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UNITED NATIONS PENSION SYSTEM

Report of the Advisory Committee on Administrative  
and Budgetary Questions

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board to the General Assembly at its thirty-fifth session. 1/ The Committee also had before it the report of the International Civil Service Commission (ICSC), chapters II B and III of which deal with pensionable remuneration and pension entitlements as elements of total remuneration. 2/ In its consideration of the question, the Committee received additional information, orally and in writing, from the secretariat of the United Nations Joint Staff Pension Fund.

2. In this report, the Committee submits its observations and recommendations on the following subjects:

- (a) Changes in pensionable remuneration (paras. 4-39);
- (b) Admission of the International Centre for the Study of the Preservation and the Restoration of Cultural Property (paras. 40-43);
- (c) Transfer of pension rights (para. 44);
- (d) Administrative expenses (paras. 45-60);
- (e) Emergency Fund (para. 61);
- (f) Financial statements of the Fund for the year ended 31 December 1979 and report of the Board of Auditors (paras. 62-64).

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1/ Official Records of the General Assembly, Thirty-fifth Session, Supplement No. 9 (A/35/9) and A/35/9/Add.1.

2/ Ibid., Supplement No. 30 (A/35/30 and Corr.1 and 2).

3. The Advisory Committee notes section IV D.1 of the Board's report, which deals with investments of the Fund, and the report of the Secretary-General on the same question (A/C.5/35/41 and Corr.1). In this connexion, the Committee recalls that, in paragraph 19 of its report to the General Assembly at its thirty-second session (A/32/319), it stated the following with regard to the investments of the Fund:

"The Advisory Committee recalls that in a report to the thirtieth session of the General Assembly, it stated that it 'trusts that the Secretary-General will continue to be guided in his choice of investments exclusively by the soundness of the particular investment involved and that placement of the assets of the Fund in individual countries will derive solely from the belief that these markets present the best potential investment opportunity for the Fund' (A/10335) ... The Committee notes the statement of the Board, in paragraph 41 of its report, 3/ that it believes that the criteria of safety, profitability, liquidity and convertibility can be applied equally to investments in both the developed and the developing world and that where these criteria are equally satisfied priority should be given to the investment in developing countries."

A. Changes in pensionable remuneration

4. In paragraph 1 of section VI of resolution 34/221 of 20 December 1979, the General Assembly requested "the International Civil Service Commission and the United Nations Joint Staff Pension 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 General 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 can less readily be absorbed by those with smaller pensions than by those with higher pensions".

5. There is currently no substantive definition of the term "pensionable remuneration" in the Regulations of the Fund. As the Advisory Committee stated in paragraph 15 of its report to the General Assembly at its thirty-fourth session (A/34/721), "over the years the General Assembly adopted several resolutions on how pensionable remuneration should be calculated. Since 1965, the pensionable remuneration of staff in the Professional and higher categories has been the annual rate of the United Nations gross salary (i.e., salary before staff assessment), adjusted in multiples of 5 per cent to reflect movements of the weighted average of the post adjustment classifications of the headquarters and regional offices of the member organizations - the so-called WAPA adjustment index (sect. I, para. 1 (a), of General Assembly resolution 2007 (XIX))". The pensionable remuneration of staff

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3/ Ibid., Thirty-second Session, Supplement No. 9 (A/32/9).

in the General Service and other local categories is equal to the gross salary plus most allowances (see para. 18).

6. The Pension Board recommends that a new article should be added to the regulations of the Fund which would, for the first time, define pensionable remuneration - albeit by reference to a level on a given date. It would also contain a description of the mechanism for adjustment of the pensionable remuneration of staff in the Professional and higher categories in the future. The Advisory Committee notes, in this connexion, that the need for a parallel mechanism for adjusting the pensionable remuneration of staff in the General Service category does not arise since their pensionable remuneration is adjusted automatically when there is an increase in their salary.

Pensionable remuneration of staff in the Professional and higher categories

7. The Pension Board proposes that the pensionable remuneration of staff in the Professional and higher categories be established as follows:

"(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.
- (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." 4/

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4/ Ibid., Thirty-fifth Session, Supplement No. 9 (A/35/9), annex VII.

8. In paragraph 67 of its report, ICSC states that "in order to avoid the need to devise a system for the preservation of acquired rights which would be both legally sound and administratively workable, the Commission decided to recommend that the rates of pensionable remuneration on 1 January 1981 should be established at the level that will be reached by the application of the present WAPA system through September 1980". 5/ The scale of pensionable remuneration for staff in the Professional and higher categories recommended by the Commission is given in annex V to its report (A/35/30/Corr.1). The Advisory Committee notes that, as a result of movements in the WAPA index until the end of March 1980, pensionable remuneration was increased to 40 per cent above gross with effect from 1 July 1980. The Committee understands that, as at September 1980, the WAPA index reached 150.54. Under the present system, such an increase in the WAPA index would trigger an increase in pensionable remuneration to 50 per cent above the current gross (i.e., gross prior to any consolidation) with effect from 1 January 1981.

