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held on
Tuesday, 21 November 1978
at 10.30 a.m.
New York

SUMMARY RECORD OF THE 38th MEETING

Chairman: Miss MUCK (Austria)

later: Mr. KOBINA SEKYI (Ghana)

Chairman of the Advisory Committee on Administrative and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.30 a.m.

AGENDA ITEM 111: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (continued) (A/33/30 and Add.1; A/C.5/33/37)

1. Mr. GARRIDO (Philippines) welcomed the fact that the International Civil Service Commission had emphasized in its report (A/33/30) that the United Nations salary system should be workable throughout all duty stations. It was encouraging to note that the system had performed remarkably well in circumstances of "unforeseen strain and complexity" (para. 40). His delegation, however, viewed with concern the unending upward trend of salaries and allowances, which represented 80 per cent of the budget, consequently adding to the financial burden of Member States. Measures of fiscal restraint should be taken, without sacrificing staff efficiency.

2. Like the United Nations salary system, the pension system should be based on equality and should also be applicable throughout the world. In that regard, his delegation felt that the United States dollar should be maintained as the unit of account for the payment of emoluments of staff. In paragraph 41 of its report, the International Civil Service Commission indicated the various proposals it had examined for changes in the post adjustment system to ease the strain on staff salaries in areas where the dollar was falling. Since the Commission had not adopted the proposals of UNESCO and GATT, it should continue to examine the various aspects of the post adjustment system in its study of pensionable remuneration. His delegation was alarmed to note that the level of pensionable remuneration based on the WAPA index continued to rise.

3. It seemed to be necessary to revise the system of automatic adjustment of pensionable remuneration under General Assembly resolution 1561 (XV) because, as the Chairman of ICSC had pointed out, some staff members received a pension which was 65 per cent of their total remuneration while others of the same grade and seniority received only 45 per cent. His delegation would like to have some clarification of the meaning of those figures. The post adjustment, which was designed to protect staff from the adverse effects of inflation and currency fluctuations, should not be considered a part of the pensionable remuneration since in some instances the post adjustment could be larger than the base salary. If at the current session the General Assembly approved a unified pension system, the pensions based on the statutory dollar amounts would be amply protected against CPI fluctuations in the country of residence. His delegation awaited with interest the proposals which ICSC and the Joint Staff Pension Board would submit to the General Assembly at its next session following the joint meeting they would be holding early in 1979 to seek an over-all solution to the question of pensionable remuneration.

4. In its report (A/33/30), under the heading "Relocation grants" the International Civil Service Commission proposed that a new distinction should be made between the requirements for the repatriation grant and the death grant. In order to receive the repatriation grant, the staff member who left the service must move to a place other than his last duty station, whereas his survivors, namely his widow and children, would receive the death grant even if they remained at the last duty

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(Mr. Garrido, Philippines)

station. The logic of that distinction was unclear, and the reasoning in paragraph 187 of the report should be explained in greater detail.

5. The difficulty with the Commission's proposal regarding the end-of-service grant was that it was not clear whether it was a variation of severance pay for a loss of expectation of renewal of a contract or whether it was in the nature of an additional benefit on expiry of the contract which could be used to make fixed-term appointments more attractive. If it was neither, it was difficult to place it without confusing the lines of differentiation between fixed-term and other appointments. It might be easier, in light of the justification provided by WHO (A/33/30, p. 57, foot-note 37), to consider end-of-service grants as part of termination indemnities and establish their amount on that basis. His delegation would also like to know the justification for the nine-year period of service for entitlement to end-of-service grants and whether, after the nine-year period, the staff member would receive accumulated benefits.

6. His delegation endorsed the recommendations of the International Civil Service Commission regarding the grade equivalencies to be used for the purpose of salary comparison between the United Nations common system and the United States Civil Service, the children's allowance for the Professional and higher categories and the special provision for the education of disabled children. It would state its position on the other recommendations at a later stage.

7. Mr. QUIJANO (Chairman of the International Civil Service Commission), replying to the representative of Tunisia, who had expressed surprise at the fact that ICSC was again making a recommendation concerning the end-of-service grant when the General Assembly had rejected it in 1976, said that the General Assembly had not really rejected the Commission's recommendation, but had, in paragraph 3 of part II of resolution 31/141 B, requested the Commission, to "re-examine ... the possible introduction of an 'end-of-service' grant with particular attention to the conditions in which such payment might be justified". Furthermore, the organizations that applied the common system had specially asked the Commission to continue its study of the question, which they considered useful.

