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UNITED NATIONS PENSION SYSTEM

Financial implications of extending participation in the United Nations Joint Staff Pension Fund to officials other than staff members

Note by the Secretary-General

Introduction

1. The purpose of this note is to provide information on the financial implications of extending participation in the United Nations Joint Staff Pension Fund (UNJSPF) to the members of the Joint Inspection Unit (JIU), the Chairmen of the International Civil Service Commission (ICSC) and the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the Vice-Chairman of ICSC, as proposed in the report of the United Nations Joint Staff Pension Board (UNJSPB) 1/ and commented upon in the report of ACABQ. 2/
2. In its report, UNJSPB recommends an addition to the regulations of UNJSPF which would extend participation in the Fund to "officials covered by the Conventions on the Privileges and Immunities of the United Nations, and of the Specialized Agencies who perform such functions for the member organization of the Fund, which, if provided by their staff members, would be considered as full-time or part-time employment for the purpose of these Regulations". In the commentary on the proposed text of the Regulations, it is indicated that the change would "provide pension coverage to officials who are not staff members, such as the members of the Joint Inspection Unit, the Chairman of the ACABQ and the Chairman and Vice-Chairman of the ICSC".

3. In paragraphs 22 to 30 of its report, the Advisory Committee reviewed the past decisions of the General Assembly regarding the question of retirement benefits for the members of JIU and for the Chairman and Vice-Chairman of ICSC, and noted that pension coverage for the Chairman of ACABQ had not been discussed to date. It also observed that the proposal of the Pension Board appeared to be the outgrowth of an earlier one to extend coverage to members of JIU and that the full implications of the language of the proposed supplementary article B of the Pension Fund Regulations may not have been considered by the Board. In the circumstance, the Advisory Committee expressed the view that "before the General Assembly is called upon to pronounce itself on proposed supplementary article B, it should be provided with an analysis of its full impact, together with the related financial implications".

4. Nevertheless, the Advisory Committee gave some preliminary consideration to whether financial implications would arise after the General Assembly decided, as a first step, to extend participation in UNJSPF to members of JIU, the Chairmen of ICSC and ACABQ and the Vice-Chairman of ICSC. In that regard, it noted that extension of pension coverage to the members of JIU would have no financial implications, unless past services were to be covered, inasmuch as the organizations already contributed equivalent amounts to the Inspectors' Provident Fund. As for the other three officials, the Committee noted that the financial implications would depend on the level of the pensionable remuneration established for them, since their annual compensation is set out in net terms and they have no entitlement to post-retirement benefits at this time; there is also the question of the financial implications of the actuarial cost of coverage of past periods of service.

Members of the Joint Inspection Unit

5. The current retirement benefits of the members of JIU are briefly summarized in paragraphs 23 and 24 of the report of ACABQ. As indicated in that report, participation in UNJSPF on a prospective basis for members of JIU would have no financial implications. An actuarial calculation would have to be made to determine the additional cost if coverage for past services is provided in respect of the current members of JIU. The amounts which have accrued to the Inspectors in the Provident Fund, together with the interest income in excess of the amounts credited to the Inspectors, could be used to cover, if not the whole, at least part of that cost. Under the current scheme, the Inspectors are credited with interest on the total 21 per cent contribution to the Provident Fund at the statutory rate established under article II (c) of the Regulations of the Pension Fund, currently 3.25 per cent. The Secretariat had been considering, in consultation with JIU, submission of a proposal which would have added the provision that interest earned in excess of the 3.25 per cent should also revert to the Inspectors on a pro rata basis, subject to retention in the Provident Fund of an amount deemed appropriate by the Secretary-General to cover any additional liabilities under the death and disability coverage extended to the Inspectors while they are in service.

Chairmen of the International Civil Service Commission and the Advisory Committee on Administrative and Budgetary Questions and Vice-Chairman of the International Civil Service Commission

6. As indicated in the ACABQ report, the annual compensation and other conditions of service of these officials is to be reviewed every five years by the General Assembly. The compensation was last set at \$67,000 net by the Assembly, with effect from 1 January 1981, subject to adjustments in January of each year if the consumer price index (CPI) in New York has increased by 5 per cent or more (the net adjustments being 90 per cent of the CPI movement). The current amount of the annual net compensation is \$72,360, with the two Chairmen receiving an additional allowance of \$5,000 per annum. On the basis of the projected movement of CPI, it is expected that the annual compensation will increase by approximately 5 per cent on 1 January 1983 or to a level of approximately \$76,000 net.

7. Since the compensation of the officials concerned includes cost-of-living increases, it would not seem appropriate to derive a pensionable remuneration by reverse application of staff assessment to the full amount of the annual compensation. It would also not seem desirable to attempt to divide the annual compensation into two parts, which would require periodic consolidations of the cost-of-living element into the base remuneration in the future for purposes of revising the pensionable remuneration. All circumstances considered, the Secretary-General suggests that the pensionable remuneration might be set by reference to the level of the pensionable remuneration of senior officials in the Secretariat considering that the annual compensation was established after examination of the levels of the net remuneration of senior Secretariat officials. The annual compensation of the three officials currently lies between the net remunerations of Assistant Secretaries-General and Under-Secretaries-General with dependants in New York, i.e. \$72,360 for the three officials concerned as compared to \$70,500 for an Assistant Secretary-General and \$76,877 for an Under-Secretary-General. These amounts exclude the representation allowance payable to Assistant Secretaries-General and Under-Secretaries-General and the additional allowance received by the two Chairmen. On 1 October 1982, the pensionable remunerations of an Assistant Secretary-General and an Under-Secretary-General were revised to \$117,891 and \$132,853 respectively.

8. Taking into account all the elements cited above, the Secretary-General believes that, should the General Assembly approve participation of the three officials concerned in UNJSPF, then pensionable remuneration for the three officials might be set at \$120,000 per annum and be subject to adjustment on the same dates and by the same percentage amounts as applicable to staff in the Professional and higher categories under article 55 of the Pension Fund Regulations. In this way, it would not be necessary to establish separate adjustment procedures for the pensionable remuneration of these officials.

9. The financial implications of extending such coverage on a prospective basis to the three officials concerned would be approximately \$50,400 for 1983, assuming no increase in the level of pensionable remuneration in 1983, i.e. 14 per cent of \$120,000 or \$16,800 for each official. The cost of making their past service count for pension purposes would require the construction of levels of pensionable

remuneration for the prior years and an actuarial costing of providing coverage for those years. For the Chairman of ACABQ, it would seem that coverage might be considered for the years 1978 onwards as the transition from an honorarium to an annual compensation was made effective on 1 January 1978. The Chairman of ICSC has served on the Commission since 1 January 1978 and the Vice-Chairman since 1 January 1980.

10. In the cases of the Chairman and Vice-Chairman of ICSC, the additional costs would be shared by the organizations in the United Nations common system.

Notes

1/ Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 9 (A/37/9 and Corr.1).

2/ A/37/674.
