 1980 as follows: $100,000 for investment advisory services for 1980 based on the 31 December 1979 and 31 March 1980 market value of the portfolio; $1,500 for the Fund's real estate consultant in order to allow for additional travel costs; $1,000 increase each for the Investments Committee, communications services and for hospitality, which was not foreseen when the original estimate was submitted by the Secretary-General in 1979, and $500 for overtime work.

5. Emergency Fund

101. The Emergency Fund was established by the Board in 1973 from voluntary contributions by member organizations, staff associations and individual

contributors for the broad purpose of alleviating hardship among pensioners. It was initially used to relieve the distress caused to those in receipt of small pensions by currency fluctuations and cost-of-living increases. Since the introduction of the pension adjustment system, approved by the General Assembly in resolution 3354 (XXIX) of 18 December 1974, the Fund has been used to provide aid in individual cases where there was a proven need due to illness, infirmity or similar causes.

102. On this basis, the General Assembly has authorized the Board annually since 1974 to supplement voluntary contributions to the Emergency Fund by an amount of $100,000. Experience has since indicated that the assistance offered is mainly to pay for medical expenses, including hospitalization, which are not reimbursable from other sources, for meeting the cost of attendance by another person because of illness and debility, and in some instances for funeral expenses.

103. The total payments from 1975 through July 1980 amounted to about $121,000.

104. Following the publicity given to the Emergency Fund by the associations of retired staff and by the pension and social service sectors of member organizations and in line with the decision of the Board in 1979 for maximum latitude to be exercised in the application of present guidelines, payments have increased somewhat and are expected to increase further.

105. The Board believes that the continued existence of an emergency fund of this nature is justified. Furthermore, because the Fund is on a contingent basis and no amounts apart from voluntary contributions are tied up to finance it, the Board considers that the annual limit of $100,000 should be maintained lest the Emergency Fund's effectiveness in the case of catastrophic events in any part of the world be jeopardized.

106. The Board accordingly recommends that its authority to supplement voluntary contributions to the Emergency Fund up to an annual amount of $100,000 should be continued for 1981.

D. Action by the Board

1. Investments of the Fund

Management of the investments

107. The Board's review of the management of the investments of the Fund was based on the report and accompanying statistical data provided by the Secretary-General. This report reviewed the investment climate which had prevailed in the preceding year; the broad investment strategies which had been followed; the progress made in the implementation of the General Assembly resolutions which pertained to the investments of the Fund; the current size and growth of the Fund, the diversification of the portfolio, and the investment return. In addition to the representative of the Secretary-General, members of the Investments Committee made statements and responded to questions from the Board.

108. It was noted that during the 12 months ending 31 March 1980, all investment markets had become increasingly subject to wide and erratic fluctuations. This condition was exemplified by the wide swings which occurred not only in the price of gold and a number of other commodities, but also in all major bond markets and in the relative value of major currencies. Against this background of general uncertainty and consequently changing markets, the Fund's total return for the year was minus 0.39 per cent compared with a positive total rate of 15.07 per cent for the year to 31 March 1979. As in the past, the investment return is calculated according to a formula which takes into account both realized and unrealized capital gains and losses, as well as dividend and interest income received. In considering the long-term results, which are of more significance to the Fund, it was noted that over the past 20 years (to 31 March 1980), the Fund had achieved a positive total return averaging 5.49 per cent per annum. Over this period, United States equities furnished an average return of 5.87 per cent per annum, while equities outside the United States provided 7.47 per cent per annum, and bonds 4.53 per cent per annum.

109. The Board was informed that to ensure the soundness and integrity of the Fund the policy of diversification of the investments had been continued and, in fact, accentuated. Diversification had long been a basic tenet of sound investment management as a means of ensuring the safety of the portfolio as a whole and had been accepted as one of the basic principles of managing the investments of the Fund. It was stressed that each type of investment - equities, fixed-interest securities, short-term investments and real estate - had its own pattern of risks and rewards, differing in magnitude, character, and difficulty of assessment and that moreover these variables changed over time. For that reason, it was not advisable to concentrate investments solely in one group or to maintain a rigid proportion between the groups. The size of the Fund, however, would make it difficult to implement quickly radical changes in the mix of the portfolio. In any event, the Secretary-General and the Investments Committee did not believe that dramatic changes would necessarily be prudent. Heavier emphasis in recent years on fixed income securities, real estate and short-term investments, at the expense of equities, reflected the response of the Secretary-General and of the Investments Committee to changed market conditions.

110. The principle of diversification applied not only to the type of assets selected but also to their geographical provenances and to the currency in which

they are denominated. These aspects of diversification have been particularly significant to the Fund which has a strong international component, as compared with most other pension funds. As at 31 March 1980, the Fund had only 42 per cent, or $756 million, of its long-term investments in the United States. It had investments in 36 other countries, of which 15 are developing countries. It also had sizable investments in the major world-wide and regional development banks. Investments were held in 15 different stock markets and in 15 different currencies. It was noted that investments had beem made in the equity markets of two developing countries, and that equity investments in two additional developing countries had been approved.

111. The Board noted that the Fund's investments, based on market value at 31 March 1980, totalled $1,875 million compared with $1,767 million a year previously. It was also noted that if the portfolio had been valued three months earlier, that is at 31 December 1979, its market value would have been in excess of $2 billion, and that if it had been valued at the end of April 1980 the market value would have been approximately $2,040 million. This illustrated the considerable impact that market fluctuation could have on the value of the Fund at any particular time selected for making the valuation.

112. At the beginning of 1950, the Fund had total assets of $ 8 million, at cost, which had grown to $1,870 million at cost by end of 1979. The Board noted that the assets of the Fund were likely to continue to grow by substantial percentage rates as well as in absolute amounts, making the task of managing the investments increasingly complex and challenging.

113. The Board was informed of the various steps taken by the representative of the Secretary-General to improve further the operations of the Secretariat in managing the investments of the Fund.

114. The Board reviewed the progress made in the implementation of the resolutions of the General Assembly which had as their objective to ensure that a larger proportion of the Fund's resources was invested in developing countries. The Board noted that investments in development-related securities had increased and amounted, at 31 March 1980, to $263.5 million, compared with $184.4 million a year earlier. In addition to further investments noted earlier, in the major development institutions and in developing countries previously represented in the portfolio, new investments had been made in other countries. Investments made directly in developing countries had increased from $51 million to $67 million over the year. The Board expressed its satisfaction with the intensified efforts made to locate further investments in developing countries. It noted that many developing countries might prefer to obtain investments from the major development institutions such as the World Bank and regional development banks on terms better suited to their needs, rather than pay the higher costs of borrowing in the public markets. It therefore felt that, while efforts should continue to locate further investments in developing countries, the Fund should also continue to support the issues of the major regional development banks offered in the public markets to raise funds.

115. The Board was informed that, as a result of a request made by the Board in 1979, the Investments Committee had held a joint meeting with the Committee of Actuaries. The purpose of the meeting was to assist the Committee of Actuaries to establish a rate of investment return to be used for the actuarial valuation.

116. In response to inquiries by members of the Board additional information and comments were provided by the representative of the Secretary-General and by members of the Investments Committee. The representative of the Secretary-General agreed to give consideration to the feasibility of providing some selective comparative figures on investment returns.

117. The Board, while noting that there were practical limits to diversification, asked the Secretary-General to continue the policy of diversifying the assets in terms of type, geographical provenance and currency. It welcomed the Secretary-General's efforts to locate further appropriate investment possibilities in developing countries.

118. At the conclusion of the debate, the Board expressed appreciation to the Secretary-General and to the Investments Committee for their efforts on behalf of the Fund. It also noted with satisfaction the clear and comprehensive information on investments provided by the Secretary-General and the readiness of the Investments Committee to discuss with the Board all aspects of the investments policy.