8. The representative of Tunisia was viewing the question from a legal angle, considering that the contractual obligations of organizations towards their staff members ended with the expiry of the contract. From the administrative standpoint, however, the situation was different. When, in order to recruit the requisite staff, it was necessary, basically for budgetary reasons or as the result of policy decisions, to increase the number of fixed-term contracts, administrations had to be in a position to offer the staff member something to compensate for the lack of a permanent contract. That tendency was peculiar to the international civil service: at present, nearly 90 per cent of the staff of agencies such as UNESCO, IAEA and even FAO were on fixed-term contracts. In national civil services, on the other hand, permanent contracts were the rule, and fixed-term

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(Mr. Quijano)

contracts were the exception. Such administrative considerations had, therefore led the International Civil Service Commission to study the question with a view to helping international organizations to apply as effective a personnel policy as possible.

9. Mr. PICO DE COAÑA (Spain) said his delegation endorsed the recommendations summarized on page viii of the report of the International Civil Service Commission (A/33/30). The comments made by the Chairman of ICSC seemed realistic, inasmuch as ICSC had had available sufficient information to enable it to determine what was best for the staff of the Organization without overlooking the interests of States Members.

10. His delegation approved of the time-table for completing the job classification and classification of occupational groups adopted by ICSC (paras. 309-314), but wished to point out, as it had done at the 14th meeting of the Fifth Committee, that due account should be taken of recommendation No. 1 of the Joint Inspection Unit (A/33/228) concerning the need for clear definitions in future job classifications.

11. At the 30th meeting, his delegation had drawn attention to the figure of 41,276 staff in posts as at 31 December 1977 (A/33/309). The Chairman of ICSC had confirmed that disturbing fact, by stating that in general international agencies had larger staffs than they needed, but that some of them continued to create posts for programmes that could be carried out by existing staff if a rationalization effort were made. It was therefore increasingly necessary to ensure that the recruitment of new staff was in line with real needs. Furthermore, most recruitment should be from countries that were not represented or were under-represented in United Nations agencies, so as to remedy the existing imbalance.

12. In earlier statements, his delegation had advocated improved co-ordination at all levels, particularly with regard to the regular budgets of the various agencies. It was logical, therefore, that it should agree with ICSC that the agencies should try to establish a common system, avoiding what Mr. Quijano had called "separatist tendencies". His delegation would therefore follow with great interest the implementation of General Assembly resolution 32/200, and hoped that, as the Secretary-General had said in his statement to the Fifth Committee at the previous session, all heads of secretariat would follow the directives of the General Assembly. His delegation endorsed and supported the statute of the International Civil Service Commission, which had been accepted by all the specialized agencies.

13. His delegation reserved the right to speak again on the various problems raised by the report of ICSC when the Committee studied the over-all question of remuneration and the United Nations pension system.

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14. Mr. GASS (United Kingdom) said that his delegation could accept the substantive recommendations in the report of the International Civil Service Commission (A/33/30). His Government was greatly concerned about the effects of currency instability and inflation on the salaries and pensionable remuneration of United Nations staff, particularly those working in Geneva. His delegation agreed with ICSC that, although certain components of the United Nations salary system needed revising in the light of inflation and currency instability, the pay scheme had worked well, given the unexpected conditions under which it had had to operate. While a complete solution to those problems was almost impossible, ICSC should seek ways and means of ensuring that salaries were calculated on an equitable basis and that drastic emergency surgery on the salary system, which might create problems if the international financial outlook changed again, was avoided.

15. His delegation also supported the recommendations made by ICSC on the conditions of service of United Nations staff, in particular the proposed "floor" provision to protect the education grants of staff members and the similar arrangements recommended for the calculation of the children's allowance.

16. With regard to the proposed end-of-service grant for staff employed under fixed-term contracts, a question which had been considered at the thirty-first session of the General Assembly. When no substantive decision had been taken, his delegation continued to have some misgivings but was prepared to accept the Commission's recommendation. It considered that the revised version of the proposal was a great improvement in that it provided three safeguards: a large gratuity could not be paid to a staff member receiving a retirement pension, the grant would not be payable to a staff member who had a job to return to in his or her own country and, most importantly, the minimum length of service for entitlement to payment of the grant would be nine years instead of six. However, it should be stressed that the payments made under the scheme would be gratuitous and would in no way imply a right to the renewal of fixed-term contracts.

17. The comparison carried out by ICSC between the grading of jobs in the United Nations common system and that in the United States civil service would serve as the foundation for salary comparisons. His delegation agreed with ICSC that, although the gap between salaries in the United Nations and in the United States civil service had narrowed, any increase in staff salaries would not, at the moment, be appropriate.

