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REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Addendum

1. The United Nations Joint Staff Pension Board, at its thirty-first session, requested the Standing Committee to consider in detail whether it was necessary to introduce transitional arrangements and/or greater clarity in the Regulations of the Fund and the pension adjustment system so as to ensure the smooth and fair implementation of the changes approved with effect from 1 January 1983. If need be, the Standing Committee was empowered to submit recommendations to the General Assembly at its thirty-eighth session. 1/
2. The Standing Committee met at United Nations Headquarters, New York, from 4 to 6 October 1983. The membership of the Standing Committee is listed in annex VII to the report of the Pension Board to the General Assembly at its current session. 2/
3. By resolution 37/131 of 17 December 1982, the General Assembly approved recommendations by the Pension Board which included a package of economy measures designed to improve the actuarial balance of the Fund; some of those measures required amendment of the Regulations of the Fund while others called for changes in the pension adjustment system. Implementation of the changes in 1983 brought to light several ambiguities. Having examined the question, the Standing Committee concluded that immediate corrective action was required in three areas, namely:
 - (a) Determination of the rate of accumulation applicable to former participants who again become participants;
 - (b) Consequences of the revisions to the provisions for restoration of prior pensionable service; and
 - (c) Consequences of the decision that cost-of-living adjustments would not be applied to deferred retirement benefits before the participant reached age 50.
 - (a) Determination of the rate of accumulation applicable to former participants who again become participants
4. One of the major economy measures approved last year was to reduce the rate of accumulation for participants entering the Fund on or after 1 January 1983. To give effect to that reduction, article 28 of the Regulations was amended and expanded. The rates applicable to new entrants were set out in article 28 (b),

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and those applicable to participants who entered the Fund prior to 1 January 1983 - in article 28 (c). The text of those two paragraphs, as approved by the General Assembly with effect from 1 January 1983, reads as follows:

(b) The benefit shall, subject to (d) and (e) below, in the case of a participant who enters the Fund on or after 1 January 1983, be payable at the standard annual rate which is obtained by multiplying:

- (i) The first five years of the participant's contributory service by 1.5 per cent of his final average remuneration,
- (ii) The next five years of his contributory service by 1.75 per cent of his final average remuneration, and
- (iii) The years of his contributory service in excess of 10, but not exceeding 25, by 2 per cent of his final average remuneration.

(c) The benefit shall, subject to (d) and (e) below, in the case of a participant who entered the Fund prior to 1 January 1983, be payable at the standard annual rate which is obtained by multiplying the years of the participant's contributory service, not exceeding 30, by 1/50 of his final average remuneration, and his years of contributory service in excess of 30, not exceeding 5, by 1/100 of his final average remuneration.

5. While the text, as approved, presents no difficulties in the case of a staff member with a traditional type of career, there are also numerous participants who are on fixed-term appointments and whose service is interrupted by periods of months, sometimes years, when they do not work for a member organization. The question addressed by the Standing Committee was whether a participant who had already had a period of contributory service and who was subsequently separated should be regarded - on re-employment - as a new entrant and thus subject to the reduced rate of accumulation in article 28 (b). The question was complicated by the fact that previous participation could have taken place prior to or subsequent to 1 January 1983. These questions were not addressed in the Pension Board's report to the General Assembly at its thirty-seventh session. 3/

6. The Standing Committee, bearing in mind the related recommendation of the Committee of Actuaries, concluded that no individual should have more than five years of contributory service during which the rate of accumulation was 1.5 per cent of pensionable remuneration, and a further five years during which the rate was 1.75 per cent, irrespective of whether such periods of contributory service were continuous or not. Thus, a participant who enters the Fund for the first time after 1 January 1983, who is separated after, say, five years of contributory service, and who is subsequently re-employed, would - upon such re-employment - begin accumulating at the rate of 1.75 per cent, and would not be required to begin once again at the rate of 1.5 per cent.