9. In paragraph 64 of its report, ICSC states that "the rates of pensionable remuneration to be adopted on 1 January 1981 for staff in the Professional and higher categories should be a function of the revised rates of gross remuneration which will become effective on that date as a result of the consolidation of a number of points of post adjustment and the simultaneous revision in the scale of staff assessment for such staff". 5/ The Advisory Committee understands that the relationship in question will be 100:117.86 (i.e., pensionable remuneration on 1 January 1981 will be 17.86 per cent above the proposed new gross, after consolidation of 30 points of post adjustment). The ratio had to be worked out to two decimal points in order to ensure that there would be no gain or loss.

10. Both the proposed revision to the Regulations of the Fund (see para. 7 above) and the report of ICSC refer in this context only to staff in the Professional and higher categories. In the United Nations, however, the adjustment of pensionable remuneration in accordance with movements of the WAPA index has also been applied in the case of Field Service personnel (see, for example, information circular ST/IC/80/49 of 16 July 1980). The Advisory Committee understands that it is the intention of the Secretary-General to continue to treat the pensionable remuneration of Field Service personnel in the same way as that of staff in the Professional and higher categories. In the circumstances, the Advisory Committee recommends that appropriate reference to the United Nations Field Service personnel should be made in the Staff Rules of the United Nations.

11. The proposed article 55 (b) of the Regulations also introduces, as of 1981, a distinction between pensionable remuneration for establishing contributions to the Fund and pensionable remuneration for computing the final average remuneration: the former will continue to be adjusted on the basis of movements of the WAPA index; the latter will be adjusted on the basis of movements of the Consumer Price Index (CPI) for the United States of America (see para. 7 above). The Advisory Committee notes in this connexion that, whereas until now adjustment of pensionable remuneration has been in multiples of 5 per cent, it is now proposed that adjustment

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5/ Ibid., Supplement No. 30 (A/35/30 and Corr.1 and 2).

be by the full extent of the variation of the index, provided that the variation is 5 per cent or more.

12. This system is recommended by ICSC in paragraphs 68 to 71 of its report. 6/ The United Nations Joint Staff Pension Board refers to it in paragraphs 40 to 43 of its report. 7/ In paragraph 69 of its report, the Commission states that the rates of pensionable remuneration for contribution purposes can never fall below the rates used for benefit purposes. The Commission did not pronounce itself on what corrective action, if any, should be taken if the pensionable remuneration for contribution purposes exceeded pensionable remuneration for benefit purposes. The Board addresses this issue in paragraph 42 of its report. The Advisory Committee notes the Board's conclusion not to modify the Commission's recommendation 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.

13. The proposed article 55 (b) (ii) of the Regulations of the Fund spells out the manner in which pensionable remuneration would be adjusted after 1 January 1981 for purposes of computing the final average remuneration. However, as the Pension Board states in paragraph 31 of its report, this "universal" system of pensionable remuneration for Professional and higher categories would 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)". 8/

14. The system of cost-of-living differential factors recommended by the Board is referred to in paragraphs 32 to 38 of its report and is described in detail in annex V thereto. As the Board states in paragraph 3 of annex V, 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 or her basic dollar entitlement under the Regulations.

15. The cost-of-living differential factor for a given country of retirement will be derived from the following table:

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6/ Ibid.

7/ Ibid., Supplement No. 9 (A/35/9).

8/ Ibid.

<u>36-month average excess of</u> <u>post adjustment classes over New York</u>	<u>Cost-of-living</u> <u>differential factor</u> (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

Where the 36-month average results in a fractional post-adjustment class, the corresponding cost-of-living differential factor will be determined by interpolation. The factor will be applied not to the entire final average pensionable remuneration but to a portion not exceeding the final average pensionable remuneration at grade P-2, step XI, on the date of entitlement. This is consistent with the request in paragraph 1 of section VI of General Assembly resolution 34/221 (see para. 4 above).

16. For a staff member who retires in a country other than the United States, two base amounts will be determined on his or her separation:

(a) A dollar base amount which will be established on the basis of the basic pension (see paras. 7-9 above); and

(b) A local currency base amount which will consist of the dollar base amount increased by the application of the cost-of-living differential factor where applicable (see preceding paragraph) converted into the currency of the country of retirement using the average exchange rate over the 36 consecutive calendar months up to and including the month of the separation.

Appropriate adjustments will be made in cases where beneficiaries elect to commute a portion of their benefits.