18. It was to be regretted that the International Labour Organisation had not implemented the recommendations on General Service salaries in Geneva made by ICSC and approved by the General Assembly; that situation had created unfair discrepancies between the salaries of staff serving at the same duty station. It was to be hoped that ICSC's next survey of Geneva salaries would provide a solution to the problem.

19. Mr. Kobina Sekyi (Ghana) took the Chair.

20. Miss Muck (Austria) said that it was to be regretted that, in a year in which the Fifth Committee was dealing with personnel policy, ICSC's report had not made

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(Miss Muck, Austria)

a greater contribution to the questions of recruitment, occupational groups and job classification. The Commission should be in a position to give useful advice as early as the following session on the problems that constituted the main concern of the General Assembly. Her delegation regretted that it could not approve certain recommendations made by ICSC in its report (A/33/30). For example, the Commission proposed the payment to staff members whose appointment was not renewed after nine years of continuous service of an end-of-service grant equivalent to from 9 to 12 months of pensionable remuneration, on the grounds that thousands of staff members in the United Nations system served for long periods of time without being granted a permanent appointment and that non-renewal of their contracts was tantamount to termination. Her delegation shared the opinion, summarized in paragraph 171 of the report, of those members of the Commission who had dissented from the majority view. Before approving the introduction of a new entitlement, the General Assembly should be informed of the reasons for regularly renewing fixed-term contracts instead of granting permanent contracts. It did not seem necessary to take a decision on the matter until the outcome of the study which ICSC had promised to submit at the thirty-fifth session of the Assembly was known.

21. The essential purpose of the repatriation grant seemed to be to assist a staff member in re-establishing himself or herself in the country of origin after a long period of employment in the international civil service. The grant was most important for officials who left the international civil service long before reaching retirement age. Her delegation therefore believed, as did the Commission, that the repatriation grant should not be paid to staff members who had decided to remain in the country of their last duty station.

22. The payment of a substantial repatriation grant to a staff member who, having reached retirement age, continued to reside in the country of his duty station and might even be re-engaged as a consultant by his former office was to be avoided; such a payment would be wasteful, particularly since, under the Pension Fund regulations, a participant could draw one third of the capital value of his pension in cash and could, therefore, obtain any funds required for his relocation. The Commission's recommendation that the repatriation grant should be made conditional upon the signing by the staff member of a declaration that he did not intend to remain permanently in the country of his last duty station did not provide sufficient guarantee against abuse, since the declaration would be merely an expression of intent. In order to avoid continuing the current practice, her delegation would accept ICSC's recommendation on a provisional basis. However, it would like the Commission to submit at the following session more precise proposals on methods of preventing abuse of the grant. Her delegation considered that it might be possible to introduce a delay in the payment of the grant.

23. Her delegation shared the opinion of the Japanese delegation that the period of payment of the assignment allowance should not be extended from five to seven years, as proposed by ICSC, since that would be contrary to the desire expressed by many delegations for greater mobility of staff between Headquarters and field stations.

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(Miss Muck, Austria)

24. However, her delegation approved the Commission's other recommendations concerning indemnities and grants, as outlined on page viii of the report. Despite its disagreement with some recommendations, her delegation reiterated its full confidence in ICSC, which should be able to establish a more consistent and dynamic common system. It was regrettable that certain agencies, such as ILO and WHO, had recently failed to comply with the standards of the common system.

25. Her delegation hoped that the General Assembly would reaffirm the necessity of respecting the common system and that the specialized agencies would heed its appeal in that respect. It was confident that ICSC would contribute to improving the situation by the quality of its work and by the assistance and guidance it would give to the whole system by preparing the ground for an improved personnel policy. Finally, her delegation had some difficulty in understanding why ICSC had included in its report the remarks contained in paragraphs 27 to 29.

26. Mr. SAFRONCHUK (Union of Soviet Socialist Republics) said that he was highly satisfied with the work done by the International Civil Service Commission in a field which was very complex and could elicit strong reactions, as in the case of the salary system of the United Nations and the specialized agencies. The Commission's report (A/33/30) showed clearly that the salaries paid by the organizations in the United Nations system were amply sufficient to attract qualified staff. A study of the conditions of staff in the General Service category in Geneva and Paris showed that their salaries were higher than those of the United States Civil Service.

27. His delegation supported whole-heartedly the Commission's recommendations contained in paragraph 306 of its report concerning the modification of salary scales of the General Service category in Paris. It was to be hoped that when the time came to implement those recommendations, the same problems would not be encountered as in Geneva in 1978. Their implementation must be better organized, must not extend over a period of years and must not involve additional allowances which would nullify the usefulness of the recommendation itself.

