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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

1. In a cable communication, dated 7 December 1982, the Chairman of the Joint Inspection Unit (JIU) informed the Secretariat that the Inspectors unanimously requested that the views set out below be conveyed to the Fifth Committee:

"1. The Inspectors unanimously consider that their participation in the United Nations Joint Staff Pension Fund (UNJSPF) would be undesirable for the following reasons:

"(a) Because of the age of most Inspectors (near or beyond 60) and the strict limitations of the duration of their service (limitations which apply only to Inspectors) of from 5 to a maximum of 10 years, a pension system designed largely for career service is inappropriate for them.

"(b) Special pension arrangements in the form of a Provident Fund were originally proposed by ACABQ and adopted by the General Assembly in order to protect the independence of Inspectors by not associating them too closely with provisions for staff members. This principle still applies.

"(c) Document A/C.5/37/90 in paragraph 5 states that there may be additional costs if Inspectors join UNJSPF retroactively. There is no good reason for incurring such additional costs when the present Provident Fund scheme for the Inspectors could function adequately without added costs (see para. 2 below).

"(d) The letter of appointment of Inspectors specifies in annex III the terms of the Inspectors' post-retirement benefit (Provident Fund) decided by the General Assembly. It does not seem to be legally correct to modify this contractual arrangement unilaterally.

"2. The Inspectors do believe that the existing Provident Fund system suffers from one serious defect which could be corrected without additional costs. Whereas UNJSPF has built-in provisions which protect members from much of the effect of inflation, the Provident Fund system offers only minimal protection in the form of 3.25 per cent interest on funds credited to each Inspector. The actual interest obtained by the United Nations on these amounts has been much higher, and this residual interest is not now used. To correct this anomaly and to provide Inspectors with better protection against inflation for the sums they themselves have deposited in the Provident Fund and the sums deposited for them by the Organization, it would suffice to authorize the use of the available residual interest. The residual interest earnings now available should be credited in 1982 to the accrued level of the post-retirement benefit of the Inspectors on a pro rata basis, and thereafter annually subject to the retention in the Provident Fund of an amount deemed appropriate by the Secretary-General to cover any liabilities under the death and disability coverage extended to the Inspectors. This suggestion, if adopted, should apply to all Inspectors who served in 1982 and thereafter.

"3. Should the General Assembly decide, nevertheless, that Inspectors should be members of UNJSPF, it would appear to be essential to adopt, at the same time, a number of transitional measures applicable to serving Inspectors for the reason mentioned in paragraph 1 (d) and also to provide an orderly transition. These measures might include:

"(a) For serving Inspectors, membership in UNJSPF should be optional. They should have the choice of remaining in the existing Provident Fund.

"(b) If any serving Inspector decides to joining UNJSPF, he should have the option of joining from 1 January 1983 or from the date his service began. If he joins from 1 January 1983, the amounts credited to him in the Provident Fund for this service prior to 1 January 1983 plus his pro rata share of the residual interest earnings should be paid to him."