17. Thereafter, each beneficiary's record will contain two amounts - one in United States dollars and the other in the currency of the country of retirement. On a quarterly basis 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 used at the time of the previous adjustment, provided that no adjustment will be made if the change between the two is less than 3 per cent. A similar exercise will be carried out for the local currency amount, using the ratio of the local CPI on the two dates.

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Pensionable remuneration of staff in the General Service category

18. In paragraph 44 of its report, 9/ the Pension Board points out that the pensionable remuneration of staff in the General Service category - unlike that of staff in the Professional and higher categories - (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. The Advisory Committee notes that these characteristics apply also to staff in other local categories (e.g. Manual Workers and Security Service).

19. The ICSC addressed the question of the staff assessment element and the problem faced by staff who retire in a country other than that of their duty station. The Commission's observations are contained in paragraphs 39 to 47 and 76 to 87 of its report. 10/

20. After discussing the implications of the various choices available and after taking account of the views expressed by CCAQ and FICSA, the Commission approved a revised scale of assessment which is given in paragraph 84 of its report. In paragraph 85 the Commission states that:

"This scale of staff assessment would be applied, as from the date of the next revision, to the General Service and other locally recruited categories salary scales at the different duty stations. If the new staff assessment rates, applied to the revised net salaries, were to produce gross salaries, and therefore rates of pensionable remuneration, lower than the existing ones, the latter would be maintained until surpassed as a result of subsequent further revisions to the salary scales." 11/

21. The Pension Board took note of the Commission's decision on the scale of staff assessment for locally recruited staff. The Board noted that the existing scale had been in effect since 1 January 1966 and was 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. 12/ The Advisory Committee notes that the question of staff assessment is within the competence of ICSC but not of the Pension Board and that it is distinct from the question of cost-of-living adjustments.

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9/ Ibid.

10/ Ibid., Supplement No. 30 (A/35/30 and Corr.1 and 2).

11/ Ibid.

12/ Ibid., Supplement No. 9 (A/35/9), paras. 45 and 47.

22. With regard to cost-of-living adjustments for staff who retire away from the country of their duty station, the Commission and the Board decided that such adjustments should be payable. The related adjustment mechanism is based on the ratio of midpoint net salaries in the country of residence after separation and in the country of the duty station. The manner in which the ratio is to be calculated is described in paragraph 7 (b) of annex V to the Board's report. The Advisory Committee notes that for the country of retirement the calculations exclude non-resident allowance (for, by definition, the retired staff member would be a resident of that country); for the country of the duty station, on the other hand, the non-resident allowance is included for non-resident General Service staff are much more likely to retire away from the country of the duty station than staff who resided in the locality before recruitment.

23. The applicable cost-of-living differential factor is to be derived from the following table: 13/

<u>Ratio of midpoint net salaries</u>	<u>Cost-of-living differential factor</u> (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

24. The appropriate factor would be applied only to the portion of the participant's final average remuneration which does not exceed the pensionable remuneration at grade P-2, step XI. This limitation is the same as for participants in the Professional and higher categories (see para. 15 above). 14/

25. In paragraphs 53 to 55 of its report and in paragraph 8 of annex V thereto, the Board describes an adjustment system to be applied to retirement and disability benefits which, before any commutation and despite being based on at least 15 years of contributory service, amount to less than \$4,000 per annum. The adjustment would apply only to participants from the General Service and other local categories for the reason given in paragraph 55 of the Board's report. 15/

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13/ Ibid., Supplement No. 9 (A/35/9), annex V, para. 7 (b); Supplement No. 30 (A/35/30 and Corr.1 and 2), para. 49.

14/ Ibid., Supplement No. 9 (A/35/9), para. 52.

15/ Ibid., Supplement No. 9 (A/35/9).



Cost implications

26. In paragraphs 66 to 68 of its report, 15/ the Board states that:

(a) The proposed measures would not increase the budgets of the member organizations since they would not affect the over-all remuneration of all participants combined;

(b) The Consulting Actuary estimates that the measures in question would increase the actuarial liabilities of the Fund over the long term by about \$160 million, in lump-sum terms;

(c) The Consulting Actuary is of the view that the additional actuarial liability is not of a magnitude to require supplementary payments by Member States, in accordance with article 27 (a) of the Regulations.

Observations of the Advisory Committee

27. The proposals before the General Assembly at its thirty-fifth session are the culmination of efforts designed to adjust the United Nations pension system to a world beset by inflation and exchange rate instability. The Committee discussed this problem in its report to the General Assembly at its thirty-fourth session (A/34/721, paras. 14-21).