Investments Committee - membership

119. The Investments Committee, under the terms of article 20 of the Regulations consists of nine members appointed by the Secretary-General. With a view to ensuring a broad and equitable geographical distribution in its membership, the Secretary-General, after consulting with the Board, indicated that he proposed to seek confirmation by the General Assembly at its thirty-fifth session of the appointment and reappointment of those whose names had been conveyed to the Board.

2. Methodology and assumptions for the valuation of the Fund as at 31 December 1980

120. The Board noted that the Committee of Actuaries had had the benefit of the views of the Investments Committee at a joint meeting of the two Committees held during the Board's twenty-seventh session in Washington, D.C. The main item of discussion at that meeting had been the assumption to be made as to the future rate of return on investments.

121. Noting that the assumption made in this regard in the last regular valuation of the Fund, prepared as at 31 December 1978, had been 4.5 per cent per annum, some members of the Investments Committee expressed the view that the high rates of inflation of recent years would have the effect of lowering the future real rates of return on investments from 4.5 per cent to perhaps 3 per cent. Accordingly, the Committee of Actuaries recommended that the next valuation of the Fund should be prepared on a number of different bases, one of which would be the same as the regular basis used in the last valuation, while the others would use higher rates of inflation and lower real rates of return on investments.

122. Based on these recommendations, the Board decided that the rates of interest to be used in the next actuarial valuation of the Fund, as at 31 December 1980, should be in accordance with the following table, in which Basis I represents the basis used in the last regular valuation:

	Basis I	Basis II	Basis III	Basis IV
Real rate of return	4.5%	4.0%	3.5%	3.0%
Price inflation	3.0	4.0	5.0	6.0
Nominal rate of interest	7.5%	8.0%	8.5%	9.0%

123. In all four valuations, the inflation allowance for future increases in salaries would be at one-half percentage point above the assumption for price inflation shown in the above table. All valuations would be on a fully dynamic basis, with an allowance for an annual increase in the total number of participants at an average rate of 2 per cent (but varying by category of staff to reflect the past history of growth) for each of the next 20 years, with no increase thereafter.

124. On the recommendation of the Committee of Actuaries, the Board requested that the next valuation should be supplemented by realistic projections of the expected progress of the Fund over the next 30 years, with a view to assessing the significance of the actuarial valuation results and to put them in their proper perspective. This would enable the Board to determine the need for any measures to improve the financial status of the Fund.

3. Financial statements of the Fund for the year ended 31 December 1979 and the report of the Board of Auditors

125. The Board approved the financial statements for the year ended 31 December 1979 and, in noting the report of the Board of Auditors thereon, expressed its satisfaction that steps were being taken by the United Nations to implement the measures suggested by the Board of Auditors this year. The Board also was satisfied that appropriate action was being taken by the United Nations and by the secretariat of the United Nations Joint Staff Pension Fund to implement the recommendations by the Board of Auditors last year relating to the electronic data operations of the secretariat.

E. Standing Committee

126. The Board elected the following members and alternate members of its Standing Committee which, under article 4 of the Regulations, acts on the Board's behalf when it is not in session.

Members	Alternates	Representing
United Nations (Group I)		
Mr. M. Majoli	Mr. E. Buj-Flores	General Assembly
	Mr. E. Garrido	General Assembly
	Mr. S. Kuttner	General Assembly
	Mr. M. Okeyo	General Assembly
	Mr. R. Schmidt	General Assembly

Members	Alternates	Representing
United Nations (Group I) (continued)		
Mr. H. Debatin	Mr. J. O. C. Jonah	Secretary-General
	Mr. C. C. Timbrell	Secretary-General
	Mr. R. Gieri	Secretary-General
Mr. A. A. García	Mr. E. Albertal	Participants
	Mr. A. Tholle	Participants
	Mrs. M. Vicien-Milburn	Participants
	Mr. S. Zampetti	Participants
	Mr. B. Hillis	Participants
Specialized agencies (Group II)		
Mr. G. S. Santa-Cruz (IMCO)	Mr. H. Panzram (WMO)	Governing Body
	Mr. S. Scheller (IAEA)	Governing Body
Mr. W. Farr (ILO)	Mr. N. MacCabe (ILO)	Executive Head
	Mr. P. M. C. Denby (ILO)	Exeuctive Head
Dr. A. Vessereau (WHO)	Mrs. V. Pedersen (WHO)	Participants
Specialized agencies (Group III)		
Mrs. E. Michaud (ICITO)	Mr. J-P. Ghuysen (ICAO)	Governing Body
	Mr. G. Wirth (WIPO)	Governing Body
Mr. K. A. P. Stevenson (FAO)	Mr. U. Skullerud (FAO)	Executive Head
	Mr. J. A. C. Davies (FAO)	Executive Head
	Mr. G. Eberle (FAO)	Executive Head
	Mr. G. Hoornweg (FAO)	Executive Head
	Ms. M. G. Iuri (FAO)	Executive Head
Mr. W. Zyss (UNESCO)	Mr. P. Coeytaux (UNESCO)	Participants

ANNEX I

Financial statements and schedules for the year ended 31 December 1979

AUDIT OPINION

We have examined the following appended financial statements, numbered I to III, properly identified, and relevant schedules of the United Nations Joint Staff Pension Fund for the year ended 31 December 1979. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements properly reflect the recorded financial transactions for the year, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 31 December 1979.

(Signed) J. J. MACDONELL
Auditor General of Canada

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) Osman Ghani KHAN
Comptroller and Auditor General of Bangladesh

12 June 1980

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1979 with comparative figures as at 31 December 1978
(In United States dollars)

Assets		1979	1978
Cash in banks		1 345 438	-
Contributions receivable from member organizations		14 656 375	14 687 356
Accounts receivable		195 033	31 473
Accrued income from investments		24 798 797	18 938 806
Receivable from investments		48 106	3 955 224
Investments (schedules 3, 4 and 5)			
Bonds - at cost (market value - 894 646 568)	934 494 114		
Convertible bonds - at cost (market value - 40 213 306)	37 948 161		
Stocks - at cost (market value - 970 484 592)	778 173 562		
Real estate and related securities - at cost (market value - 101 929 278)	86 623 999	1 837 239 836	1 581 091 623
Prepaid benefits		7 623 356	5 771 249
		1 885 906 941	1 624 475 731

Liabilities and principal of the Fund		1979	1978
Benefits payable		7 248 134	3 276 115
Held in trust		130 000	130 000
Payable for securities purchased		3 253 910	2 585 499
Other accounts payable		577 363	149 862
Bank overdraft		-	3 137 532
Mortgages payable		4 480 675	4 684 642
Principal of the Fund			
Pension Reserve	1 230 600 000		
Participants' Account	479 918 526		
Balancing Account	159 698 333	1 870 216 859	1 610 512 081
		1 885 906 941	1 624 475 731

Certified correct:

(Signed) Patricio RUEDAS
Assistant Secretary-General
for Financial Services, United Nations
(for cash balances and investments of the Fund only).
14 May 1980

(Signed) Arthur C. LIVERAN
Secretary
United Nations Joint Staff Pension Board

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 31 December 1979 with comparative figures for the year ended 31 December 1978

(In United States dollars)

Source of funds	1979	1978
Contributions by participants		
7 per cent of pensionable remuneration	87 130 352	73 452 667
Additional contributions with interest to validate prior non-contributory service	540 437	446 913
Repayment of benefits with interest to restore prior contributory service	1 692 729	1 217 772
Voluntary deposits	5 226	9 310
14 per cent of pensionable remuneration with interest to make periods of leave without pay contributory service	315 711	200 458
	89 684 455	75 327 120
Contributions by member organizations		
14 per cent of pensionable remuneration	174 260 703	146 905 334
Additional contributions with interest to make prior service contributory	1 696 159	1 458 847
	175 956 862	148 364 181
Contributions with interest received from non-member organizations for participants transferred under agreements	167 342	14 076
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	61 899	310 598
Prior year Emergency Fund balance	81 091	98 585
Investment income		
Interest earned	73 327 127	55 287 100
Dividends	33 629 017	28 269 865
Real estate and related securities	6 034 531	1 014 103
Profit on sales of investments	18 050 676	31 508 001
Loss on sales of investments	(9 651 027)	(15 973 424)
Prior period adjustment (see note 3)	13 858 680	- -
	135 249 004	100 105 645
Totals	401 200 653	324 220 205