7. As regards participants who had entered the Fund prior to 1 January 1983, who were subsequently separated (before or after 1 January 1983), and again became participants after 1 January 1983, the Standing Committee concluded that, in order to achieve a smooth transition, the procedure described in the preceding paragraph would apply also to those who had separated on or subsequent to 1 January 1978, and are entitled to periodic benefits from the Fund. In the case of such a participant, his contributory service prior to separation would count towards

determining the rate of accumulation applicable to his subsequent contributory service. Those who had separated prior to 1 January 1978 on the other hand, had, by 1 January 1983, a more tenuous relationship with the member organizations; consequently if such a participant rejoined a member organization after 1 January 1983, he would be treated as a new entrant and article 28 (b) would apply.

(b) Consequences of the revisions to the provisions for restoration of prior pensionable service

8. Prior to 1 January 1983, a former participant who rejoined a member organization had the option, subject to the conditions laid down in article 24 then in force, to restore his entire prior contributory service in the Fund. One of the changes approved by the General Assembly at its thirty-seventh session was to limit the right of restoration to a period of prior contributory service of less than five years (current art. 24 (a)); at the same time, a former participant who re-enters the Fund can acquire a further benefit or benefits related to his subsequent periods of contributory service (current art. 40). The rationale for the change was that the sum of such pensions would be less (sometimes considerably less) than a single pension calculated on the basis of the participant's last final average remuneration (FAR) and the totality of his years of contributory service, the reason being that one's salary (and thus pensionable remuneration) tends to be highest towards the end of one's career. Thus, the change reduces the costs to the Fund.

9. The attention of the Standing Committee was drawn to the fact that where a participant's career with a member organization (or organizations) consisted of a series of unconnected fixed-term appointments - as was the case with technical co-operation experts - the reduction in the retirement benefit would be so drastic as to be socially undesirable.

10. The Standing Committee saw merit in that argument. It recalled that the Board's objective at its thirtieth session, at which the package of economy measures had been formulated, was to address situations such as that of a participant who, after, say, 10 years of contributory service as a junior professional, and a subsequent break in service of 10, 15 or 20 years, rejoined a member organization in a senior post; and that the Board did not intend to penalize those who - because of the nature of the skills they could offer to the member organizations - could not be employed on a continuous basis.

11. The Standing Committee noted that in the case of technical co-operation experts most of the interruptions of service were of less than 12 months. In some instances, member organizations could link periods of contributory service by administrative expedients, such as the granting of special leave without pay. The Standing Committee felt that recourse to such expedients would be undesirable. It also noted that short interruptions in contributory service (unlike the case referred to in the preceding paragraph) would have a lesser impact on the size of the final total benefit.

12. Accordingly, the Standing Committee has concluded that where a participant resumes his contributory service with a member organization within 12 months of separation, without a benefit having been paid to him, his participation in the Fund (as distinct from his contributory service) should not be deemed to have been interrupted. Should this recommendation be approved, a consequential amendment

would be required in article 32 (a) on the deferment of payment or choice of benefit, in which the period of deferment would have to be increased from 6 to 12 months.

13. The Standing Committee also considered the impact of interruptions in participation on the calculation of early retirement benefits pursuant to article 29 (b) (i) and (ii). The Committee concluded that, in fairness, the provisions of article 29 (b) (i) and (ii) should apply to participants who had accumulated the required number of years of contributory service over two or more periods of participation.

(c) Deferred retirement benefits

14. One of the decisions taken by the General Assembly at its thirty-seventh session on the recommendation of the Pension Board was that, after 1 January 1983, deferred pensions, irrespective of the date of their election, would no longer be adjusted until such time as the former participant reached age 50. 4/

15. Under the Regulations of the Fund, a participant who is separated from a member organization before age 55 with more than five years of contributory service, and who is not awarded a disability benefit, may choose between a withdrawal settlement (article 31) and a deferred retirement benefit (article 30).

