

English

Les Livrets
Thématiques

The Two track

United Nations
Joint Staff Pension Fund

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UNITED NATIONS

Introduction

The United Nations Joint Staff Pension Fund (UNJSPF) Regulations and Rules govern the conditions of participation and the determination of entitlements.

The rules are numerous and complex: the purpose of this booklet is to guide you, facilitate your understanding and assist you in your assessment and selection of the options applicable to your benefit upon and after separation.

***Disclaimer:** The information is made available for the convenient use of the UNJSPF's participants and former participants. If there is an ambiguity, inconsistency or conflict between the information provided and the UNJSPF Regulations and Rules, any decisions will be based on the Regulations and Rules, and not on the information contained in this booklet.*

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What is the two-track system?

The two-track system is a feature of the Pension Adjustment System whereby your pension is calculated and maintained both in US dollars and in the currency of the country where you actually reside. This feature is thus composed of two elements, the dollar track and the local-currency track or local track.

The Dollar track:

All pensions are calculated initially in US dollars, that is to say, on the “dollar track”. If you do not declare a country of residence but request payment in a currency other than US dollars, your pension will remain on the dollar track but would be converted by the Fund to the local currency equivalent on a quarterly basis by using the applicable UN operational exchange rate.

The Local track:

If you declare a country other than the United States as your country of residence and submit acceptable proof thereof, your pension will be recalculated in the currency of your country of residence. This is the “local track”, which is established in the currency of your country of residence and adjusted by the official cost of living index published by the country where you reside. The local track provides stability as it avoids fluctuation of the monthly pension in local currency terms.

If you go on the local track, the UNJSPF will still calculate your pension based on the dollar track and each quarter the two (i.e. the local and dollar tracks) will be compared and you would be paid the higher amount, subject to a specified maximum and a specified minimum. It is possible that the dollar track would sometimes be more beneficial than the local track, and vice versa. Please remember that the decision to go on the two-track system is an **option, not an obligation**.

How does it work ?

Your pension is calculated initially in US dollars. If you elect to provide proof of residence in a country other than the United States, the Fund would establish your local-currency track pension. Your local track pension is calculated by converting the value of your dollar track pension on the first day of your retirement, at an average exchange rate between the United States dollar and the currency of the country of your residence (this average is computed over the 36 consecutive calendar months up to and including the month of separation). This local track amount is your protection against future fluctuations of the exchange rate.

Every quarter, the local currency equivalent of the dollar amount (your dollar track) is compared to the local track amount and you are generally entitled to the higher of the two. Should the dollar track amount be higher, it would be subject to a maximum CAP amount determined by your separation date (120% of the local track amount for separations before 1 July 1995, 110% on or after that date). Furthermore, as from 1 April 2005, a new provision took effect for an adjustable minimum guarantee amount which ensures that your benefit will not be smaller than either your US dollar monthly base amount [converted to the local currency using the applicable quarterly exchange rate] or 80 per cent of your adjusted U.S dollar track.

A simplified graphic illustration of the two-track feature is provided in the centerfold of this booklet.

A more detailed example of the two-track feature in operation, from a specific separation date, is provided in a spreadsheet on the last page.

What about future adjustments ?

Your pension will evolve over time based on inflation and shall be adjusted generally on an annual basis, provided that the Consumer Price Index (CPI) has moved by at least 2% since the last adjustment. The dollar track pension is adjusted by the movement of the United States CPI, while the local track pension is adjusted by the movement of the CPI of the country of residence.

How do I know if it is beneficial for me ?

To find out whether the two-track system may be advantageous, you may wish to contact the Fund at any time after you separate from service to obtain an estimate that would contain the 36 months average exchange rate applicable to you.



When should I submit my application ?

You may provide proof of residence at any time after your date of separation. If you provide acceptable proof of residence within six months of your benefit coming into payment, the two-track system would become effective from the date on which the benefit payments commenced. If proof of residence is received after the initial six-month period, your benefit would still be recalculated as from the date of your entitlement, but payment under the two-track system would begin only from the quarter following the one in which the proof of residence was received.