28. The Advisory Committee notes that the proposals under consideration have been endorsed by both the Pension Board and ICSC. While reservations to certain aspects of the proposals have been expressed by some parties to the discussions, such reservations may be viewed as an expression of the fact that the proposals constitute a compromise between those who might have wanted to go further in the direction of selectivity and those who favoured the retention of a fully universal system. In the words of the statement by the Administrative Committee on Co-ordination:

"The proposals before the General Assembly offer a pragmatic solution to very complex problems which, of necessity, is in the nature of a compromise. While not fully satisfactory to any of the parties concerned, the proposals submitted are acceptable to all the organizations. The Administrative Committee on Co-ordination therefore strongly recommends their adoption by the General Assembly" (A/C.5/35/63).

29. Bearing that in mind, the Advisory Committee focused attention on (a) whether the proposals were likely to create new anomalies, and (b) whether they were consistent with past directives by the General Assembly. In this connexion the Committee recalled that in paragraph 3 of section I of resolution 31/196 the General Assembly decided:

"that one of the guidelines for the future deliberations of the United Nations Joint Staff Pension Board should be that the principle of compensating by whatever means for country-to-country differences in the cost of living should be given limited recognition falling short of equality of purchasing power so as to ensure that the new scheme does not require an increase in the present or future financial liabilities of Member States".

30. As can be seen from the table in paragraph 15 above for staff in the Professional and higher categories, the proposed scheme provides no compensation where the cost-of-living difference between the country of retirement and the base is less than four classes or 22 points of post adjustment. Moreover, when compensation is granted, it is in an amount which falls short of the full cost-of-living difference, as illustrated in the table below. In response to inquiries, the Advisory Committee was informed that the General Service staff would be treated in the same way, except that for purposes of comparison, the relationships between net salaries (which contain cost-of-living increases) would be used instead of post adjustment differences, as shown in the table in paragraph 23.

<u>Post adjustment class above the base</u>	<u>Difference in post adjustment multiplier</u>	<u>Multiplier using post adjustment at class 4 as threshold</u>	<u>Cost-of-living differential factor</u>
0	0	0	0
1	5	0	0
2	10	0	0
3	16	0	0
4	22	5	3
5	28	10	7
6	34	16	12
7	41	22	17
8	48	28	22
9	55	34	28
10	63	41	34
11	71	48	40
12 or more	80 or more	55	46 (max.)

31. Furthermore, under the proposal, the maximum cost-of-living differential factor would be 46 per cent, and the factor would be applied only to the portion of the final average pensionable remuneration not exceeding the final average pensionable remuneration at grade P-2, step XI, on the date of entitlement.

32. The features of the proposals described in paragraphs 30 and 31 above are consistent with the guideline enunciated by the General Assembly in resolution 31/196 (see para. 29 above). However, the use of the post-adjustment classification of duty stations for purposes of calculating the proposed cost-of-living differential factors for staff in the Professional and higher categories gives rise to certain possible anomalies attributable to the fact that the post adjustment mechanism is essentially intended for serving staff. The ICSC addresses this question in paragraphs 35 to 38 and 72 to 75 of its report 16/ and the Pension Board in paragraphs 37 and 38 of its report. 17/

16/ Ibid., Supplement No. 30 (A/35/30 and Corr.1 and 2).

17/ Ibid., Supplement No. 9 (A/35/9).

33. The Advisory Committee is of the view that the elaboration of a special index for pensioners, which is a complex matter that cannot be resolved overnight, should not stand in the way of the proposed changes in pensionable remuneration. At the same time the Committee recommends that the General Assembly should request ICSC to give high priority to the elaboration of the special index, including the impact of national taxation.

34. In this connexion the Committee recalls that United Nations pensionable remuneration is based on gross because in most countries national taxes are levied on United Nations pensions. Were United Nations pensions exempt, they could have been based on net pay, with a considerable saving to Member States in their capacity of contributors to the budgets of the organizations. Pensioners retiring in countries which exempt United Nations pensions from national taxation enjoy benefits at a higher level than in countries which do not grant such an exemption. It is questionable, therefore, whether it would be equitable to grant them the full cost-of-living differential to which they would be entitled under the proposed measures.

35. The Committee considered whether the differences resulting from the use of two different bases for the adjustment (i.e. the post adjustment classification for the Professional and higher categories and the net salaries for the General Service category) constituted anomalies. For example, the Committee understands that since London is currently in a higher class of post adjustment than New York, Professional staff serving at United Nations Headquarters who retire to London would benefit from the proposed cost-of-living differential. Their General Service colleagues, however, would get no adjustment on retiring from New York to London because local salaries - and hence the pensions based thereon - are higher in New York than in London.