16. Each participant's choice is dictated by his needs and expectations at the time of separation. In some instances participants may have chosen a deferred benefit in the expectation that cost-of-living adjustments would work to their advantage; had there been no adjustment system they may have chosen a withdrawal settlement.

17. The Pension Board, in the light of observations by the Committee of Actuaries, concluded that, in a spirit of fair play, the participants who had elected a deferred retirement benefit before 1 January 1983 (i.e. at a time when they expected the cost-of-living adjustment system to operate irrespective of their age), and who were under age 50 on 1 January 1983, should be given a second chance to consider their options.

18. Having considered the modalities of implementation of the Board's conclusion, the Standing Committee decided that the Fund should adopt a no-gain, no-loss approach. Such an approach would require the Fund to pay to a participant who now opted for a withdrawal settlement interest at a rate corresponding to the rate of return earned by the Fund. The latter rate has fluctuated greatly from year to year. Calculations by the Consulting Actuary showed, however, that there was a close correlation between the actual Fund return over the 23-year period to 31 March 1983 and a smoothed 6.5 per cent a year return, compounded.

19. Accordingly, the options to be offered to a participant who has elected a deferred retirement benefit will be as follows:

(a) Maintain his original election of a deferred benefit. If he does so, and he was younger than 50 on 1 January 1983, his benefit, together with cost-of-living adjustments prior to 1 January 1983, will be "frozen" till his fiftieth birthday, when it will again become subject to adjustment;

(b) Choose a withdrawal settlement. If he does so, the amount which would have been paid to him at the time of separation will be established; interest at 6.5 per cent a year compounded will be calculated, and the total amount will be paid to him. It must be pointed out in this connection that the calculations will be made as if he had initially opted for a withdrawal settlement; hence any cost-of-living adjustments between date of separation and 1 January 1983 will not be taken into account.

Actuarial implications

20. The Standing Committee was informed by the Consulting Actuary that the actuarial implications of the introduction of a lower rate of accumulation for new entrants after 1 January 1983 had been calculated on the assumption that each new entrant would have no more than five years at 1.5 per cent and a further five years at 1.75 per cent. Hence, the elimination of the possibility that a participant, on re-entry, would each time drop back to the lowest rate (see para. 4 above) will have no actuarial impact.

21. The Consulting Actuary further informed the Standing Committee that the actuarial implications of the other refinements recommended under (a) and (b) above were extremely small, and that if those refinements had already been in place at the time the actuarial valuation as at 31 December 1982 was being prepared, they would not have influenced the results of that valuation.

22. The procedure outlined under (c) above has been designed in a manner that precludes a loss to the Fund.

Recommendation

23. The Standing Committee of the United Nations Joint Staff Pension Board, acting under the powers delegated to it by the Board, recommends that the General Assembly approve the amendments to the Regulations of the Fund as contained in annex A to this report, with effect from 1 January 1984.

24. The Standing Committee also recommends that the General Assembly take note of the procedure in section (c) above.

25. If the General Assembly approves the amendments to the Regulations in annex A, appropriate administrative procedures will have to be devised to ensure fair treatment for participants who separated or re-entered in the course of 1983.

26. The Standing Committee draws attention to the fact that the implementation of the package of economy measures introduced with effect from 1 January 1983 may require further refinements in the Regulations of the Fund which will be considered by the Board at its thirty-second session in 1984.

27. A revised draft resolution, incorporating the recommendations in this report, is attached as annex B.

Notes

1/ Official Records of the General Assembly, Thirty-eighth Session, Supplement No. 9 (A/38/9), para 94.

2/ Ibid.

3/ Ibid., Thirty-seventh Session, Supplement No. 9 (A/37/9), para. 35.

4/ Ibid., para. 39.