28. The ICSC had gone to great lengths to arrive at a rational comparison between the grades of the United Nations common system and those of the United States Civil Service. It was regrettable, however, that that work had not been completed, and that the posts of senior staff at D-2 level and above had not been compared with their counterparts in the United States Civil Service. Although that was a difficult undertaking for ICSC, his delegation did not regard it as impossible.

29. His delegation, while retaining a positive impression of the ICSC report, could not accept the recommendations calling for the creation of new allowances or the extension of the scope of existing allowances. Those recommendations were lacking in any foundation, given the general level of salaries paid by the United Nations. Moreover, they would discriminate against certain categories of staff in the United Nations Secretariat. The main task of ICSC was to bring order to the salary system, which included not only base salary proper, but also the allowances and various grants. It was the total compensation of international civil servants that must be compared with that of the comparator national civil service, in accordance with the Noblemaire principle. In proposing that new

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(Mr. Safronchuk, USSR)

allowances should be created or that existing allowances should be extended to additional dependents, the ICSC was simply procrastinating and confusing the situation still further. Before making any recommendations with regard to allowances, it should have considered the very nature of the remuneration of international civil servants.

30. It was well-known that most of the allowances had been introduced 30 years earlier and that they had evolved in such a way that they no longer served their original purpose. The ICSC should study that de facto situation, not as a problem itself, but in the general context of salaries. His delegation supported the observations made by the Austrian delegation in that regard. Allowances were an integral part of the total compensation of staff.

31. It must be emphasized that the ICSC should not make recommendations which would entail requests for additional appropriations during the implementation of a budget which had already been adopted. Its proposals would entail additional expenditures of the order of $1 million for the United Nations and of $6,638,000 for the United Nations system as a whole. Assuming, for the sake of argument, that those recommendations were put into effect immediately, the Secretariat would have to propose the absorption of that increase in expenditures using appropriations already approved. However, the Secretary-General had not yet provided any information in that regard. The ICSC, which had been set up precisely to halt increases, in expenditures, seemed to be moving in the opposite direction, contrary to its own mandate. The establishment of a budget no longer had any meaning if, once it was adopted, the Secretariat continually asked for additional appropriations.

32. In its report to the thirty-first session of the General Assembly (A/31/30), the ICSC had reached the very interesting conclusion which his delegation shared, that the efficiency of the Secretariat should be increased by continuously improving management methods and staff productivity, and not by increasing salaries. It was now acting contrary to its own conclusions. His delegation would vote against any request for additional appropriations arising from the Commission's recommendations, which it considered unwarranted.

AGENDA ITEM 112: UNITED NATIONS PENSION SYSTEM

(a) REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (A/33/9 and Corr.1 and Add.1, A/33/375; A/C.5/33/7)

33. Miss Muck (Austria) resumed the Chair.

34. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and Budgetary Questions), introducing the Advisory Committee's report on the United Nations pension system (A/33/375), said that paragraph 1 of the report listed the various matters raised in the report of the United Nations Joint Staff Pension Board (A/33/9 and Corr.1) on which the Advisory Committee was making comments and recommendations. The items on which the Advisory Committee had no comments were indicated in paragraph 2.

35. In paragraphs 4 to 26, the Advisory Committee examined the Board's proposals concerning the revised pension adjustment system. Paragraphs 4 to 6 referred to

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(Mr. Mselle, Chairman, ACABQ)

the relevant General Assembly texts and paragraphs 9 to 13 described the main features of the scheme proposed by the Board, and the cost of the scheme was given in paragraph 14. The Advisory Committee recommended that the new scheme should be approved by the General Assembly, though it recognized that the proposed system was not perfect. He himself doubted whether such perfection could ever be attained. Indeed, as he had stated at the ACC meeting in Rome in 1975, the task of adjusting pension benefits paid to former international civil servants who resided in almost every corner of the globe and spent their benefits in a multitude of currencies would pose practical, as well as theoretical, problems of great complexity, even in times of relative economic and monetary stability. The Joint Staff Pension Board was faced with a profound dilemma. For with the Board lay the primary responsibility of devising a scheme which in theory, and in its practical application, could respond quickly, adequately and fairly to the need of all pensioners and, at the same time, of satisfying Member States that such a scheme was financially sound and that it was the most reasonable that can be devised in the current circumstances. The Advisory Committee believed, nevertheless, that the revised pension adjustment system suggested by the Board was a distinct improvement on the current system.