What documents are required ?

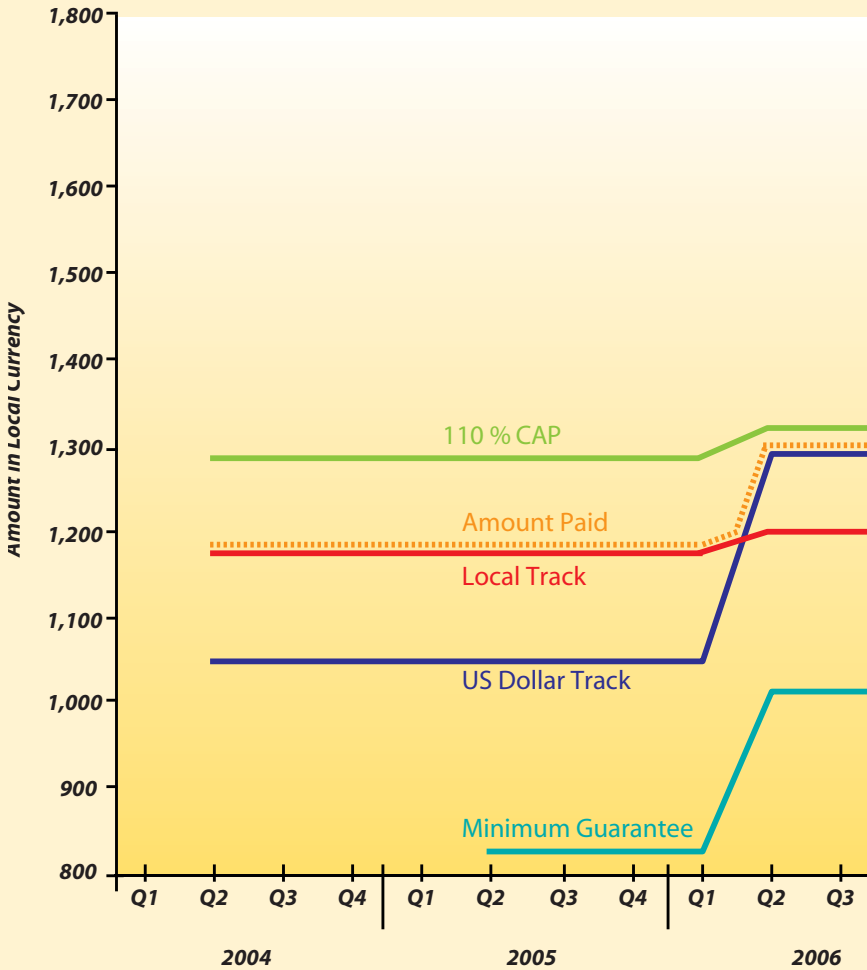
You must submit a certificate of residence and a form called The Declaration of Country of Residence (form Pens.E/10) which can be downloaded from the Pension Fund's website www.unjspf.org. The certificate of residence varies depending on the country of residence. Examples of acceptable proofs of residence are annexed to the PENS.E/10 and PENS.E/11 forms on the website.

Can I apply for the two-track system regardless of the amount of time I spend in my country of residence?

No, the requirement is that a beneficiary must be spending at least six months of every year in his or her declared country of residence. The question is not one of "legal residence," but of actual physical presence.