	1979	1978
Applications of funds		
Payment of benefits		
Withdrawal settlements and full commutation of benefits	12 679 746	11 082 917
Retirement benefits	71 168 886	59 921 675
Early and deferred retirement benefits	30 952 319	26 169 699
Disability benefits	3 184 981	2 755 428
Death benefits (other than to children)	9 373 386	8 177 217
Children's benefits	3 087 531	2 697 926
Loss and gain on exchange	(92 623)	646 162
	130 354 226	111 451 024
Contributions with interest remitted to non-member organizations for participants transferred under agreements	792 594	545 214
Contributions refunded to member organizations	6 711 809	7 260 461
Temporary measure General Assembly resolution 31/196	-	197 115
Administrative expenses		
Administrative costs	1 452 312	1 353 565
Investment costs chargeable to gross income from investments	2 162 227	1 941 323
Emergency Fund	100 000	100 000
	3 714 539	3 394 888
Adjustments to prior year benefits (net)	(77 293)	(48 690)
Transferred to Principal of the Fund	259 704 778	201 420 193
Totals	401 200 653	324 220 205

Certified correct:

(Signed) Arthur C. LIVERAN
Secretary
United Nations Joint Staff Pension Board

14 May 1980

UNITED NATIONS JOINT STAFF PENSION FUND

Emergency Fund as at 31 December 1979
(In United States dollars)

Assets and balance

Assets		
Cash in banks		702
Due from Pension Fund		44 521
		45 223
Balance		
Total		45 223

Source and application of funds

Source of funds		
Contributions from Pension Fund		100 000
Application of funds		
Payments	54 845	
Miscellaneous charges and adjustments	(68)	(54 777)
Total		45 223

Certified correct:

(Signed) Arthur C. LIVERAN
Secretary
United Nations Joint Staff Pension Board

14 May 1980

Sch

<u>Principal of the Fund as at 31 December 1979</u>
(In United States dollars)

Description	Pension Reserve	Participants' Account	Balancing Account	
Balance as at 1 January 1979	907 654 440	415 966 263	286 891 378	1 6
Contributions-				
Participants		90 276 730		
Organizations			176 657 454	1
Investment income			135 249 004	1
	907 654 440	506 242 993	598 797 836	2 0
Payment of benefits	(118 545 895)			(1
Withdrawal and other settlements-				
Participants' contributions		(11 683 715)		(
Member organizations' contributions			(1 996 167)	
Refund of contributions to member organizations			(6 711 809)	
Administrative, investment, and other costs			(3 540 824)	
	789 108 545	494 559 278	586 549 036	1 8
Transfer to adjust the liabilities of benefits payable to or on behalf of retired and deceased participants	414 215 936		(414 215 936)	
Transfer of equity for participants separated during the year	27 275 519	(27 275 519)		
Interest credited to participants' accounts		12 634 767	(12 634 767)	
Balance as at 31 December 1979	1 230 600 000	479 918 526	159 698 333	1 8

Schedule 1

...alancing Account	Total
...891 378	1 610 512 081
	90 276 730
...657 454	176 657 454
...249 004	135 249 004
...797 836	2 012 695 269
	(118 545 895)
	(11 683 715)
...996 167)	(1 996 167)
...711 809)	(6 711 809)
...540 824)	(3 540 824)
...549 036	1 870 216 859
...215 936)	—
	—
...634 767)	—
...698 333	1 870 216 859

Schedule of administrative expenses

(In United States dollars)

	Administrative costs	Investment costs
Established posts	699 655	152 908
Overtime and temporary assistance	155 791	1 671
Common staff costs	344 302	85 551
Custodial services and investment counsel		1 840 143
Actuarial consulting services	132 481	
Consultants		14 871
Travel of staff	20 101	2 616
Investments Committee		61 184
Committee of Actuaries	15 502	
Data processing costs	46 366	
External audit	6 000	
Computer services rendered by the United Nations	20 000	
Communications services	5 000	73
Hospitality	1 405	1 150
Miscellaneous charges	5 708	2 060
	1 452 311	2 162 227

Summary statement of investments as at 31 December 1979
(In thousands of United States dollars)

	Balance 1 January 1979		Profit or (loss) on sales	Balance 31 December 1979		Income 1979
	Par value	Cost		Par value	Cost	
United States dollar bond section	445 349	426 657	(3 819)	513 550	487 850	38 580
United States convertible bond section	14 995	16 676	-	14 995	16 676	779
Non-United States dollar bond section	155 211	155 211	1 396	320 594	320 594	18 934
Non-United States dollar convertible bond section	23 539	23 492	1 000	21 318	21 272	1 346
United States dollar stock section		478 172	2 536		496 518	21 442
Non-United States dollar stock section		261 301	7 315		281 656	12 187
Real estate and related securities		56 130	(45)		86 624	6 035
Temporary investments (Interest-bearing)	163 535	163 453	16	126 333	126 050	13 689
TOTAL PORTFOLIO		1 581 092	8 399		1 837 240	112 992
						13 858
						126 850
			Less investment cost:			2 162
			Net investment income:			124 688

Comparison of cost value and market value of investments as at 31 December 1978 and 31 December 1979

(In thousands of United States dollars)

	31 December 1978				31 Decembe		
	Cost	Percentage of total	Market value	Percentage of market value to cost	Cost	Percentage of total	
United States dollar bond	426 657	27.0	406 790	95.3	487 850	26.6	
United States convertible bond	16 676	1.1	13 624	81.7	16 676	0.9	
United States dollar stock	478 172	30.2	451 813	94.5	496 518	27.0	
Non-United States dollar bond	155 211	9.8	177 783	114.5	320 594	17.4	
Non-United States dollar convertible bond	23 492	1.5	30 151	128.3	21 272	1.2	
Non-United States dollar stock	261 301	16.5	393 371	150.5	281 656	15.3	
Real estate and related securities	56 130	3.6	72 224	128.7	86 624	4.7	
Temporary investments (Interest-bearing)	163 453	10.3	163 461	100.0	126 050	6.9	
TOTAL PORTFOLIO	1 581 092	100.0	1 709 217	108.1	1 837 240	100.0	2

Schedule 4

tments as at

	31 December 1979		
st	Percentage of total	Market value	Percentage of market value to cost
850	26.6	442 206	90.6
676	0.9	12 302	73.8
518	27.0	554 739	111.7
594	17.4	326 197	101.7
272	1.2	27 911	131.2
656	15.3	415 745	147.6
624	4.7	101 929	117.7
050	6.9	126 243	100.2
240	100.0	2 007 272	109.3

Schedule 5

Summary of outstanding tax refunds as at 31 December 1979

Source	Local currency		Operational rate of exchange	Equivalent in United States dollars
Belgium	BF	2 968 920	28.00	106 033
Germany, Federal Republic of	DM	148 438	1.74	85 309
Hong Kong	$HK	11 925	5.00	2 385
Japan	Y	66 600	240.00	278
Netherlands	f.	738 624	1.90	388 750
Switzerland	SwF	335 237	1.60	209 523
United Kingdom	£	25 965	0.449	57 828
				850 106

Notes to the financial statements for the year ended 31 December 1979

1. Summary of significant accounting policies

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

(a) Investments

Investments are recorded at cost. Interest income is recorded on an accrual basis; dividends are included in income on a cash basis. Refunds on foreign taxes withheld are recorded as income in the year in which they are received.