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

Existing text	Proposed text	Comments
<p><u>Article 21 (b) Participation</u></p> <p>(b) Participation shall cease when a benefit becomes payable to the participant or on his account, or when the organization by which he is employed ceases to be a member organization.</p>	<p><u>Article 21 (b) Participation</u></p> <p>(b) Participation shall cease when the organization by which the participant is employed ceases to be a member organization, or when he dies or separates from such member organization, except that participation shall not be deemed to have ceased where a participant resumes his contributory service with a member organization within 12 months after separation, without a benefit having been paid to him.</p>	<p>The amendment makes it possible to link periods of participation for the reasons given in paragraphs 9-12 above.</p>
<p><u>Article 22 (a) Contributory service</u></p> <p>(a) Contributory service shall accrue to a participant in pay status from the date of commencement to the date of cessation of his participation.</p>	<p><u>Article 22 (a) Contributory service</u></p> <p>(a) Contributory service shall accrue to a participant in pay status from the date of commencement to the date of cessation of his participation. For purposes of each of the articles 28 (b), 28 (c) and 29 (b) separate periods of contributory service shall be aggregated except that in such aggregation no account shall be taken of periods of service in respect of which a withdrawal settlement was paid and which were not subsequently restored.</p>	<p>The amendment clarifies which rates of accumulation and of early retirement reduction should apply to former participants who have a subsequent period or periods of contributory service (see paragraphs 5-7 and 13 above).</p>
<p><u>Article 28 (b) and (c) Retirement benefit</u></p> <p>(b) The benefit shall, subject to (d) and (e) below, in the case of a participant who enters the Fund on or after</p>	<p><u>Article 28 (b) and (c) Retirement benefit</u></p> <p>(b) The benefit shall, subject to (d) and (e) below, in respect of a period or periods of participation commencing on or after</p>	<p>The amendment is designed to clarify the meaning of paragraph (b) and to provide</p>

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

Existing text	Proposed text	Comments
<p>1 January 1983, be payable at the standard annual rate which is obtained by multiplying:</p> <p>(i) The first five years of the participant's contributory service by 1.5 per cent of his final average remuneration,</p> <p>(ii) The next five years of his contributory service by 1.75 per cent of his average remuneration, and</p> <p>(iii) The years of his contributory service in excess of 10, but not exceeding 25, by 2 per cent of his final average remuneration.</p>	<p>1 January 1983, be payable at the standard rate obtained by multiplying:</p> <p>(i) No change.</p> <p>(ii) No change.</p> <p>(iii) No change.</p>	<p>for the transitional arrangement described in paragraph 7 above.</p>
<p>(c) The benefit shall, subject to (d) and (e) below, in the case of a participant who entered the Fund prior to 1 January 1983 be payable at the standard annual rate which is obtained by multiplying years of the participant's contributory service, not exceeding 30, by 1/50 of his final average remuneration, and his years of contributory service in excess of 30, not exceeding 5, by 1/100 of his final average remuneration.</p>	<p>However, in respect of a participant with a prior period of contributory service of five years or longer ending between 1 January 1978 and 31 December 1982, the standard annual rate specified above shall be calculated by taking into account as periods of contributory service for the purpose of (ii) and (iii) above the period contributory service before 1 January 1983.</p> <p>(c) The benefit shall, subject to (d) and (e) below, in respect of any period of participation commencing prior to 1 January 1983, be payable at the standard annual rate obtained by multiplying:</p> <p>(i) The first 30 years of the participant's contributory service, by 2 per cent of his final average remuneration, and</p> <p>(ii) The years of his contributory service in excess of 30, but not exceeding 5, by 1 per cent of his final average remuneration.</p>	<p>The amendment is designed to clarify the meaning of paragraph (c), without changing its substance.</p>