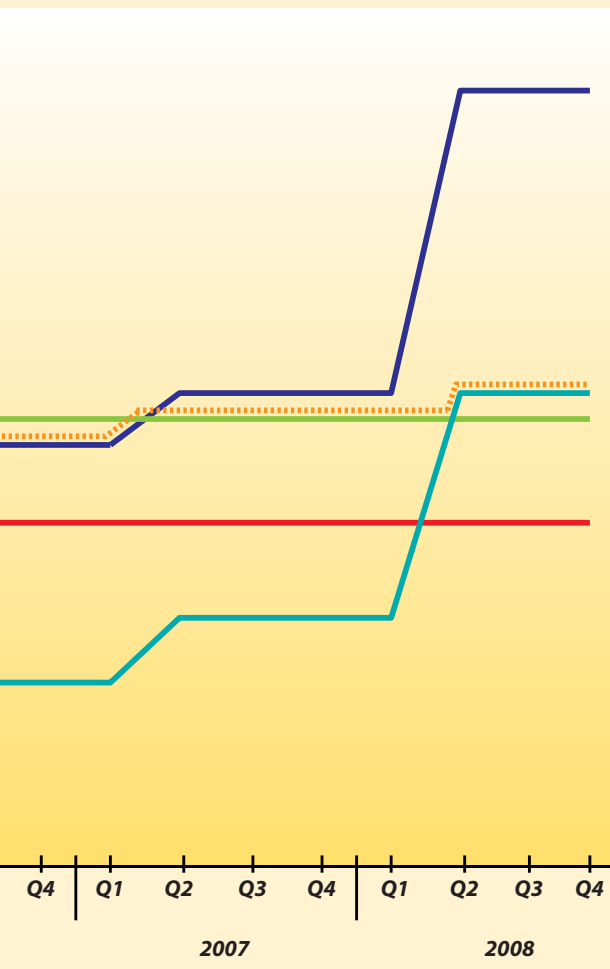
Illustration of the

Two-Track Feature





of the pension Adjustment System



- 110 % CAP
- Amount Paid
- Local Track
- US Dollar Track
- Minimum Guarantee

If I elect to have my benefit paid under the two-track system will I be required to confirm that I continue to reside in my declared country of residence?

Yes, a certificate of entitlement will be sent to you on an annual basis, which you must sign, and return to the Fund to confirm continued eligibility for your benefit under the two-track system in your declared country of residence. It should be noted in this connection that any willful misrepresentation or falsification of signature on this certificate will be considered fraud.

What are the consequences of applying for the two-track system?

Once you have submitted proof of your country of residence you remain permanently on the two-track system. You will not be able to revert solely to the dollar track unless you meet the conditions outlined in section N of the UNJSPF Pension Adjustment System. In countries where a currency undergoes devaluation without offsetting adjustments for inflation, opting for the two-track system may result in your receiving less in US dollar terms than you would receive had you remained solely on the US dollar track. Therefore, it is essential that you consider very carefully the question of whether and when to submit proof of residence to qualify for the two-track adjustment system.

What should I do if I relocate to a different country whilst on the two-track system?

If you move to another country, you will have to submit a new proof of residence and the Change of Country of Residence form PENS.E/11 no later than six months from the date of your arrival in the new country, in order to have your pension determined in the currency of your new country of residence and adjusted according to its consumer price index. Although you have 6 months to do so it is in your interest to have your benefit recalculated rapidly to avoid possible overpayment recovery. Your benefit will then be recalculated as if you had always resided in the new country, by applying the same rules as above (see question on "How does it Work?"). Thereafter the local-currency track amount is adjusted by the movement of the CPI of the new country. Special provisions may apply if you return to your country of nationality.

If I relocate to the USA, what happens?

If you relocate to the USA, then your local-currency track would be the same as your dollar track as long as you continue to reside in the USA. In this scenario, you would also remain subject to the two-track pension adjustment system and should you subsequently relocate you would have to provide proof of residence in the new country.

ATTENTION !!!! Your stable entitlement is the local-currency track amount only!!!! Any extra income generated by the exchange rate variations, i.e. movement within the 10 per cent CAP (formerly 20%) over the local track amount, should be viewed as a temporary bonus resulting from the financial markets fluctuation and does not represent, as often erroneously perceived, a permanent acquired right. For the long term it is advisable to budget your regular expenses on the basis of your local track amount.

Pension Adjustment System (PAS)

The entire text of the PAS governing the “Double track” but also many other items can be found under the Web Site www.unjspf.org. For handy reference and understanding of the “double track” system here below are a number of key paragraphs extracted from the PAS.

