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REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Draft report of the Fifth Committee

Rapporteur: Mr. Oleg PASHKEVICH (Byelorussian Soviet Socialist Republic)

1. At its 1519th to 1522nd and 1523rd meetings, held on 3, 6, 8 and 9 November 1972, the Fifth Committee considered the annual report of the United Nations Joint Staff Pension Board for 1972,[1/] including the report of the Board of Auditors on the accounts of the United Nations Joint Staff Pension Fund for the year ending 30 September 1971. The related report of the Advisory Committee on Administrative and Budgetary Questions (A/8860) was also before the Committee.

2. In an oral statement introducing the report of the Advisory Committee, its Chairman drew attention to four recommendations made to the General Assembly by the Joint Staff Pension Board, concerning the upward adjustment of pensions in payment in the light of increases in the cost of living. The first three of these recommendations, which were endorsed by the Advisory Committee, were to continue the existing system of adjustments for a further three years, to extend its application to certain benefits at fixed levels previously excluded and to refine it in one minor respect. The fourth recommendation however, which was to compensate pensioners for losses in local currencies due to the revaluation of those currencies against the United States dollar (through *ad hoc* supplementary adjustments of 9, 6 and 3 per cent to the first $3,000 of the pension for the

1/ *Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 9* (A/8709 and Corr.1).

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years 1973, 1974 and 1975, respectively), had raised the questions of whether compensation for such losses was appropriate in principle and, if so, whether there was justification in according it to all pensioners rather than only to those who had suffered the particular losses. With regard to the appropriateness of compensation for such losses, the Advisory Committee agreed to a temporary adjustment in the interests of preserving some form of equity between pensioners and serving staff, provided no right became established thereby to future compensation on similar grounds. With regard to according compensation to all pensioners, despite a preference for a more selective approach, which it suggested the Board consider further at future sessions, the Advisory Committee recognized both the practical difficulties inherent in such an approach and the consistency, on the other hand, of the Board's proposal with the non-selective character of the basic adjustment scheme at present in operation.

3. A serious difficulty existed, none the less, in the Advisory Committee's view with respect to the amount of the supplements proposed. These had been established by the Board with reference to the approximate 8 to 9 per cent losses sustained, on the average, by those pensioners (some 2,500) directly affected by the currency realignments. Over the total range of pensioners (some 3,850), however, the average loss would be nearer 6 per cent. More appropriate temporary supplements, therefore, might be of the order of 6, 4 and 2 per cent for the years in question, although there were important other elements to be taken into account in reaching a final judgement.

4. The Advisory Committee recommended approval of the Board's estimates of administrative expenses for 1973 and supplementary estimates for 1972, subject to the arrangements for the management of the Fund's investments being kept under constant review, and to efforts being made to reduce expenditures for temporary assistance and the travel of staff to meetings.

5. Finally, the Advisory Committee recommended (A/8860, para. 40) that advantage be taken of the 30 September 1972 actuarial valuation of the Fund to ascertain, by way of a study and report by the Board through its Committee of Actuaries, what possibilities there might be of reducing, either permanently or temporarily, the rates of contribution (14 per cent of pensionable remuneration payable by the organizations, and 7 per cent payable by the participants) without prejudice to the Fund's ability to meet present and future benefit liabilities. For this purpose, the Advisory Committee wished it to

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be understood that the Fund should continue to provide benefits comparable to those of the best national civil service schemes and that it should remain fully funded, but that possible variants in its statutory provisions, such as those governing the age of retirement and the retention by the Fund of half (7 per cent) of the organization contribution where service was less than five years, should be considered as part of the study.

6. In the course of the discussion which followed, most of the representatives who spoke were in agreement with the first three recommendations of the Joint Staff Pension Board mentioned above; some, however, believed that these required further study. Opinions expressed on the fourth recommendation were divided. Some representatives supported the recommendation in the form proposed by the Board; others favoured the somewhat reduced supplements suggested as a possible alternative by the Advisory Committee; still others were unable to find justification for any special compensation in circumstances of currency realignments. The representatives who supported the proposal of the Board stressed, inter alia, the difference in the effect of currency changes on former national and international civil servants, and the need to take account not only of average losses but also the severe impact of the revaluations on the purchasing power of the two thirds of the Fund's pensioners who had been so affected. In their view, the temporary supplements provided a measure of equity between serving staff, whose salaries had been immediately adjusted, and pensioners which was by no means over-generous and which was well within the financial margins of the Fund. They also pointed out that adjustment on a selective basis would be both inconsistent with practice to date and in conflict with the principle that the level of benefits should not vary with nationality or country of retirement. Furthermore, the example of the United States of America, where civil service pensions had been adjusted between 1967 and 1972 by 31 per cent, as against adjustments of 18 per cent by the Fund, showed that, even in those situations where currency revaluation was not a factor, significant erosion of purchasing power had occurred.

7. The representatives who favoured the modified formula suggested by the Advisory Committee maintained, principally, that if losses in purchasing power due to currency realignments were to be regarded, for the purpose of compensation, as of the same nature as losses resulting from general increases in the cost of living,

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then all pensions should be included in computing the average loss. They consequently found it difficult to justify a method of calculation which had excluded benefits not affected by currency realignments. These representatives agreed, nevertheless, that there was a case for some action to remedy the effects of the exceptional currency movements of the last two years, with the understanding that the special measures envisaged should not constitute a precedent.