36. The question of the cost of the new system was important, especially as the General Assembly had stated in resolution 31/196 that the new scheme should not require an increase in the present or future financial liabilities of Member States. It was too early to tell to what extent the proposed scheme would meet that condition and the situation would no doubt have to be reviewed at a somewhat later stage. It was useful to recall that the Pension Fund consisted of contributions by the participants (7 per cent of their pensionable remuneration) and by the organizations (14 per cent). Neither the Board nor the Advisory Committee had examined that arrangement, but it deserved to be reviewed in the near future. The Board had announced that it would submit to the General Assembly a study prepared in collaboration with the International Civil Service Commission on the question of pensionable remuneration. The study would offer all concerned the opportunity to examine the existing arrangement, as well as other related questions. For the time being, it was impossible to tell what bearing its conclusions would have on the proposed scheme. Accordingly, the Advisory Committee recommended that the pension adjustment system should be re-examined at a future session, in the light of the decisions to be taken on the joint study. As that problem had not been before the Advisory Committee in the context of a recommendation of the Board, the Advisory Committee had not addressed itself to the substance of the question.

37. He drew the Fifth Committee's attention to the Advisory Committee's comments in paragraph 24 of its report concerning the supplementary measures outlined in paragraphs 29 and 30 of annex V to the Board's report, which were designed to prevent certain anomalies in pension benefits. The Advisory Committee had noted that the proposed measures were intended for future beneficiaries, not for persons retiring in the course of 1978.

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(Mr. Mselle, Chairman, ACABQ)

38. In paragraphs 47-54 of the Board's report, three proposals were made on changes in the benefit system. The comments of the Advisory Committee were in paragraphs 27-31 of its report. Those proposals constituted a liberalization of benefits, and the Committee had recalled views expressed in the past by the Board on the question of further liberalization of benefits. Because of the growing actuarial imbalance reported in past actuarial valuations of the Fund, the Committee had been reluctant to endorse the Board's proposals.

39. The Advisory Committee felt that the question of the interest rate on lump-sum computations should be kept under review. The Committee was also recommending that the General Assembly should approve the recommendation concerning the Emergency Fund (paras. 71-73 of the Board's report) and concur in the Board's request in paragraph 76 of its report concerning the transfer of pension rights.

40. Parts (f) and (g) of the Advisory Committee's report dealt with the administrative expenses of the Pension Fund in 1978 and 1979. No change was being suggested by the Board in the amount of $3,363,400 approved by the Assembly for 1978. An amount of $3,774,500 was requested for 1979. Although the Advisory Committee had not approved all the Board's proposals, it had made a number of recommendations which would together bring about a modest reduction in the amount requested.

41. In paragraphs 50 and 51 of its report, the Advisory Committee dealt with the question of common staff costs for the Pension Fund secretariat. It noted that those costs amounted to approximately 40 per cent of salary and post adjustment, whereas in the United Nations regular budget, the percentage used for Headquarters posts was 32 per cent. The higher percentage was due to the fact that the Fund reimbursed two thirds of national income taxes in the case of established posts charged to administrative costs. The remaining one third was reimbursed from the Tax Equalization Fund. The total estimated charge to the Pension Fund in 1979 was approximately $177,000. The Advisory Committee recommended that the Secretary-General should review the situation on a priority basis and submit proposals designed to relieve the Fund of the charge of reimbursing national income taxes.

42. With respect to table 1 of annex III to the Board's report, the Advisory Committee requested that the question of the fees payable to the two institutions providing advisory and custodial services to the Fund should be kept under constant review. It recommended further that comparative information on the fees charged by other institutions to similar pension funds should be included in the Board's report to the General Assembly at its thirty-fourth session.

43. Mr. OKEYO (Chairman of the United Nations Joint Staff Pension Board) recalled that the Board's report to the thirty-second session of the General Assembly had been essentially an interim report, since the Board had not been required to submit proposals for the replacement of the existing system for the adjustment of pensions until the current session. Those proposals, which had

(Mr. Okeyo)

been agreed unanimously by the Board and were contained in annex V of the report currently before the Committee (A/33/9), should meet all the requirements specified by the General Assembly.

44. The first real challenge presented with regard to the adjustment of pensions was that of currency fluctuations and inflation, both of which had intensified since 1971. The Board had encountered difficulties in that area, when it had been necessary to choose between a universal adjustment system and a more selective system which took account of variations from one country to another and would allow differences in the purchasing power of pensions in various countries to be reduced. The resulting compromise solutions had of course aroused criticism and no unanimity had been possible on the proposals submitted in 1975.