36. The Advisory Committee has concluded that such differences are the inevitable consequences of the differences in the salary systems. In any event, only a very small number of retirees from the General Service category will be affected. An analysis of pensioners who retired as United Nations staff <sup>18/</sup> in the General Service category during the last five years - which was provided to the Committee at its request - shows that only 10 per cent retired to countries where they would benefit from the proposed cost-of-living adjustment. This analysis, which covered 350 out of a total of 357 retired General Service staff, showed the following results:

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<sup>18/</sup> The Committee has no comparable information on retired General Service staff of the specialized agencies.

<u>Country of retirement</u>	<u>No.</u>	<u>Percentage</u>
A. Same countries as their last duty stations	266	76
B. Countries other than their last duty stations where the ratios of midpoint salaries to the last duty stations are:		
1. Less than 22 per cent and cost-of-living differential factors would not be applicable	49	14
2. 22 per cent or more and cost-of-living differential factors would have been applicable	35	10
	<u>350</u>	<u>100</u>
Totals	<u>350</u>	<u>100</u>

37. As regards the second element in the General Assembly's guidelines in paragraph 3 of section I of resolution 31/196 (see para. 29 above), namely, that a new scheme should not require an increase in the present or future financial liabilities of Member States, the Advisory Committee notes the views of the Consulting Actuary reported in paragraph 26 above. The Committee agrees with the conclusion of the Pension Board that the Board, in conjunction with ICSC, should monitor the two scales of pensionable remuneration for staff in the Professional and higher categories and should recommend remedial action whenever they showed an excessive divergence (see para. 12 above).

38. The Advisory Committee notes the transitional measures for existing pensioners and the special adjustments for small pensions proposed by the Board. 19/

39. Subject to the above observations and to the recommendations in paragraphs 10 and 33, the Advisory Committee recommends that the General Assembly should approve the Board's proposals as reflected in sections I and II of the draft resolution in annex VI to the Board's report.

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19/ Official Records of the General Assembly, Thirty-fifth Session, Supplement No. 9 (A/35/9), paras. 53-55 and 62-65, and annex V, paras. 8-10 and 26-30.

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

40. In paragraph 73 of its report, the Board recommends that the General Assembly should take appropriate action for the admission of ICCROM to membership in the Fund with effect from 1 January 1981, in accordance with article 3 (b) of the Regulations of the Fund.

41. The Advisory Committee recalls that it considered the question of ICCROM's admission in 1979 when it expressed the view that additional consideration should be given, in the first instance by the Pension Board, to whether ICCROM should be admitted as a member organization or whether its staff should be regarded, for purposes of pension coverage, as staff of the parent organization, namely UNESCO (A/34/721, paras. 49 and 50). In paragraph 73 of its current report, the Board states that it was informed by UNESCO that, as ICCROM was a separate and autonomous organization, the alternative suggestion made by the Advisory Committee was not feasible.

42. In the circumstances the Advisory Committee does not object to the Board's recommendation that the General Assembly should admit ICCROM to membership in the Fund.

43. The Committee notes that in paragraph 74 of its report the Board states that it will transmit to the General Assembly at its thirty-sixth session its conclusions regarding the suggestion made by the Committee in its report to the Assembly at the thirty-fourth session (A/34/721) that the Board review article 3 (b) of the Regulations of the Fund, which governs qualifications for admission to membership in the Fund.

C. Transfer of pension rights

44. In paragraphs 75 to 81 of its report, the Pension Board invites the concurrence of the General Assembly in proposed agreements with the Governments of the Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic, and also with the Organisation for Economic Co-operation and Development (OECD) and the European Centre for Medium-Range Weather Forecasts (ECMWF), governing the transfer of pension rights. The Texts of the proposed agreements are contained in the addendum to the Board's report (A/35/9/Add.1). The Advisory Committee recommends that the five proposed agreements be approved.

D. Administrative expenses

45. In paragraphs 82 to 100 and in annex III of its report, the Pension Board submits estimates of administrative expenses for 1981 amounting to \$4,744,200 and supplementary estimates for 1980 in an amount of \$181,700. Both amounts are net of staff assessment and are chargeable directly to the United Nations Joint Staff Pension Fund. A breakdown by object of expenditure and a comparison with expenses in 1979 is given in the following table:

Administrative expenses of the United Nations Joint Staff Pension Fund  
(in US dollars)