(b) 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.

(c) Benefits

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

(d) Principal of the Fund

The Principal of the Fund consists of three accounts, the Pension Reserve, the Participants' Account and the Balancing Account:

(i) The Pension Reserve represents the liabilities of benefits payable to or on behalf of retired and deceased participants. The balance of this account is actuarially determined on an annual basis.

(ii) The Participants' Account represents active participants' contributions and interest credited by the Fund to these participants' accounts. Upon separation, a participant's contributions and the interest credited to his account are transferred to the Pension Reserve or paid as withdrawal or other settlements.

(iii) The Balancing Account represents the balance of equity of the Fund after transferring to the Pension Reserve the amount necessary to bring the Reserve in line with the actuarially determined liability value of benefits payable to or on behalf of retired and deceased participants.

2. Actuarial valuation

Article 12 of the Regulations and Rules of the Fund requires an actuarial valuation of the Fund at least once every three years. The last valuation was performed as at 31 December 1978 and submitted to the Joint Staff Pension Board in July 1979. The Board considered the actuarial report and the comments of the Committee of Actuaries and recommended to the General Assembly that there was no need at that time to invoke the provisions of article 27 (a) of the Regulations, which would necessitate additional payments into the Fund by member organizations.

3. Prior period adjustment

The prior period adjustment of $13,858,680 provides for recognition of investment income from units of certain real estate pooled funds earned in the period 1971 to 1978 and the recording of the reinvestment of these earnings which had been retained in these pooled funds. Had the 1978 financial statements been restated, investments (at cost) would have increased by $13,858,680, investment income for the year ended 31 December 1978 by $4,237,746 and the principal of the Fund as at 1 January 1978 by $9,620,934.

ANNEX II

Statistics on the operation of the Fund for the year ended 31 December 1979

Table 1

Number of participants as at 31 December 1979

Member organization	Participants as at 31 December 1978	New entrants	Transfers in	Transfers out	Separations	Participant as at 31 December 1
United Nations	22 463	3 141	89	(104)	(2 131)	23 458
ILO	2 826	418	27	(28)	(345)	2 898
FAO	6 522	1 078	71	(43)	(651)	6 977
UNESCO	3 441	343	14	(26)	(303)	3 469
WHO	5 474	599	17	(25)	(475)	5 590
ICAO	1 090	216	8	(4)	(127)	1 183
WMO	385	42	5	(3)	(35)	394
ICITO	318	10	–	(5)	(13)	310
IAEA	1 084	151	4	(8)	(100)	1 131
IMCO	233	46	4	(1)	(19)	263
ITU	871	122	6	(3)	(102)	894
WIPO	196	32	1	(3)	(4)	222
IFAD	80	37	8	(1)	(9)	115
Totals	44 983	6 235	254	(254)	(4 314)	46 904

r 1979

ons	Participants as at 31 December 1979
)	23 458
)	2 898
)	6 977
)	3 469
)	5 590
)	1 183
)	394
)	310
)	1 131
)	263
)	894
)	222
)	115
)	46 904

Table 2

Benefits awarded to participants or their beneficiaries during the year ended 31 December 1979

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 benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transf to oth funds
United Nations	235	104	103	1 374	246	290	38	7	15	-	9
ILO	28	36	50	197	25	46	6	-	-	1	1
FAO	77	35	62	396	46	77	15	3	8	1	5
UNESCO	39	18	34	172	29	32	6	1	3	-	1
WHO	84	39	65	207	65	64	6	3	5	-	1
ICAO	12	5	4	88	11	4	3	1	3	-	-
WMO	3	2	5	19	2	-	3	1	-	-	-
ICITO	2	-	2	9	-	-	-	-	-	-	-
IAEA	5	2	9	61	21	3	-	1	1	-	-
IMCO	-	1	-	14	4	-	-	-	-	-	-
ITU	9	3	10	74	1	8	4	1	-	-	-
WIPO	-	-	1	3	-	-	-	-	-	-	-
IFAD	-	-	-	9	-	-	-	-	-	-	-
Totals	494	245	345	2 623	450	524	81	18	35	2	17

ng

y t	Secondary dependant's benefit	Transfer to other funds	Total
	-	9	2 421
	1	1	390
	1	5	725
	-	1	335
	-	1	539
	-	-	131
	-	-	35
	-	-	13
	-	-	103
	-	-	19
	-	-	110
	-	-	4
	-	-	9
	2	17	4 834

Table 3

Analysis of periodic benefits as at 31 December 1979
Participants or their beneficiaries

Type of benefit	As at 31 Dec. 1978	New	Change to survivor	Termination	As at 31 D
Retirement	4 437	495	(44)	(29)	4 85
Early retirement	1 353	245	(14)	(8)	1 57
Deferred retirement	2 815	348	(7)	(82)	3 07
Widow	1 522	78	67	(20)	1 64
Widower	42	6	5	(1)	5
Disability	302	37	(8)	(6)	32
Child	2 774	524		(377)	2 92
Secondary dependant	31	2	1	(2)	3
Totals	13 276	1 735	0	(525)	14 48

tion	As at 31 Dec. 1979
)	4 859
)	1 576
)	3 074
)	1 647
)	52
)	325
)	2 921
)	32
)	14 486

ANNEX III

Estimate of administrative expenses

Table 1

Estimate of administrative expenses for 1981

(In United States dollars)

Object of expenditure	1979 expenses	1980 appropriations a/	1981 estimates
A. ADMINISTRATIVE COSTS			
Established posts	699 655	867 000	1 177 000
Common staff costs	285 657	273 500	377 000
Temporary assistance	132 610	174 000	82 000
Common staff costs	58 645	50 000	26 000
Overtime	33 181	37 000	40 000
Travel of staff			
To meetings	17 070	23 500	29 000
On official business	3 031	7 000	11 000
Actuarial consulting services	132 481	110 000	130 000
Committee of Actuaries	15 502	21 500	24 000
Data processing costs			
Services rendered by United Nations	20 000	20 000	20 000
Acquisition and maintenance of equipment	29 774	45 000	45 000
Contractual services	-	15 000	15 000
Supplies and materials	16 592	15 000	17 000
External audit	6 000	6 000	6 000
Communications services	5 000	5 000	5 000
Hospitality	1 405	2 500	3 000
Miscellaneous supplies and services	5 708	6 000	7 000
Total administrative costs	1 452 311	1 678 000	2 014 000
B. INVESTMENT COSTS			
Established posts	152 908	217 000	242 000
Common staff costs	85 551	65 000	77 000
Overtime	1 671	2 500	3 000
Travel of staff	2 616	6 000	8 000
Advisory and custodial fees	1 840 143	2 000 000	2 300 000
Investment consultants	14 871	17 500	19 000
Investment Committees	61 184	69 000	72 000
Investment reference services	2 060	2 200	2 200
Communications services	73	3 000	3 000
Hospitality	1 150	3 000	3 000
Miscellaneous supplies and services	-	-	1 000
Total investment costs	2 162 227	2 385 200	2 730 200
GRAND TOTAL	3 614 538	4 063 200	4 744 200
		Increase over 1980	681 000

a/ Revised to include supplementary appropriations for 1980 shown in annex III, table 3.

Table 2

Staffing table for 1981

Category and level		1979	1980	1981
Director and Principal Officer				
Director	(D-2)	1	1	1
Principal Officer	(D-1)	1	1	1
Professional				
Senior Officer	(P-5)	6	6	6
First Officer	(P-4)	1	3	4
Second Officer	(P-3)	9	8	9
Assistant/Associate Officer	(P-1/P-2)	9	9	11
General Service				
Principal level	(G-6) Geneva	-	-	1
Principal level	(G-5)	8	10	11
Other levels	(G-3/G-4)	38	38	46
		73 a/	76 a/	90 a/ b/

a/ Includes five Professional and four General Service posts for investment management provided to the United Nations Office of Financial Services.

b/ Includes the proposed consolidation of 6 temporary assistance posts into the permanent establishment.