Extracts from the PAS

A. GENERAL DESCRIPTION

3. The operation of the Pension Adjustment System involves keeping a record of two amounts for a beneficiary 1/:
(a) one in United States dollars, which is adjusted periodically to reflect changes in the United States CPI;
(b) the other, if applicable, **in local currency**, which is adjusted periodically to reflect changes in the CPI in the beneficiary's country of residence.

B. BENEFITS INVOLVED

4. ...The Pension Adjustment System applies to retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits. **It does not apply to withdrawal or other lump sum payments, including those derived from the partial or total commutation of a periodic benefit.**

C. DETERMINATION OF BASE AMOUNTS

5. **(b) (iii)** The local currency amount is then derived by applying to item (ii) the **average, computed over the 36 consecutive calendar months** up to and including the month of separation, of the exchange rates between the United States dollar and the currency of the country of residence.

M. DETERMINATION OF ENTITLEMENTS

30. ... If such proof is provided **within six months from the date of entitlement**, the local currency base amount is computed from that date, with retroactive adjustment if it results in a greater benefit. However, if proof of residence is not provided within six months from the date of entitlement, the local currency base amount becomes payable only as from the **first day of the quarter following acceptance of such proof, with no retroactive adjustment.**

N. COUNTRY OF RESIDENCE

31. **(a)** A beneficiary **may** at any time submit proof of residence in the country of his or her choice. Such proof must be in a form acceptable to the Pension Fund.

(b) Reversion to the United States dollar entitlement alone may be permitted on a case-by-case basis for beneficiaries who, for compelling reasons, move from a high cost to a low cost country after having provided proof of residence, subject to the following conditions:

(i) The move was to the country of nationality of the beneficiary or of a family member, or to the country of a former duty station of the retiree, or was due to other personal and compelling reasons; and

(ii) The beneficiary had been on the two-track system for a minimum period of one year before the submission of the request for such reversion.

32. If a beneficiary **changes his country of residence** and provides satisfactory proof to that effect, then, starting on **the first day of the quarter following arrival in the new country of residence**, his or her local currency amount is recomputed as if he or she had always resided in the new country of residence. **All changes in country of residence must be reported promptly**, i.e., no later than six months from the date of arrival, and satisfactory proof of residence in the new country has to be provided. ... If such proof is not provided within six months from the date of arrival, the local currency amount is nevertheless recomputed as if the beneficiary had always resided in the new country of residence, but it becomes effective only as from the first day of the quarter following acceptance of such proof, with no retroactive adjustment, except that the Fund has **the right to recover excess benefit payments made** if it is found that the benefit payments since the date of arrival in the new country would have been lower if the change had been reported on a timely basis.

PRACTICAL ILLUSTRATION OF THE TWO-TRACK FEATURE OF THE UNJSPF PENSION ADJUSTMENT SYSTEM

Separation Date:	31/12/01	COUNTRY OF RESIDENCE: SWITZERLAND								
Monthly Base Dollar Amount at Separation:	\$2,000.00									
36 Month Average Exchange Rate:	1.62									
Local Currency Base Amount (2000 x 1.62):	3240.00									