Object of expenditure	1979 expenses	1980			1981	
		Appropriations	Supplementary estimates	Total	Estimates	Increase (decrease) over 1980 rev.
<b>A. ADMINISTRATIVE COSTS</b>						
Established posts	699 655	867 000	-	867 000	1 177 000	310 000
Common staff costs	285 657	273 500	-	273 500	377 000	103 500
Temporary assistance	122 610	174 000	-	174 000	82 000	(92 000)
Common staff costs	58 645	50 000	-	50 000	26 000	(24 000)
Overtime	33 181	27 000	10 000	37 000	40 000	3 000
Travel of staff						
To meetings	17 070	23 500	-	23 500	29 000	5 500
On official business	3 031	7 000	-	7 000	11 000	4 000
Actuarial consulting services	132 481	45 000	65 000	110 000	130 000	20 000
Committee of Actuaries	15 502	21 500	-	21 500	24 000	2 500
Data-processing costs Services rendered by United Nations	20 000	20 000	-	20 000	20 000	-
Acquisition and maintenance of equipment	29 774	35 000	10 000	45 000	45 000	-
Contractual services	-	30 000	(15 000)	15 000	15 000	-
Supplies and materials	16 592	10 000	5 000	15 000	17 000	2 000
External audit	6 000	6 000	-	6 000	6 000	-
Communications services	5 000	5 000	-	5 000	5 000	-
Hospitality	1 405	1 800	700	2 500	3 000	500
Miscellaneous supplies and services	5 708	5 000	1 000	6 000	7 000	1 000
<b>Total administrative costs</b>	<b>1 452 311</b>	<b>1 601 300</b>	<b>76 700</b>	<b>1 678 000</b>	<b>2 014 000</b>	<b>336 000</b>
<b>B. INVESTMENT COSTS</b>						
Established posts	152 908	217 000	-	217 000	242 000	25 000
Common staff costs	85 551	65 000	-	65 000	77 000	12 000
Overtime	1 671	2 000	500	2 500	3 000	500
Travel of staff	2 616	6 000	-	6 000	8 000	2 000
Advisory and custodial fees	1 840 143	1 900 000	100 000	2 000 000	2 300 000	300 000
Investment consultants	14 871	16 000	1 500	17 500	19 000	1 500
Investment Committees	61 184	68 000	1 000	69 000	72 000	3 000
Investment reference services	2 060	2 200	-	2 200	2 200	-
Communications services	73	2 000	1 000	3 000	3 000	-
Hospitality	1 150	2 000	1 000	3 000	3 000	-
Miscellaneous supplies and services	-	-	-	-	1 000	1 000
<b>Total investment costs</b>	<b>2 162 227</b>	<b>2 280 200</b>	<b>105 000</b>	<b>2 385 200</b>	<b>2 730 200</b>	<b>345 000</b>
<b>GRAND TOTAL</b>	<b>3 614 538</b>	<b>3 881 500</b>	<b>181 700</b>	<b>4 063 200</b>	<b>4 744 200</b>	<b>681 000</b>

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46. The supplementary estimates for 1980, totalling \$181,700, comprise \$76,700 for administrative costs and \$105,000 for investment costs. The former is accounted for largely by an increase of \$65,000 in the cost of actuarial services which the Board, in paragraph 98 of its report, ascribes to the actuarial valuation of the final proposals for changes in pensionable remuneration and to services rendered in connexion with various transfer agreements. Of the \$105,000 increase in investment costs, \$100,000 relates to advisory and custodial fees. These fees are linked contractually to the market value of the investments; they are separate and distinct from the commissions charged by brokerage houses when securities are sold or purchased. The Advisory Committee notes the explanations in paragraphs 98 to 100 of the Board's report regarding the other increases and decreases proposed in the supplementary estimates. The Committee recommends that the General Assembly should approve the supplementary estimates for 1980 in the amount of \$181,700 as presented by the Pension Board.

47. The estimates for 1981, in a total amount of \$4,744,200, are \$681,000 higher than the administrative budget for 1980, including the supplementary estimates. The increase comprises \$336,000 in administrative costs and \$345,000 in investment costs.

48. Most of the estimated increase in administrative costs relates to staff costs. The Board requests 14 additional posts (including six conversions from temporary assistance), two new temporary assistance posts, and two reclassifications.

49. The 14 additional posts are distributed as follows:

- 1 P-3 Head of Benefits Unit (conversion of temporary assistance post)
- 1 P-3 Head of Payments Unit (conversion of temporary assistance post)
- 1 P-2 Associate Auditor in Benefits Unit (new post)
- 1 P-2 Head of Communications and Record Management Unit in Registry Section (new post)
- 1 G-5 Principal Accounting clerk in the Payments Unit (new post)
- 1 G-3/4 Accounting clerk for the Benefits Unit (new post)
- 5 G-3/4 Clerks for the Registry Section (two new posts, three conversions of temporary assistance posts)
- 2 G-3/4 Secretaries/clerks for the Geneva Office (one new post, one conversion of temporary assistance post)
- 1 G-3/4 Secretary for the Executive Office (new post)

50. As regards the request for a P-2 post for an Associate Auditor in the Benefits Unit (para. 85 of the Board's report), the Advisory Committee notes that the staff of the Unit already include one P-2 post and two G-5 posts (A/34/721, annex I). In the circumstances the Committee recommends against the request for the new P-2 post.

