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**FIFTH COMMITTEE, 801st
 MEETING**

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Chairman: Mr. Mario MAJOLI (Italy).

AGENDA ITEM 50

Budget estimates for the financial year 1961 (A/4370, A/4408, A/4523, A/4562, A/4584, A/4588, A/C.5/815, A/C.5/819 and Corr.1, A/C.5/828 and Corr.1, A/C.5/829, A/C.5/831/Rev.1, A/C.5/838, A/C.5/839, A/C.5/842, A/C.5/843, A/C.5/L.611) (continued)

Financial implications of the resolution adopted by the Second United Nations Conference on the Law of the Sea regarding the publication of verbatim records of the Conference (A/4584, A/C.5/839) (concluded)

1. Mr. TURNER (Controller) said that it would be necessary for the Committee to take a clear decision on two questions: first, whether a complete verbatim record of the discussions at the Second United Nations Conference on the Law of the Sea should be published, and second, if it was to be published, whether it should be produced in mimeographed or printed form. Publication of a verbatim record would involve some small extra cost, but the Secretary-General did not contest the suggestion of the Advisory Committee on Administrative and Budgetary Questions that that cost could be met within the present level of budgetary appropriations. If, however, the publication of the proceedings was to be undertaken by internal reproduction methods, some degree of priority would have to be assigned to the work and the priority of some other work would have to be lowered as reproduction capacity was to be used to the full in 1961.

2. Mr. EL HAKIM (United Arab Republic) said that his delegation agreed with the views expressed by the Mexican and Australian representatives at the 800th meeting. The fact that no agreement had been reached at the Second Conference made the publication of a verbatim record of the discussions desirable. If the additional cost of publication in that form was not large, he was sure that it would not meet with objection in the Committee. His delegation would vote in favour of the Mexican proposal.

3. Mr. RAJAPATIRANA (Ceylon) said that from a budgetary point of view the matter was not of great concern, since the expense involved was relatively small. The point at issue was one of principle. The General Assembly had laid down a policy of control and limitation of documentation and the publication of a complete verbatim record of the Second Conference would be a departure from that policy. The question was whether that departure was justified. The First United Nations Conference on the Law of the Sea had contented itself with summary records and there appeared to be no good reason for following a different procedure in the case of the Second Conference. Delegations to the Conference had had an opportunity to correct any summary record with which they were dissatisfied, and could also consult the sound recordings of the proceedings if necessary. His delegation submitted that on the basis of the information available, the General Assembly would not be justified in approving the publication of a verbatim record particularly in view of the need for economy.

4. Mr. PRATT (Israel) said that his delegation would support the Mexican proposal. The Second Conference had specifically recommended the publication of a complete verbatim record and considerable weight should be attached to the views of the participants in the Conference who were better qualified than the Fifth Committee to judge the need for a full record. In making the recommendation the participants had certainly been aware of the fact that in the case of the First Conference summary records had been considered sufficient. The participants' decision to recommend a departure from the usual practice had no doubt been made because they believed that a different type of record was necessary in view of the outcome of the Conference.

5. Mr. ARAMBURU (Peru) said that his delegation agreed with the view expressed by the Second Conference that its records would be of the utmost value for the correct interpretation of its work (A/C.5/839, para. 1). The Conference had been a most important one from the point of view of development of international law and the matters it had discussed would be the subject of future international legislation. The opinions of the experts who had addressed the Conference on those matters were of the greatest interest and should be available in verbatim form. The record should, his delegation believed, be printed, because a printed document, in addition to being more durable, enjoyed a relatively higher status.

6. In view of those considerations and the small additional expense that the publication of a verbatim record would involve, his delegation supported the Mexican proposal.

7. Mr. MANGKUSEPUTRO (Indonesia), Mr. ALLENDE (Chile), Mr. ARRAIZ (Venezuela), Mr. MONTERO BUSTAMANTE (Uruguay), Mr. MORRIS (Liberia), Mr. BLOIS (Canada), Mr. CALISLAR (Turkey) and

Mr. WEI (China) stated that their delegations supported the proposal made by the Mexican representative at the 800th meeting.