#1	#2	#3	#4	#5	#6	#7	#8	#9	#10	#11
	US Dollar Track			Local Track			Maximum	Minimum	Guarantee	Amount
Effective Date	US\$ CPI	US\$ Pension	Quarterly Exchange Rate	Local Equivalent (#3 x #4) (CHF)	Local Track CPI	Local Currency Pension (CHF)	110 / 120% (#7 x 1.1) (CHF)	(\$2000 x # 4) (CHF)	(80% of # 3 x #4) (CHF)	Payable (CHF)
01/02 to 03/02		2000.00	1.650	3300.00		3240.00	3564.00	3300.00	N/A	3300.00
04/02 to 06/02		2000.00	1.710	3420.00		3240.00	3564.00	3420.00	N/A	3420.00
07/02 to 09/02		2000.00	1.560	3120.00		3240.00	3564.00	3120.00	N/A	3240.00
10/02 to 12/02		2000.00	1.490	2980.00		3240.00	3564.00	2980.00	N/A	3240.00
01/03 to 03/03		2000.00	1.490	2980.00		3240.00	3564.00	2980.00	N/A	3240.00
04/03 to 06/03	2.5%	2050.00	1.350	2767.50		3240.00	3564.00	2700.00	N/A	3240.00
07/03 to 09/03		2050.00	1.300	2665.00		3240.00	3564.00	2600.00	N/A	3240.00
10/03 to 12/03		2050.00	1.410	2890.50		3240.00	3564.00	2820.00	N/A	3240.00
01/04 to 03/04		2050.00	1.300	2665.00		3240.00	3564.00	2600.00	N/A	3240.00
04/04 to 06/04		2050.00	1.260	2583.00		3240.00	3564.00	2520.00	N/A	3240.00
07/04 to 09/04		2050.00	1.250	2562.50		3240.00	3564.00	2500.00	N/A	3240.00
10/04 to 12/04		2050.00	1.280	2624.00		3240.00	3564.00	2560.00	N/A	3240.00
01/05 to 03/05		2050.00	1.140	2337.00		3240.00	3564.00	2280.00	N/A	3240.00
04/05 to 06/05	5.7%	2166.85	1.170	2535.21	2.2%	3311.28	3642.41	2340.00	2028.17	3311.28
07/05 to 09/05		2166.85	1.230	2665.23		3311.28	3642.41	2460.00	2132.18	3311.28
10/05 to 12/05		2166.85	1.270	2751.90		3311.28	3642.41	2540.00	2201.52	3311.28
01/06 to 03/06		2166.85	1.310	2838.57		3311.28	3642.41	2620.00	2270.86	3311.28
04/06 to 06/06	3.4%	2240.53	1.320	2957.50		3311.28	3642.41	2640.00	2366.00	3311.28
07/06 to 09/06		2240.53	1.210	2711.04		3311.28	3642.41	2420.00	2168.83	3311.28
10/06 to 12/06		2240.53	1.230	2755.85		3311.28	3642.41	2460.00	2204.68	3311.28
01/07 to 03/07		2240.53	1.210	2711.04		3311.28	3642.41	2420.00	2168.83	3311.28
04/07 to 06/07	3.0%	2307.75	1.220	2815.46	0.5%	3327.84	3660.62	2440.00	2252.36	3327.84
07/07 to 09/09		2307.75	1.220	2815.46		3327.84	3660.62	2440.00	2252.36	3327.84
10/07 to 12/07		2307.75	1.200	2769.30		3327.84	3660.62	2400.00	2215.44	3327.84
01/08 to 03/08		2307.75	1.120	2584.68		3327.84	3660.62	2240.00	2067.74	3327.84
04/08 to 06/08	4.1%	2402.37	1.060	2546.51	3.6%	3447.65	3792.42	2120.00	2037.21	3447.65
07/08 to 09/08		2402.37	1.045	2510.48		3447.65	3792.42	2090.00	2008.38	3447.65
10/08 to 12/08		2402.37	1.090	2618.58		3447.65	3792.42	2180.00	2094.87	3447.65

IMPORTANT NOTES	Maximum (#8) 110% of column 7	Minimum (#9 & #10) Prior to 1 April 2005 - US dollar monthly base amount multiplied by column 4. (#9) Effective 1 April 2005 - the greater of the US dollar monthly base amount multiplied by column 4 (#9) OR 80% of the adjusted US dollar amount multiplied by column 4 (#10).	Amount Payable (#11) Higher of column 5 or 7 subject to a maximum of column 8 and a minimum of column 9 or 10, as applicable.	CPI Adjustments Effective 1 April 2005 Initial CPI reduction lowered to 1.0%. Increase of 0.5% to existing benefits. Effective 1 April 2007 Initial CPI reduction lowered to 0.5%. Increase of 0.5% to existing benefits.
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Obtain more information on the Pension Fund Web Site
www.unjspf.org

***The secretariat of the
Staff Pension Committee will assist participants from member
organisations.***