Table 3

Supplementary estimates for 1980 as compared with the appropriations a/

(In United States dollars)

Object of expenditure	1980 appropriations	Revised estimate	Net increase or (decrease)
A. ADMINISTRATIVE COSTS			
Overtime	27 000	37 000	10 000
Actuarial consulting services	45 000	110 000	65 000
Data processing costs			
Acquisition and maintenance of equipment	35 000	45 000	10 000
Contractual services	30 000	15 000	(15 000)
Supplies and materials	10 000	15 000	5 000
Hospitality	1 800	2 500	700
Miscellaneous supplies and services	5 000	6 000	1 000
Total administrative costs	153 800	230 500	76 700
B. INVESTMENT COSTS			
Overtime	2 000	2 500	500
Advisory and custodial fees	1 900 000	2 000 000	100 000
Investment consultants	16 000	17 500	1 500
Investments Committee	68 000	69 000	1 000
Communications services	2 000	3 000	1 000
Hospitality	2 000	3 000	1 000
Total investment costs	1 990 000	2 095 000	105 000
GRAND TOTAL	2 143 800	2 325 500	181 700

a/ Limited to items in respect of which changes are requested.

ANNEX IV

Report of the Board of Auditors on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 1979

Introduction

1. In accordance with article 14 of the Regulations of the United Nations Joint Staff Pension Fund (UNJSPF), the Board of Auditors has audited the accounts of the Fund for the year ended 31 December 1979 in a manner agreed between the Board of Auditors and the United Nations Joint Staff Pension Board.

2. This examination was made in accordance with article XII of the Financial Regulations and Rules 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. Our examination was conducted in New York.

Observations and recommendations

3. The results of our examination indicate that internal accounting controls and procedures are in general quite satisfactory, except for certain procedures for the recording of investments and related income.

4. For the years 1977, 1978 and 1979 significant last-minute adjustments were made to the financial statements involving transactions placed by the investment custodian with its overseas agent. Despite our previous recommendations, procedures for the early review and reconciliation of these transactions had not yet been implemented. Subsequent reconciliation of these transactions for the year 1979 by the Treasury Division of the United Nations resulted in adjustments of $21 million to the financial statements. Furthermore, adjustments of $4 million to correct miscalculations of accrued interest income and of $18 million to recognize income from certain real estate investments were also made to the 1979 financial statements. None of these adjustments, however, resulted in financial losses to the Fund.

5. We have recommended that present procedures for the review of all investment transactions and the recording of related income should be clearly established, communicated and enforced. We have been assured that immediate action will be taken to implement our observations.

Comments on matters dealt with in 1978 report

6. We are pleased to note that appropriate action is in the process of being taken by the New York Computing Service and UNJSPF to implement our recommendations to provide adequate protection against unauthorized use, alteration, and destruction of computer programmes and data files.

Acknowledgment

7. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Secretary, his officers and members of their staff.

(Signed) J. J. MACDONNELL
Auditor General of Canada

(Signed) Ahenkora OSEI
Auditor General of Ghana

(Signed) Osman Ghani KHAN
Comptroller and Auditor General
of Bangladesh

ANNEX V

Details of revised pension adjustment system

A. General description

1. Pension adjustment is intended to ensure that a periodic benefit payable by the Fund should never be allowed to fall below the "real" value of its United States dollar amount, as determined under the Regulations, and to preserve its purchasing power as initially established in the currency of the recipient's country of residence.

2. The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States Consumer Price Index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the Consumer Price Index in his country of residence.

3. The proposed modifications to the pension adjustment system would serve to increase the initial entitlement in local currency when the recipient resides in a country where the cost of living is substantially higher than that which was reflected in the pensionable remuneration used to determine his basic dollar entitlement under the Regulations. This would be accomplished by the application of a cost-of-living differential factor to a portion of his final average remuneration. Another modification would serve to increase the initial entitlement in dollars when the annual rate of the basic dollar entitlement, under certain conditions, is less than $4,000. These modifications would supersede and eliminate the supplementary measures which were part of the pension adjustment system approved by the General Assembly in its resolution 33/120, as well as the interim measures approved by the Assembly in resolution 34/221.

4. The operation of the pension adjustment system will continue to involve keeping a record of two amounts for each beneficiary: a/

(a) One in United States dollars, which will be adjusted periodically to reflect changes in the United States Consumer Price Index;

(b) The other in local currency, which will be adjusted periodically to reflect changes in the Consumer Price Index in the beneficiary's country of residence.

a/ In this annex, the term "beneficiary" is used for all persons entitled to receive periodic benefits under the Regulations of the Fund.

B. Benefits involved

5. Except as otherwise noted (see para. 10 below), the revised system of pension adjustment will apply to the same range of benefits to which the present system applies (i.e., retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits). It will not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, nor will it apply to any benefit arising from voluntary deposits. Adjustments will operate on standard, minimum and maximum formulae, including those that are based on flat dollar amounts.

C. Determination of base amounts

6. For beneficiaries whose entitlements begin on or after the effective date of the new system, two base amounts will be determined as follows:

(a) A dollar base amount will be established on the basis of the basic pension determined in accordance with the Regulations of the Fund excluding, where necessary, any portion elected under the commutation provisions of the Regulations, but reflecting, where applicable, any special adjustment determined under section E below.

(b) A local currency base amount will be calculated as follows:

(i) A cost-of-living differential factor will be established for a given country of residence and a given month of separation as explained in section D below. This factor will be applied to that portion of the final average remuneration not exceeding the pensionable remuneration at grade P-2, step XI, on the date of entitlement. The resulting amount will be added to the final average remuneration.

(ii) A notional dollar base amount will then be established on the basis of the adjusted final average remuneration and in accordance with the Regulations, including only that percentage of the base pension which was not commuted into a lump sum.

(iii) The local currency amount will be derived by applying to item (ii) the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency of the country of residence.

D. Cost-of-living differential factors

7. The cost-of-living differential factor referred to in subparagraph 6 (b) (i) above will be computed as follows:

(a) For participants in the Professional and higher categories:

(i) The excess, if any, of the number of classes of post adjustment in the country of residence over that of New York will be determined for each of the 36 consecutive calendar months up to and including the month of separation, using the current system of post adjustment (as revised from 1 July 1978). In this process, partial classes will be converted to decimal fractions (rounded to two places) of complete classes.

(ii) A 36-month average excess of post adjustment classes will then be computed by averaging the 36 individual results (including those months, if any, when there was no excess).

(iii) If there is more than one post adjustment classification for the country of residence, the one producing the highest 36-month average excess will be used. If there is no post adjustment classification, the classification of another country of comparable cost of living will be substituted, under a procedure to be developed jointly by the United Nations Joint Staff Pension Board and the International Civil Service Commission.

(iv) The applicable cost-of-living differential factor will finally be derived from the following table, the result being interpolated, when necessary, between the factors applicable for two exact numbers of classes of post adjustment:

36-month average excess of post adjustment classes over that of New York	Cost-of-living differential factor (per cent)
Less than 4	0
4	3
5	7
6	12
7	17
8	22
9	28
10	34
11	40
12 or more	46

(b) For participants in the General Service category whose country of residence after separation is other than the country of their duty station at time of separation:

(i) A midpoint net salary, both with and without the non-resident allowance but without the language allowance, will be defined for each duty station as the average, in local currency, of the net salary at step I of the lowest level of the United Nations General Service salary scale in that duty station and the net salary at the top step of the highest level in that scale, but without taking into account the extended General Service levels.