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

Existing text	Proposed text	Comments
<p align="center"><u>Article 32</u> <u>Deferment of payment or choice of benefit</u></p> <p>(a) The payment to a participant of a withdrawal settlement, or the exercise by a participant of a choice available to him between one benefit and another, or between a form of benefit involving payment in a lump sum and another form, may be deferred at his request at the time of separation for a period of six months.</p>	<p align="center"><u>Article 32</u> <u>Deferment of payment or choice of benefit</u></p> <p>(a) The payment to a participant of a withdrawal settlement, or the exercise by a participant of a choice available to him between one benefit and another, or between a form of benefit involving payment in a lump sum and another form, may be deferred at his request at the time of separation for a period of 12 months.</p>	<p>A consequential amendment, to bring this article into line with amended article 21 (b).</p>
<p align="center"><u>Article 40</u> <u>Effect of re-entry into participation</u></p> <p>(a) If a former participant who is entitled to a retirement, early retirement or deferred retirement benefit under these Regulations again becomes a participant, entitlement to such benefit or to a benefit derived therefrom shall be suspended and no payment shall be made until he dies or is again separated.</p> <p>(b) At the time of such separation he shall also become entitled, subject to the provisions of paragraphs (c) and (d) below, to a retirement, early retirement or deferred retirement benefit, based on the length of such contributory service notwithstanding that it was for less than five years.</p>	<p align="center"><u>Article 40</u> <u>Effect of re-entry into participation</u></p> <p>(a) No change.</p> <p>(b) Such a participant, who again becomes a participant and is again separated after at least five years of additional contributory service, shall also be entitled, at the time of such subsequent separation, in respect of such service and subject to paragraph (d) below, to a retirement, early retirement or deferred retirement benefit, or a withdrawal settlement under articles 28, 29, 30 or 31, as the case may be;</p>	<p>The amendments to paragraphs (b) and (c) clarify the entitlements arising out of re-entry into participation.</p>

ANNEX A (continued)

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

Existing text	Proposed text	Comments
<p>Article 40 (continued)</p>	<p>Article 40 (continued)</p>	
<p>(c) The benefit payable to him or on his account as a result of the contributory service performed while a benefit was suspended under (a) above shall be payable at the standard annual rate in accordance with article 28 (b) (i), provided that at the time of such separation the participant's age is at least 55. The benefit cannot be commuted into a lump sum, in whole or in part, and shall not be subject to any minimum provisions.</p>	<p>(c) Such a participant, who again becomes a participant and is again separated after less than five years of additional contributory service, shall, in respect of such service, become entitled to:</p> <p>(i) A withdrawal settlement under article 31; or</p> <p>(ii) If he is at least age 55 at such separation, and subject to (d) below, a retirement, early retirement or deferred retirement benefit, as the case may be, under articles 28, 29 or 30, based on the length of such additional contributory service; provided, however, that such benefit may not be commuted into a lump sum, in whole or in part, and shall not be subject to any minimum provisions.</p>	
<p>(d) In no event shall the total benefits payable to or on account of a former participant who again becomes a participant which would have been payable had his participation in the Fund been continuous.</p>	<p>(d) Payment of benefits under (b) or (c) (ii) above shall commence on the date of the resumption or commencement, as the case may be, of payment of benefits suspended under (a) above. In no event shall the total benefits payable to or on account of a former participant in respect of separate periods of contributory service exceed the benefits which would have been payable had his participation in the Fund been continuous.</p>	<p>The purpose of the amendment is to ensure that when a participant's benefits exceed the benefits which would apply to all. For example, a participant will not be able to elect an early retirement benefit at age 55 in respect of one period of participation and a benefit starting at some other age in respect of a second period of participation.</p>

ANNEX B

Revised 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 for 1983 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, a/ and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

Amendment of the Regulations of the
United Nations Joint Staff Pension Fund

Amends, with effect from 1 January 1984, the Regulations of the United Nations Joint Staff Pension Fund, without retroactive effect, as set forth in annex IX to the report of the Board, and annex A to the addendum thereto;

II

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;

III

Administrative expenses

Approves expenses chargeable directly to the United Nations Joint Staff Pension Fund totalling \$6,723,100 (net) for 1984 and additional expenses of \$17,700 (net) for 1983 for the administration of the Fund.

a/ Official Records of the General Assembly, Thirty-eighth Session, Supplement No. 9 (A/38/9 and Add.1).