45. That was why the General Assembly had asked the Board to submit new proposals to the thirty-third session of the Assembly, in the hope that unanimous agreement would be reached on proposals that took full account of the criteria established by the Assembly, particularly the requirement that they should not add to the financial liabilities of Member States. According to the actuaries, the latter requirement had been met; the cost of the new system was analysed in paragraphs 40 to 46 of the Board's report. Those proposals were of necessity the result of compromise, but seemed to be effective. Their basic goal was to preserve the purchasing power of a pension, wherever the pensioner might choose to retire. Accordingly, recognition had been given to the universalist principle whereby the original pension must maintain its purchasing power in United States dollars, the currency in which all pensions were expressed. At the same time, in order to compensate for the erosion of the purchasing power of the United States dollar vis-à-vis the currency of the pensioner's country of residence, the pension as established in that currency at the time of award must be adjusted according to changes in the local consumer price index. That arrangement did not violate any of the established principles but instead successfully merged a number of them, all of which had been recognized as valid by the General Assembly.

46. The major remaining problem was to determine the amount of the pension at the time of award, taking account of local conditions. The Board had done no more than propose certain remedial measures, particularly the establishment of the initial pension in local currency on the basis of an average exchange rate over the preceding 36 months, instead of over a 12-month period as under the present system. In addition, some supplementary measures were being proposed in order to avoid a situation arising whereby, as a consequence of a drop in the rate of exchange, officials would receive a lower pension in local currency than they would have received if they had retired earlier. To that end, the Board was recommending that no official should receive an amount lower than he would have been paid on 1 January 1978, based on his actual length of service. The proposed transitional measures followed the pattern established in similar circumstances in the past. Their one special feature was to eliminate the irrevocable element of choice, which had been criticized by the General Assembly. Its absence from the new scheme would no doubt be welcome.

47. With regard to the basic issue of determining the value of a pension at the time of award in relation to local economic conditions, including the rate of exchange between the local currency and the United States dollar, the Board had

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(Mr. Okeyo)

only been able to agree on the methods to be followed. It had therefore decided to set up a working group, consisting of the members of its Standing Committee, the Chairman of the International Civil Service Commission, and some of its own members, to work on the problem of pensionable remuneration, which was of critical importance to the establishment of the initial pension. In view of the urgency of the matter, which had been stressed by the Board itself, ACC and the governing bodies of some member organizations, preparations had already begun at the secretariat level, and it was hoped that the working group would be able to submit its findings to the thirty-fourth session of the General Assembly.

48. In another context, he wished to draw the attention of the Committee to the agreement to be concluded between the United Nations Joint Staff Pension Fund and the Canadian Government, concerning the transfer of pension rights on a reciprocal basis. That agreement reflected the principles established in the agreement concluded in 1977 with the European Communities, and could serve as a model for similar agreements with the Governments of Member States. The Board was therefore recommending it for approval by the General Assembly.

49. As to the system of benefits, the Board had carefully considered the proposals submitted by one delegation at the preceding session with respect to the deletion of two provisions, namely, the provision concerning commutation of up to one third of the periodic pension into a lump sum, and the provision requiring the payment of a benefit to a surviving spouse without a reduction in the primary benefit. The delegation which had submitted those proposals had been motivated by the fact that the United States Civil Service Retirement System made no similar provision. The Board had noted in that respect that the General Assembly had never recognized any need to align the United Nations pension system in every detail with that of the United States Civil Service; rather, the Assembly had recently reaffirmed that the United Nations pension system must be comparable with the best prevailing systems, and not a copy of any single one. In any event, total identity would hardly be feasible because of the many differences between the United Nations system and the United States system. The provision concerning commutation into a lump sum had been carefully examined by the Pension Review Group, which had advocated its retention because the majority of officials were expatriates. However, in order to ensure that the provision would not have any financial implications for the Fund, the Board was recommending a change in the interest rate used to calculate the lump sum, thereby bringing it into line with the rate used in current actuarial assumptions.

50. With regard to the survivor's benefit, the Board had noted that the United Nations Joint Staff Pension Fund should be, as its founders had envisaged, both a retirement and a social security system. It was therefore recommending retention of the provision concerning the automatic payment of the survivor's benefit.

51. The Board was also recommending that the General Assembly increase to 2 per cent, as for other credited years of service, the accumulation rate applying to the two years credited after 30 years of service, which had been provisionally fixed at 1 per cent. At the same time, it was recommending other minor changes in the provisions regarding early retirement. For that purpose, the changes contained in annex VII of the report would have to be incorporated in the Regulations of the Pension Fund.