By a vote of 51 to 1, with 6 abstentions, the Committee recommended that a trilingual verbatim record of the discussions at the Second United Nations Conference on the Law of the Sea be produced in printed form.

8. Mr. CUTTS (Australia) expressed the hope that in implementing the proposal—which his delegation had supported—the Secretary-General would pay particular attention to paragraphs 7 and 8 of the Advisory Committee's report (A/4584).

9. Mr. TURNER (Controller) assured the Australian representative that the Secretary-General paid particular attention to all the reports of the Advisory Committee. The record would be produced by internal reproduction methods and some change would have to be made in the present reproduction priorities. The specific recommendations of the Advisory Committee would be followed.

10. Mr. CANTU (Mexico) expressed appreciation of the action taken by the Committee on his proposal.

AGENDA ITEM 63

Comprehensive review of the United Nations Joint Staff Pension Fund (A/4427 and Corr.1 and 2, A/4467, A/4468 and Add.1 and Add.1/Corr.1, A/4563, A/C.5/835) (continued)*

11. The CHAIRMAN drew attention to paragraph 5 of the report of the Advisory Committee on Administrative and Budgetary Questions (A/4563) in which the Committee stated its belief that, in general, the proposals before the General Assembly should be considered as an integrated whole. He also drew attention to paragraph 26 of the same report where the Advisory Committee summarized its suggestions, subject to which the General Assembly might wish to approve the draft resolution annexed to the Secretary-General's report (A/4468/Add.1).

12. Mr. PRATT (Israel) said that it was gratifying that, generally speaking, the staff of the organizations in the United Nations family met the standards of efficiency, competence and integrity stipulated by Article 101, paragraph 3 of the Charter of the United Nations. That was probably because the conditions of service in those organizations had been made as attractive as possible. If so, it was the Fifth Committee's duty to do everything in its power to improve those conditions of service—among which adequate pension rights were an important element—in order to retain the services of the existing staff and attract new staff of the same high calibre. Those were the considerations which had prompted the General Assembly to adopt resolution 1310 (XIII) and which should guide the Committee in examining the reports submitted under that resolution.

13. He paid a warm tribute to the Pension Review Group for the exemplary discharge of a difficult task. The Group had clearly made a thorough study of an intricate problem, and had rendered its technical

aspects intelligible to the layman. As stated by the Advisory Committee in paragraph 5 of its report, the Secretary-General, the executive heads of the other member organizations and the Joint Staff Pension Board had unanimously recommended that, with three relatively minor amendments, the proposals of the Review Group should be accepted and acted upon by the General Assembly at its fifteenth session. That unanimity had probably been achieved because the Review Group had endorsed the basic principles of the existing pension scheme, and because its recommendations related to changes within the existing system of benefits.

14. Generally speaking, those recommendations represented a considerable improvement on the existing scheme. The raising of the level of base pensionable remuneration to the mid-point between the net and the gross base salary was a welcome step towards the final objective of using the "full gross" scale for pension purposes. The Review Group had recognized that that objective was sound in principle, but had refrained from recommending it by reason of the practical difficulties described in paragraphs 75 to 96 of its report. The transition to a full gross basis was admittedly a difficult problem, but should not be beyond the ingenuity of the competent authorities; the possibilities of notional grosses could be further explored, and the Advisory Committee hinted that some other formula might serve. It was to be hoped that every effort would be made to modify the existing salary scales so that the Joint Staff Pension Fund might conform in the near future to the normal practice of outside organizations, where pensionable remuneration was calculated on gross base salary.

15. The new proposals with respect to withdrawal benefits were consistent with a genuine pension scheme. Both the Joint Staff Pension Board and the Advisory Committee, however, had drawn attention to the statement by the United Nations Headquarters Staff Council (A/C.5/835) expressing concern over the effect of those proposals on existing participants in the pension scheme. His delegation considered that it would be inequitable to curtail the withdrawal rights of existing staff at short notice and shared the concern expressed by the Chilean representative at the 799th meeting regarding the likely effect on staff morale. Such a measure might shake the staff's confidence in the stability of their conditions of service in general, and his delegation would therefore support any transitional provision designed to safeguard existing withdrawal rights for a reasonable period, particularly since the lump sum involved was the actuarial equivalent of the pension and would impose no burden on the budget.