51. Similarly, the Committee has not been convinced of the need for a new P-2 post for the Registry Section requested in paragraph 86 of the Board's report. In the Committee's opinion, the current Professional staff of the Section (one P-3 and two P-2) should be adequate.

52. The Advisory Committee recommends that the General Assembly should approve the Board's request for six new General Service posts (including one at the Principal level) and six conversions (two P-3 and four General Service), requested in paragraphs 85 to 89 and 92 of the Board's report.

53. In paragraph 92 of its report, the Board requests two temporary assistance posts (one P-3 and one G-5). These posts would be additional to the three temporary assistance posts (all G-3/4) to be continued from 1980. In this connexion the Advisory Committee recalls that in recent years the Secretariat of the Pension Fund has had to devote considerable time and effort to preparing material for the Board on proposed adjustments to the system of pensionable remuneration and benefits. Now that this work has been completed, the resources released should be available for work on the proposed new procedures related to the establishment of an initial pension. In the circumstances, the Committee recommends that the General Assembly should not approve the request for two additional temporary assistance posts.

54. In paragraphs 90 and 91 of its report, the Board requests two reclassifications, both from P-3 to P-4, for the Chief of the Registry Section and for the Assistant to the Secretary and Deputy Secretary. The Advisory Committee has no objection to these two requests provided the Classification Section of the Office of Personnel Service is satisfied that the job content of the posts warrants their being reclassified to the P-4 level.

55. The organization chart of the secretariat of the Fund, including the new posts recommended by the Advisory Committee for approval by the General Assembly, is given in the annex to the present report.

56. Should the General Assembly approve the recommendations of the Advisory Committee, the Fund secretariat would comprise 79 established posts and three temporary posts, for a total of 82 (excluding the nine investment posts). The size of the Fund secretariat has increased in recent years in response not only to the increase in the number of benefits in payment but also to the increasing complexity of the United Nations pension system, and the frequent changes introduced to meet the impact of inflation and currency instability. The Advisory Committee trusts that once the General Assembly has approved the changes recommended by the Board and ICSC in their latest reports, there should be no need for further review for some time to come. The Advisory Committee recommends that the Board use this period of stability to examine the organization of the secretariat of the Fund in the interest of increasing mechanization and computerization and improving the speed and efficiency of the operations within the approved level of resources.

57. For travel of staff the Pension Board requests an increase of \$9,500, from \$30,500 to \$40,000. Actual expenses in 1979 totalled \$20,100. The Advisory



Committee has been informed that the increase is attributable in large measure to the growing practice of the Board to meet away from New York and the headquarters of the specialized agencies. While the Advisory Committee is not recommending a reduction in the estimates for travel, it stresses that the Board should exercise vigilance to ensure that travel is restricted to essential staff.

58. The increase in actuarial consulting services is explained in paragraph 94 of the Board's report. The Advisory Committee has no observations on the administrative costs under the other objects of expenditure.

59. As the Pension Board states in paragraphs 95 to 97 of its report, the increase of \$345,000 in investment costs is due in large measure to increased requirements for advisory and custodial fees, which are estimated at \$2.3 million in 1981 as against \$2 million in 1980. As stated in paragraph 46 above, these fees are linked contractually to the market value of the Fund's investments.

60. In paragraphs 50, 51 and 53 above the Advisory Committee recommended reductions in posts which, if approved by the General Assembly, would entail a reduction of the estimate for 1981 by \$46,000 from \$4,744,200 to \$4,698,200. Section VI (Administrative expenses) of the draft resolution recommended by the Pension Board in annex VI to its report would have to be amended accordingly.

#### E. Emergency Fund

61. In paragraphs 101 to 105 of its report, the Board reports on the operations of the Emergency Fund which was established in 1973 and which is used to provide aid to individual retirees who experience a proven need due to illness, infirmity or similar causes. The Board states in paragraph 103 that between 1975 and July 1980 payments totalled about \$121,000. In paragraph 106 the Board recommends that it be authorized to contribute up to \$100,000 to the Fund in 1981. The Advisory Committee recommends that the General Assembly should approve the Board's recommendation.

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

62. The Advisory Committee notes the financial statements of the Fund for the year ended 31 December 1979 as contained in annex I to the Board's report and the related report of the Board of Auditors which is reproduced in annex IV. In paragraphs 3 to 5 of its report, the Board of Auditors refers to the need for improvements in the area of recording investments and related income so as to prevent a repetition of experience with the accounts for the years 1977, 1978 and 1979 in which significant adjustments had to be made at the last minute. The Board of Auditors points out that none of these adjustments resulted in financial losses to the Fund.