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(Mr. Okeyo)

52. The Advisory Committee had taken a somewhat technical view of those proposals. The Board was proposing that they should be financed out of savings achieved through reducing the lump sums paid in future when part of the retirement benefit was commuted into cash. The Advisory Committee considered that such savings should go instead towards reducing the Fund's over-all actuarial imbalance, which, however, the Committee of Actuaries did not believe to be any threat to the Fund's financial stability; such a solution would deny equity to the participants, and he therefore invited the Fifth Committee's support for the Board's recommendations.

53. In paragraphs 48 and 49 of its report, the Advisory Committee had sought to deny the Board's request for two additional temporary assistance posts and for the reclassification of certain existing posts. The economy involved would be $48,000 out of a total of some $3,375,000; the effect, however, might be to compromise seriously the capacity of the Board's secretariat to administer an increasingly complex scheme, to weaken financial control and to slow down the processing of benefit payments. He strongly urged that the posts requested by the Board be provided and the reclassifications be implemented as soon as the agreement of the Classification Section had been obtained.

54. The Fund's investments had been the subject of prolonged consideration by the Board; the detailed information submitted by the Secretary-General's representative had been scrutinized in the light of the investment policy endorsed by the General Assembly, which had stipulated the criteria of safety, profitability, liquidity and convertibility. With regard to investment in developing countries, the Board had stated that, where those criteria were equally satisfied, priority should be given to investment in developing countries. While some progress in that area had been made, more remained to be done. As far as investing directly in Africa was concerned, the Board had underlined that every effort should be made to uncover and pursue investment opportunities, as well as to encourage those who could offer such opportunities to come forth with securities that would be suitable for pension funds and similar institutional investors.

55. Mr. BAROODY (Saudi Arabia) described the evolution of the world financial situation and stressed that it was the duty of the Organization to protect the pensions of staff members against the effects of currency fluctuations and inflation and to adopt innovative methods to that end. While no solution was infallible, the Committee might consider three proposals for improving the pension system. First, investments made in national companies could be exempted from taxes by the relevant Government, as happened in the case of foundations. Second, the Pension Fund could invest in selected commodities and, in particular, in precious metals, for which demand was always stronger than supply. Third, a proportion of the contributions to the Pension Fund of either the participants or the member organizations could be placed in a social security fund, to be established preferably by the United Nations; after 10 or 15 years' service, the staff member could, if he or she so desired, collect a proportion of those contributions for discretionary use. Since currency fluctuations persisted and since those in the seat of power were not capable of coping with the resultant financial and fiscal problems, the organizations of the United Nations system must develop a system which would protect staff members against such hazards.

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56. Mr. PIRSON (Belgium) said that he was still awaiting a reply to an important question which had been raised on several occasions. His delegation had been struck by the substantial disparity between the number of posts in the United Nations system (about 33,000) and the number of registered participants in the Joint Staff Pension Fund (about 43,000). It would accordingly like to know who the United Nations participants in the Fund were and whether those individuals were staff members who were currently working or had retained the right to resume service or whether they were individuals who had left the international civil service for good. In the latter case, he would like to be informed how it came about that they were participants in the Pension Fund. It was also desirable that the Fund's secretariat should provide the Committee with further information on the figures quoted in table 1 of annex II of the Pension Board's report (A/33/9).

57. The CHAIRMAN assured the representative of Belgium that he would receive a reply to those questions at a later meeting of the Committee.

AGENDA ITEM 100: PROGRAMME BUDGET FOR THE BIENNIUM 1978-1979 (continued)

Revision of the Financial Regulations of the United Nations (continued) (A/33/7/Add.11, A/C.5/32/34 and Corr.1)

58. The CHAIRMAN reminded the Committee that, at its 34th meeting, the delegation of the Soviet Union had proposed that the text of regulation 3.10 proposed by the Advisory Committee in its report (A/33/7/Add.11) should be amended to read: "(a) are for activities which have been approved by the General Assembly and that it is the General Assembly's decision that those activities will be continued beyond the end of the current financial period".

59. Mr. DEBATIN (Assistant Secretary-General for Financial Services, Controller) said that the Committee would recall that, in paragraphs 96 to 102 of its first report on the proposed programme budget for the biennium 1978-1979 (A/32/8), the Advisory Committee had drawn the attention of the General Assembly to the fact that, while the Secretary-General had promulgated financial rule 110.6 dealing with the issue of commitments against the appropriations of future years, he had done so under the umbrella of article X of the Financial Regulations, which dealt with financial control. The Advisory Committee had expressed the view that it would be more appropriate to address the question of commitment against future financial periods in a financial regulation, which would require approval by the General Assembly, and had recommended that the Secretary-General should submit an appropriate draft to the General Assembly.