(ii) The midpoint net salary, without the non-resident allowance, in effect during the month of the separation in the duty station of the country of residence after separation will be averaged with the corresponding midpoint net salary three years earlier. If there is more than one duty station in that country, the one producing the highest average midpoint net salary will be used. If there is no duty station, a duty station of another country of comparable cost of living will be substituted, under a procedure to be developed jointly by the United Nations Joint Staff Pension Board and the International Civil Service Commission. The resulting amount will be converted into United States dollars by the application of the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency in which the midpoint net salary is denominated.

(iii) The midpoint net salary, with the non-resident allowance, in effect during the month of the separation in the participant's duty station will be averaged with the corresponding midpoint net salary three years earlier. The resulting amount will be converted into United States dollars by the application of the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency in which the midpoint net salary is denominated.

(iv) A ratio of midpoint net salaries will then be determined by dividing the United States dollar amount in item (ii) above by the United States dollar amount in item (iii), rounding the result to two decimal places and multiplying it by 100.

(v) The applicable cost-of-living differential factor will finally be derived from the following table, the result being interpolated, where necessary, between the factors applicable for two given ratios in the table:

Ratio of midpoint net salaries	Cost-of-living differential factor (per cent)
Less than 122	0
122	3
128	7
134	12
141	17
148	22
155	28
162	34
171	40
180 or more	46

(c) No cost-of-living differential factor would be determined for participants in the General Service category whose country of residence after separation is the country of their duty station at time of separation. In other words, no adjustment would be made to their final average remuneration for purposes of paragraph 6 (b).

E. Special adjustments for small pensions

8. Whenever the dollar amount of the standard annual rate of a retirement or a disability pension which is based on 15 or more years of contributory service

amounts to less than $4,000 before any commutation, it will be subject to a special adjustment in accordance with the following table:

Annual amount of pension	Special Adjustment (per cent)
$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

9. Special adjustments for annual amounts of pension falling between those shown in the above table will be obtained by interpolation and the result rounded to two decimal places. The amount resulting from the application of the special adjustment will be added to the dollar base amount for purposes of paragraph 6 (a) above.

10. No special adjustment will be made in the case of early or deferred retirement benefits. In the case of widows', widowers', children's (orphans') and secondary dependants' benefits, a special adjustment will be applied only if these benefits are derived from benefits which themselves were (or would have been) subject to a special adjustment. In that case, the special adjustment factor will be the same as the one which had (or would have) been applied to the retirement or disability pension from which the benefit is derived.

F. Sources of data affecting adjustments

11. For the purposes of paragraph 7 (a) above, the number of classes of post adjustment in a given country for a given month will be taken from information provided by the International Civil Service Commission.

12. For purposes of paragraph 7 (b) above, the midpoint net salaries will be determined from the United Nations General Service salary scale in a given duty station. If the duty station has been in existence less than three years, the midpoint net salary in effect during the month of separation will be averaged with the corresponding midpoint net salary at the time that the duty station was established.

13. For measuring changes in the Consumer Price Index (CPI) for the United States and for the country of residence concerned, the index used will be the official Consumer Price Index for the country as a whole issued by the national government

and published in the United Nations Monthly Bulletin of Statistics. Where this index is not available, another published index may be substituted. Once an index has been utilized, any subsequent amendment will not give rise to retroactive corrections.

14. Because of the time lag which exists between the date when the Consumer Price Index (for any country) is published in the United Nations Monthly Bulletin of Statistics and its effective date, the index used on a given adjustment date will be that for the fourth month immediately preceding the date of the adjustment (or in its absence the latest published index prior thereto). As an example, the index applicable for the measurement of a possible adjustment on 1 April 1981 would be the index published for December 1980.

15. The exchange rates used in the calculation of the local currency base amount in subparagraph 6 (b) (iii) above and in measuring the local currency equivalent of the dollar amount in paragraph 19 below will be the number of units of local currency per United States dollar according to the system of rates in use by the Fund for the determination of pensionable remuneration and contributions.

G. Subsequent adjustments of the benefit

16. As stated in section A above, each beneficiary's record will contain two amounts, one in United States dollars and the other in the currency of his country of residence. These amounts, having first been determined in accordance with sections C, D and E above, will be subsequently adjusted on a quarterly basis (i.e. on 1 January, 1 April, 1 July and 1 October) in accordance with the following procedure:

(a) The dollar amount will be adjusted by the ratio of the United States CPI applicable on the date of the adjustment to the United States CPI last utilized.

(b) The local currency amount will be adjusted in the same manner, but using the CPI for the country of residence.

17. No adjustment will be made on the date of commencement of an entitlement, even if such date coincides with a quarterly adjustment date. All new entitlements will become eligible for a possible adjustment, if applicable, on the quarterly adjustment date next following their effective date, at which time any adjustment due will be pro-rated according to the period since separation. A 3 per cent increase assumed to apply on 1 April 1981, for example, would increase benefits by:

- 3 per cent for separations before January 1981;
- 2 per cent for separations in the month of January 1981;
- 1 per cent for separations in the month of February 1981;
- 0 per cent for separations after February 1981.

18. No adjustment will be made in either the dollar amount or the local currency amount if the applicable CPI has moved by less than 3 per cent since the date of the last adjustment. The ratio of the CPI at one time to the CPI at another time will be rounded to three decimal places.

H. Payment of the benefit

19. To determine the amount which will be payable as a pension from the date of its commencement and thereafter, the dollar amount as initially determined under 6 (a) above and, if applicable, later adjusted under 16 (a) above will be converted to a local currency equivalent by using the exchange rate in effect for the month preceding the calendar quarter of that payment. It will then be compared to the local currency amount as initially determined under 6 (b) above and, if applicable, later adjusted under 16 (b) above. The beneficiary will be entitled to the greater of these two amounts until the next adjustment date.

20. Except as provided in paragraph 21 below, no change will be made in the two amounts during the intervening months between quarterly adjustment dates. Thus, changes in the exchange rate between the quarterly calculation dates will be ignored for all purposes, irrespective of the currency of payment chosen under article 48 of the Regulations, and no retroactive adjustment will be made.

21. An exception to the rule outlined in the preceding paragraph may be made if certain events (e.g., sudden redenomination of a currency or a very high rate of inflation) result in a real loss of purchasing power of more than 20 per cent in the beneficiary's benefit.

I. Survivors' benefits

22. Benefits payable to survivors will be established at the time of the survivor's entitlement. The starting point will be the participant's adjusted pension immediately prior to that date, with due allowance for any pension previously commuted.

J. Flat-rate benefits

23. The initial amount of each flat-rate benefit will be determined on the basis of its "real" value in United States dollar terms by applying to it the movement of the United States CPI since 1 January 1973 (the date on which adjustments were first applied to the dollar amounts specified in the Regulations for these benefits).

K. Determination of local currency entitlements

24. Until satisfactory proof is submitted to show in which country the beneficiary is living and other required formalities are completed, the dollar amount of the pension (determined as in section C and adjusted as described in sections E and G above) shall be paid. If such proof is provided within six months from the date of entitlement, the local currency base amount shall be computed from that date, with retroactive adjustment if it results in a greater benefit. However, if proof of residence is not provided within six months from the date of entitlement, the local currency base amount shall be used only as from the quarterly adjustment date next following acceptance of such proof, with no retroactive adjustment.

L. Changes in country of residence

25. If a beneficiary should change his country of residence and provide satisfactory proof to that effect, then, starting on the quarterly adjustment date next following arrival in the new country of residence, his local currency amount shall be recomputed as if he had always resided in the new country of residence. All changes in country of residence shall be reported promptly, no later than six months from the date of arrival, and satisfactory proof of residence in the new country will have to be provided as in section K above. If such proof is not provided within six months from the date of arrival, the local currency amount shall nevertheless be recomputed as if the beneficiary had always resided in the new country of residence but it shall become effective only as from the quarterly adjustment date next following acceptance of such proof, with no retroactive adjustment, except that the Fund shall have the power to recover excess benefit payments made if it is found that the benefit payments since the date of arrival in the new country would have been lower if the change had been reported on a timely basis.