63. In paragraph 125 of its report, the Pension Board states that it approved the financial statements for the year ended 31 December 1979 and expresses its satisfaction that steps were being taken by the United Nations to implement the measures suggested by the Board of Auditors in its report.

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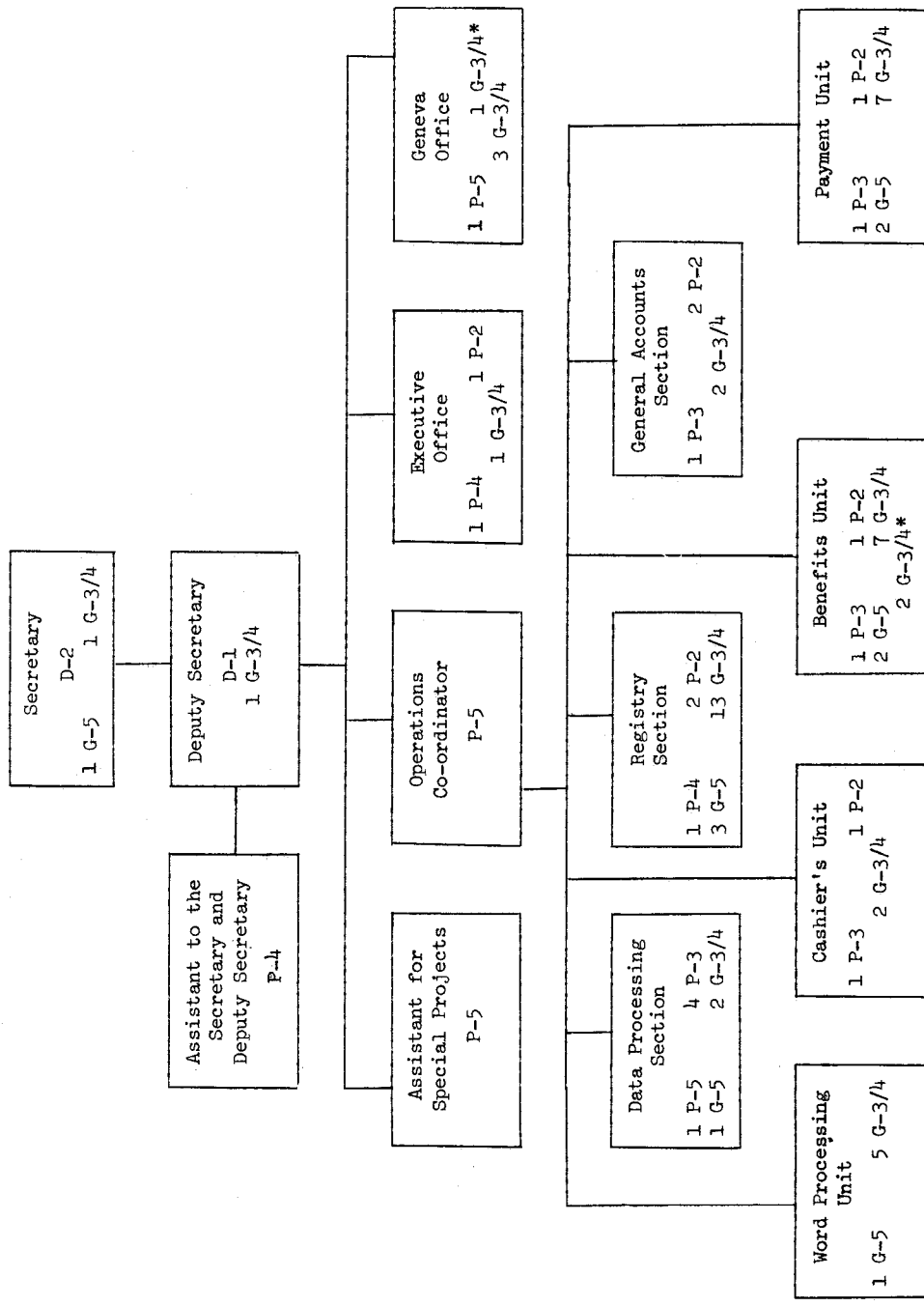
Recapitulation

64. In the present report the Advisory Committee has made several recommendations which are contained in paragraphs 10, 33, 39, 42, 44, 46, 56, 60 and 61 above. The recommendation in paragraph 60 amends section VI of the draft resolution recommended by the Pension Board in annex VI to its report.

ANNEX

Secretariat of the United Nations Joint Staff Pension Fund  
 (as recommended by the Advisory Committee for 1981)

Organization chart



\* Temporary assistance posts.