8. The delegations opposed to any special compensation because of currency realignments pointed out that no downward adjustments had been applied in the past following the devaluation of currencies in relation to the United States dollar. Furthermore, in their view, since the normal system of pension adjustment provided for compensation against world-wide average increases in the cost of living, and since the currency realignments had themselves had an impact on the index which measured those increases, there was no need to take the former separately into account. These representatives stated that, in any event, the increases which had taken place in pensions in recent years had raised them to levels above those of the national civil services of countries in which the Headquarters offices of the United Nations system were located. Further increases, in part merely because there was a surplus in the Fund, could consequently not be justified.

9. The recommendation by the Advisory Committee that a study of the Fund's contribution rates be carried out through the Board's Committee of Actuaries attracted general support. In this connexion, some representatives expressed the view that the organization contribution rate was too high, and that the Fund's practice of retaining half (7 per cent) of this contribution where service was less than five years should be discontinued. It was stressed that the study should be made available sufficiently early in 1973 to permit an examination in depth by those representatives to the twenty-eighth session of the General Assembly who wished to do so. Some delegations wished a general study of the functioning of the Joint Staff Pension Fund to be carried out by an intergovernmental body. Some delegations commented also on various aspects of the Fund's investments, including the ratio of these held in non-United States securities - which, the Committee was informed, was being gradually increased - as well as the efficacy of the arrangement operated by the Secretary-General for the day-to-day management of the portfolio. The view was expressed, with respect to the latter, that the investments should be subject to closer control by the Secretary-General and that more details thereon should in future be provided for the information of the Committee.

10. On the question of the organization of the Fund, dealt with by the Board in its report,[2/] some representatives expressed the view that the composition of the Board should be revised in such a way that half of its membership would consist of representatives of the General Assembly and corresponding legislative bodies and the other half of representatives of participants and executive heads.

11. Considerable discussion also ensued, at the instance of one representative in particular, over certain recommendations contained in the report of the Board of Auditors on the accounts of the Fund, and on the mention therein of a separate long-form report by that body, which was not available to the Fifth Committee.[3/] After further information had been provided with respect to the current audit arrangement between the Board of Auditors and the Joint Staff Pension Board, and on the extent to which the recommendations of the former had been implemented, it was agreed that copies of the long-form report should be made available, through the Secretary of the Committee, to those representatives who wished to see it.

12. Section I of the draft resolution proposed by the United Nations Joint Staff Pension Board[4/] was put to the vote and adopted by 79 votes to 7, with 3 abstentions. Section II of the draft resolution was thereafter adopted without objection. Finally, the Fifth Committee agreed to recommend to the General Assembly under section III of the draft resolution that it endorse the understanding contained in paragraph 20 and the suggestions contained in paragraphs 15 and 40 of the report of the Advisory Committee (A/8860).

2/ Ibid., paras. 37-39.

3/ Ibid., annex IV, para. 5.

4/ Ibid., annex V.

RECOMMENDATION OF THE FIFTH COMMITTEE

13. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

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 1972,5/ and the related report of the Advisory Committee on Administrative and Budgetary Questions,6/

I

Adjustment of benefits in respect of cost-of-living changes

Decides:

(a) To extend for a further period of three years from 1 January 1973 the system of adjustments to benefits in payment contained in General Assembly resolution 2122 (XX) of 21 December 1965, as amended by resolution 2887 (XXVI) of 21 December 1971;

(b) To apply the above system, with effect from 1 January 1973, to all benefits payable in periodic form previously excluded therefrom, with the exception of benefits derived from voluntary deposits in the Fund, provided that, for the purpose of adjustments under this paragraph, benefits shall be deemed to have commenced in 1972;

(c) To vary the system further with effect from 1 January 1973, in such manner that benefits resulting from separation during the first quarter of a calendar year shall be adjusted by three quarters of the rate applicable to that year, benefits resulting from separation during the second quarter by one half of such rate, and benefits resulting from separation during the third quarter by one quarter thereof;

5/ Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 9 (A/8709 and Corr.1).

6/ A/8860.

(d) To apply, as a transitional measure during 1973, 1974 and 1975, the following additional adjustments to periodic benefits in payment:

Date of separation	Additional annual index adjustment		
	1973	1974	1975
Prior to 1973	9	6	3
1 January-31 December 1973	-	6	3
1 January-31 December 1974	-	-	3

Provided that these additional adjustments shall be limited to benefits not exceeding $3,000 per year, and to the first $3,000 of any higher annual benefit, and that the total payment for any year shall not be less than that applicable in the previous year;

II

Administrative expenses

Approves expenses totalling $1,386,400 (net) for 1973 and supplementary expenses totalling $260,861 (net) for 1972 for the administration of the Fund, as estimated by the United Nations Joint Staff Pension Board in its report to the General Assembly for 1972;[7/]

III

Endorses the understanding contained in paragraph 20 and the suggestions contained in paragraphs 15 and 40 of the report of the Advisory Committee on Administrative and Budgetary Questions.[8/]

7/ *Official Records of the General Assembly, Twenty-seventh Session, Supplement No. 9* (A/8709 and Corr.1), annex III.

8/ A/8860.