M. Existing beneficiaries

26. To effect the transition from the previous to the revised system of pension adjustment, the local currency base amount of beneficiaries whose entitlements began after 1977 will be recomputed using the procedure described in paragraph 6 (b) above, as if the revised system had become effective on 1 January 1978, but with the following exceptions:

(a) The average exchange rate used to compute the amount in local currency under subparagraph 6 (b) (iii) will be the rate that was used under the previous system of pension adjustment, i.e. a 36-month average exchange rate in the case of 1979 and 1980 new entitlements, and a phased-in rate, as described in paragraph 27 of annex V of the United Nations Joint Staff Pension Board's 1978 Report to the General Assembly, b/ in the case of 1978 new entitlements.

(b) The cost-of-living differential factor applicable to beneficiaries whose entitlement began in 1978 will, in the case of participants from the Professional and higher categories, be based on the average, taken over the same number of months as was used for averaging the exchange rates, of the excess, if any, of the number of classes of post adjustment in the country of residence over that of New York. In the case of participants from the General Service category whose country of residence after separation is other than the country of their duty station, it will be based on the ratio of average midpoint net salaries in the two countries, the average in both cases being taken as the average of the midpoint net salary in the month of separation and the midpoint net salary which was in effect the same number of months earlier as was used for determining the average exchange rate.

27. If the application of the above procedures results in a cost-of-living differential factor for January 1978 which is equal to 3 per cent or more for a

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b/ *Official Records of the General Assembly, Thirty-third Session, Supplement No. 9* (A/33/9).

given category (i.e., General Service, Professional or higher) of beneficiaries residing in a given country, the beneficiaries of the same category whose entitlement began in 1977 and who reside in the same country will have their local currency base amount recomputed as follows: a cost-of-living differential factor will be determined by phasing in the January 1978 cost-of-living differential factor over the number of months, not to exceed 12, represented by the integer part of that factor. For example, a January 1978 factor of 5.38 per cent would be phased in over the last five months of 1977, while a factor of 18.65 would be phased in over the 12 months of 1977. The resulting factor will be applied to that portion of final average remuneration not exceeding the pensionable remuneration at grade P-2, step XI, in effect in the month that the entitlement began and the result will be added to the final average remuneration in order to compute a notional dollar pension entitlement under the Regulations. Finally, the local currency base amount will be determined by applying to that notional amount the average, computed over the 12 consecutive calendar months up to and including the month of separation, of the exchange rates between the United States dollar and the currency of the country of residence.

28. The procedures described in paragraphs 26 and 27 above will be applied only if they produce a local currency base amount which, after appropriate reduction for any commutation, is higher than the one determined under the previous system of pension adjustment, but without taking into account the interim measures adopted by the General Assembly in resolution 34/221. The resulting amount will then be adjusted to 1 January 1981 in accordance with the movement of the CPI in the country of residence. No retroactive payment will be made for the period between the date entitlement began and 1 January 1981, but the revised local currency amount will become effective from 1 January 1981.

29. To ensure that the above procedures do not result in an existing pensioner having a higher pension in January 1981 than that which would have resulted if the date of separation had been 31 December 1980, the cost-of-living differential factors determined in paragraph 26 above will be tested, for each country and for each month of 1978, 1979 and 1980, by applying them to a hypothetical participant at grade P-2, step XI. If the resulting pension in local currency on 1 January 1981 is greater than the pension in local currency of a participant at the same grade and with the same period of contributory service who retires on 31 December 1980 in the same country, the cost-of-living differential factor applicable to beneficiaries from the Professional and higher categories in that country will be reduced by prorating it in such a way as to produce the same pension as that of the participant who separated on 31 December 1980. A similar test will be made for beneficiaries from the General Service category, using a participant in that category whose final average remuneration did not exceed the pensionable remuneration of a participant at grade P-2, step XI in the month of entitlement.

30. The special adjustments for small pensions described in section E above will be extended to existing beneficiaries if they would otherwise have qualified for such adjustments and if their dollar amount of entitlement, after adjustment to 1 January 1981 in accordance with the movement of the United States CPI is less than $4,000, after taking due account of any portion which had already been commuted.

N. Illustrations of the revised system

31. A few examples will help to clarify the details of how the revised pension adjustment system will operate. In order to use actual, rather than hypothetical, data the examples will be of participants who retire at age 60 on 31 July 1980, and it will be assumed that the proposed system was in effect on that date.

32. In the case of participants from the Professional and higher categories, three examples will be given, each of them of a participant who retires after 20 years of contributory service (i.e., the average length of service performed by staff in that category):

- Example 1: staff member at grade D-1, step VII, who will reside in Austria after separation.
- Example 2: staff member at grade P-4, step XII, who will reside in Switzerland after separation.
- Example 3: staff member at grade P-2, step XI, who will reside in Ivory Coast after separation.

33. The following table illustrates how the dollar base amount and the local currency base amount would be determined in each case and what pension would be payable from 1 August 1980 if the participant chose the currency of his country of residence for his currency of payment:

Illustrations for Professional and higher categories

Item		Example 1	Example 2	Example 3
(a)	Final average remuneration	$61,775	$48,265	$30,768
(b)	Dollar base amount of pension = 1/50 x 20 x item (a)	$24,710	$19,306	$12,307
(c)	36-month average excess of post adjustment classes over New York	6.59	9.92	5.23
(d)	Cost-of-living differential factor (interpolated from table in para. 7 (a))	14.95%	33.52%	8.15%
(e)	Pensionable remuneration at P-2, XI	$36,358	$36,358	$36,358
(f)	Addition to final average remuneration = item (d) x lesser of items (a) or (e)	$5,436	$12,187	$2,508
(g)	Adjusted final average remuneration = item (a) + item (f)	$67,211	$60,452	$33,276
(h)	Notional dollar base amount = 1/50 x 20 x item (g)	$26,884	$24,181	$13,310
(i)	36-month average exchange rate	14.04	1.80	220.97
(j)	Local currency base amount = item (h) x item (i)	S377,451	SF 43,526	CFA2,941,111
(k)	Exchange rate for June 1980	12.70	1.67	210.00

Item		Example 1	Example 2	Example 3
(l)	Local currency equivalent of dollar base amount = item (b) x item (k)	S313,817	SF 32,241	CFA2,584,470
(m)	Pension payable from 1 August 1980 = greater of items (j) or (l)	S377,451	SF 43,526	CFA2,941,111
(n)	Exchange rate for August 1980	12.40	1.63	205.00
(o)	United States dollar equivalent of item (m) for August 1980 = item (m) ÷ item (n)	$30,440	$26,703	$14,347

34. In the case of participants from the General Service category, three further examples will be given, each for a participant retiring after 25 years of contributory service (i.e., the average length of service performed by staff in that category):

- Example 4: staff member at grade G-5, top step, whose duty station was Manila and who will reside in the Philippines after separation.
- Example 5: staff member at grade G-6, top step, whose duty station was Rome and who will reside in France after separation.
- Example 6: staff member at grade G-4, top step, whose duty station was London and who will reside in the United States after separation.