60. The constructive recommendation of the Advisory Committee was aimed at correcting what it had termed "a lacuna" in the Financial Regulations with respect to the procedure whereby the Secretary-General might enter into commitments which did not involve expenditure during the financial period in which the commitments had been entered into. Such a provision was applied infrequently, primarily in connexion with building programmes or the acquisition

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(Mr. Debatin)

of furniture and equipment that had to be ordered well before the expected day of delivery and payment. As the Advisory Committee itself pointed out in paragraph 5 of its twelfth report (A/33/7/Add.11), its proposed formulation would regularize what had, in effect, been the practice and continued to be the practice. It would ensure that the commitments entered into by the Secretary-General would either be for activities which had already been approved by the General Assembly (such as a construction project) or would be specifically authorized by the Assembly (such as commitments to meet unforeseen and extraordinary expenses). It should be emphasized that, as the Advisory Committee pointed out, final approval for the amounts involved in forward commitments would depend on action by the Assembly with respect to requests for the relevant appropriations in the Secretary-General's proposed programme budget for the biennium in which the expenditure would arise.

61. Whereas, according to the terms of regulation 3.10 proposed by the Advisory Committee, it was left to the Secretary-General to determine whether activities were expected to continue beyond the end of the current financial period, the Soviet amendment would require the General Assembly to make such a determination in each case. That procedure not only would be administratively unworkable, but was also likely to be more expensive to the Organization. Many commitments were made on the assumption that the operations of the Organization would continue beyond the end of the current financial period, including lease agreements for certain premises and equipment, and commitments in respect of major maintenance items, building programmes, insurance policies and the engagement of staff. Were the Soviet amendment to be adopted, no commitment could be made for items of expenditure which continued beyond the current financial period unless the General Assembly had specifically decided that the operations concerned would continue beyond the end of the biennium for which the budget had been approved. It should be pointed out that in the past the Secretary-General had been able to negotiate long leases and insurance contracts which had been financially beneficial to the Organization. Should the Secretary-General's freedom of action in that area be restricted, he would have to negotiate leases and other contracts on a biennial basis, and such arrangements were certain to be much more expensive.

62. Finally, all the safeguards sought by the representative of the Soviet Union would be provided by the wording proposed by the Advisory Committee - which ensured that the Secretary-General could enter into commitments for future financial periods only in the case of activities which had been approved by the General Assembly - and by the fact that it was the Assembly itself which must finally approve the amounts involved in such commitments. Thus the Secretary-General would have no authority to expend funds until the General Assembly had appropriated funds for the purpose.

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63. Mr. SAFRONCHUK (Union of Soviet Socialist Republics) said that the Controller was slightly misinterpreting his delegation's proposed amendment to the wording of regulation 3.10 as proposed by the Advisory Committee in its report (A/33/7/Add.11, para. 4). That amendment would not result in the Secretary-General's hands being tied in the case of activities which were to continue beyond the biennium, since it would be clear from the actual text of the resolution authorizing such activities that they were not envisaged for the biennium alone. For example, where construction work, the leasing of premises or the programme of activities for a decade were concerned, it was obvious, without it being expressly stated in the relevant decision, that the activities involved would continue after the end of the biennium and that the Secretary-General was therefore authorized to enter into commitments for future financial periods. The Controller's interpretation of the Soviet amendment went too far. It was not proposed to include a special provision in the resolutions. If a resolution envisaged activities covering a period of more than two years, the problem did not arise; on the other hand, if the terms of the resolution were unclear, the Secretary-General should not be free to make his own interpretation of it. In a spirit of compromise and in order to remove any misunderstanding, his delegation suggested replacing the words "are expected to continue", which were too vague, by "which, as indicated in the decision of the General Assembly, will continue".

64. Mr. EL-AYADHI (Tunisia) said that it was time the Committee came to a decision on the question under discussion. Initially it had been a matter of revising financial regulation 10.2 at the request of the Secretary-General. However, as a result of the deliberations of the Advisory Committee, the Committee had before it a proposal for an addition to the Financial Regulations, and now it was considering a new regulation which was likely to create problems, since it was very different from the proposal initially submitted by the Secretary-General on the subject of regulation 10.2. Since the wording proposed by the Advisory Committee was intended to regularize an existing practice, it was preferable for the Committee to retain that wording, even if it should have to revert to the subject the following year in order to make changes.

The meeting rose at 1.10 p.m.