35. The following table illustrates how the pension entitlement would be determined in each case as from 1 August 1980 if the participant chose the currency of his country of residence after separation for his currency of payment:

Illustrations for General Service category

Item		Example 4	Example 5	Example 6
(a)	Final average remuneration	$ 4,851	$25,450	$12,556
(b)	Standard annual rate of pension = 1/50 x 25 x item (a)	$ 2,426	$12,725	$ 6,278
(c)	Special adjustment factor (interpolated from table in para. 8)	39.22%	-0-	-0-
(d)	Special adjustment = item (b) x item (c)	$ 951	-0-	-0-
(e)	Dollar base amount of pension = item (b) + item (d)	$ 3,377	$12,725	$ 6,278
(f)	Average midpoint net salary (without non-resident allowance) for country of residence	N/A	FF86,582	$12,989
(g)	36-month average exchange rate for country of residence	7.36	4.42	N/A

Item		Example 4	Example 5	Example 6
(h)	United States dollar equivalent of average midpoint net salary for country of residence = item (f) ÷ item (g)	N/A	$19,589	$12,989
(i)	Average midpoint net salary (with non-resident allowance) at duty station	N/A	Lit12,468,250	£ 4,878
(j)	36-month average exchange rate at duty station	7.36	846.39	.497
(k)	United States dollar equivalent of average midpoint net salary at duty station = item (i) ÷ item (j)	N/A	$14,731	$ 9,815
(l)	Ratio of midpoint net salaries = (item (h) ÷ item (k)) x 100	N/A	133	132
(m)	Cost-of-living differential factor (interpolated from table in para. 7 (b))	N/A	11.17%	10.33%
(n)	Pensionable remuneration at P-2, XI	$36,358	$36,358	$36,358
(o)	Addition to final average remuneration = item (m) x lesser of items (a) or (n)	-0-	$ 2,843	$ 1,297
(p)	Adjusted final average remuneration = item (a) + item (o)	$ 4,851	$28,293	$13,853
(q)	Notional dollar base amount = 1/50 x 25 x item (p)	$ 2,426	$14,147	$ 6,927
(r)	Local currency base amount = item (q) x item (g)	P17,855	FF62,530	$ 6,927
(s)	Exchange rate for June 1980	7.40	4.20	N/A
(t)	Local currency equivalent of dollar base amount = item (e) x item (s)	P24,990	FF53,445	$ 6,278
(u)	Pension payable from 1 August 1980 = greater of items (r) or (t)	P24,990	FF62,530	$ 6,927
(v)	Exchange rate for August 1980	7.40	4.10	N/A
(w)	United States dollar equivalent of item (u) for August 1980 = item (u) ÷ item (v)	$ 3,377	$15,251	$ 6,927

36. It should be noted that, in the case of participants from the General Service category, the cost-of-living differential factors apply only if the beneficiary resides in a country other than that of his duty station and if the average midpoint net salary (without the non-resident allowance) in the country of residence is at least 22 per cent higher than the average midpoint net salary (with non-resident allowance) at the duty station. Thus, at the present time, no cost-of-living differential factor would apply to General Service staff whose duty station was Geneva, for example, since there is no country where the average midpoint net salary is at least 22 per cent higher than the average midpoint net salary in that duty station, even if the non-resident allowance is included in both areas.

37. The following table summarizes the effect, in United States dollars, of the revised system of pension adjustment and compares it to the system in effect before 1981 for each of the six examples. All adjusted pensions have been converted into United States dollars by the use of the exchange rates in effect for August 1980.

Effect of pension adjustment system

(in United States dollars)

Example No.	Pension under Regulations	Adjusted pension in accordance with: Pre-1981 system	Proposed system	Ratio of column (3) to column (2)
	(1)	(2)	(3)	
1	24,710	27,978	30,440	1.088
2	19,306	23,158*	26,703	1.153
3	12,307	13,266	14,347	1.081
4	2,426	2,426	3,377	1.392
5	12,725	13,718	15,251	1.112
6	6,278	6,278	6,927	1.103

* Reflecting the supplementary measures of the system, but not the interim measures for 1980. The US dollar equivalent of the pension including the interim measures would have been $25,196.

ANNEX VI

Draft resolution proposed for adoption by the General Assembly

REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

The General Assembly,

Having considered the report of the United Nations Joint Staff Pension Board to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund for 1980, chapter III of the report of the International Civil Service Commission and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

Amendments to the Regulations of the United Nations Joint Staff Pension Fund

Decides that the Regulations of the United Nations Joint Staff Pension Fund shall be amended, without retroactive effect, from 1 January 1981, as set forth in annex VII to the report of the United Nations Joint Staff Pension Board;

II

Pension adjustment system

Decides to revise the pension adjustment system contained in General Assembly resolution 33/120 of 19 December 1978, with effect from 1 January 1981, in accordance with the recommendations of the United Nations Joint Staff Pension Board contained in section IV.C of its report to the Assembly for 1980 and in annex V thereto;

III

Admission to membership of the International Centre for the Study of the Preservation and the Restoration of Cultural Property

Decides to admit the International Centre for the Study of the Preservation and the Restoration of Cultural Property to membership in the United Nations Joint Staff Pension Fund, in accordance with article 3 of the Regulations of the Fund, with effect from 1 January 1981;

IV

Transfer of pension rights

Concurs in the agreements approved by the United Nations Joint Staff Pension Board with the Governments of the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic, the Byelorussian Soviet Socialist Republic, with the Organisation for Economic Co-operation and Development and with the European Centre for Medium Range Weather Forecasts, under article 13 of the Regulations of the United Nations Joint Staff Pension Fund, with respect to continuity of pension rights between these parties and the Fund;

V

Emergency Fund

Authorizes the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund, for a further period of one year, by an amount not exceeding $100,000;

VI

Administrative expenses

Approves expenses, chargeable directly to the United Nations Joint Staff Pension Fund, totalling $4,744,200 (net) for 1981 and supplementary expenses of $181,700 (net) for 1980 for the administration of the Fund.

ANNEX VII

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

Existing text	Proposed text	Comments
Article 1 Definitions	Article 1 Definitions	
(p) "Pensionable remuneration" shall mean the remuneration, at its equivalent in dollars, of a participant which is pensionable under the terms of his appointment.	(p) "Pensionable remuneration" shall mean the remuneration, at its equivalent in dollars, defined in article 55.	To refer to the article pensionable remuneratio[n] defined.
	Article 55 Pensionable remuneration	
	(a) Pensionable remuneration shall, subject to (b) below, be the equivalent in dollars of the sum of: (i) The participant's gross salary, and (ii) Any non-resident's allowance and/or language allowance payable to him.	New article to define pensionable remuneratio[n]
	(b) In the case of participants in the Professional and higher categories, the pensionable remuneration effective 1 January 1981 shall be established at the level which will be reached by the application of the present Weighted Average of Post Adjustments (WAPA) system through September 1980. Thereafter, the pensionable remuneration for such participants shall be as follows: (i) When, on a subsequent 1 April or 1 October, the weighted average of the post adjustment classifications of the headquarters and regional offices of the member organizations, as determined by the International Civil Service Commission on the preceding 1 January and 1 July respectively, shows a variation of 5 per cent or more, the pensionable remuneration for establishing contributions to the Fund in accordance with article 25 shall be increased or decreased, as the case may be, by the full extent of the variation in the weighted average of the post adjustment classifications, provided however that it shall not be less than the pensionable remuneration under (ii) below.	

Comments
To refer to the article in which pensionable remuneration is defined.
New article to define pensionable remuneration.

Existing text	Proposed text	Comments
	Article 55 (continued) (ii) When, on a subsequent 1 April or 1 October, the Consumer Price Index for the United States of America, as measured on the preceding 1 January and 1 July respectively, shows a variation of 5 per cent or more, the pensionable remuneration for computing the final average remuneration under article 1 (h) shall be increased or decreased, as the case may be, by the full extent of the variation in that Consumer Price Index.	

Note: As a consequence of the adoption of these amendments, the French and Spanish translations of the term "pensionable remuneration" would have to be modified throughout the Regulations, in order to distinguish between "pensionable remuneration" establishing contributions and "pensionable remuneration" used for computing the final average remuneration.

Comments
f the term "pensionable nsionable remuneration" used for tion.