16. Mr. RYBAR (Czechoslovakia) said that he wished to raise the matter of the funds needed for carrying out the Pension Review Group's proposals. In discussing other budget items the Committee had proceeded on the tacit assumption that any changes and new proposals would be carried out without increased expenditure. He was therefore surprised that the Secretary-General should have seen fit to make an additional charge on the United Nations budget of approximately \$410,000 a year (A/4468, para. 44). The Secretary-General based that proposal on a change in the statutory rate from the present 3 per cent to 3 1/4 per cent as from 1 January 1961. The fixing of the statutory rate which was not identical

* Returned from the 799th meeting.

with the actual yield on the Pension Fund's investments, was of great importance because it formed the basis for actuarial calculations and substantially affected the size of contributions. If actuarial calculations were based on a higher statutory rate the cost of the pension scheme would be less. The Fund's assets had increased from less than \$8 million in 1949 to over \$80 million in 1958. Since the annual increase in assets now exceeded \$10 million, it could be assumed that in 1960 assets amounted to more than \$100 million. That being the case, it would be sufficient to increase the statutory rate by 3/4 per cent, and by even less in the future, instead of the 1/4 per cent proposed, to cover all the new expenditure resulting from the Group's proposals. It had even been suggested that in view of the steady increase in the Fund's assets and in the yield, it would be sufficient to raise the statutory rate by 1/2 per cent to 3 1/2 per cent in order to cover the cost of the proposals. He considered that the Secretary-General's proposal to increase the statutory rate by only 1/4 per cent did not properly reflect the actual situation and the possibilities of reducing the cost of the pension scheme.

17. In point of fact, the real yields on Pension Fund investments were substantially higher than those taken into account by the statutory rate. The yield on recent Pension Fund investments had, on the average, been 4.19 per cent during the period 1 October 1958 to 30 September 1959 and it was only because previous investments had been made at a lower rate of interest that the actual yield had been 3.85 per cent in 1959. It could reasonably be assumed that the total yield on all investments in 1960 was 4 per cent. The Pension Review Group conceded that there was a considerable difference between the statutory rate and the actual yield on investments. The Group stated in paragraph 266 of its report (A/4427) that with a statutory rate of 3 1/4 per cent, the total excess interest yield on the whole of the Fund's present investments (now some \$100 million) represented about \$600,000 a year, while new investments were being made at the rate of some \$10 million a year, at an average of around 4.4 per cent. Although he agreed that the actual yield should be somewhat above the statutory rate, he believed that the Group's recommendation was unduly cautious. Under the present conditions, the relatively low statutory rate prevented the utilization of the higher, actual yield on investments and the maintenance of such a rate would result in hoarding by the Fund and in continued request to the Assembly for additional funds to cover the cost of the pension scheme.

18. It was impossible to propose changes designed to take into account inflationary pressure and rising salary scales and at the same time to disregard the other side of the process, as was done in the Pension Review Group's report. The Group expressed the view that, although it might not always be so, the economic conditions leading to increasing salary levels were at the present time also—at any rate to a considerable extent—leading to relatively high interest rates, and although the Fund might suffer from the one effect, it gained substantially from the other (A/4427, para. 36). He thought that the proposed increase of 1/4 per cent in the statutory rate did not take full advantage of the possibilities offered by the trend mentioned.

19. His delegation also believed that the possibilities of obtaining a high yield on investments had not yet been explored. As far as he knew, the Pension Fund's assets were invested in United States and Canadian securities and inadequate attention had hitherto been given to securities on other more profitable markets. A less conservative investment policy could lead to further increases in the yield, without impairing the security of the investments, and, in addition to making possible a higher statutory rate, could secure a surplus for the formation of a reserve fund. For that reason, he felt that the Group's estimate in paragraph 57 of its report that "... a fund which began today could hardly fail to obtain for many years, an average yield of from 4 1/2 to 5 per cent" was the minimum to be expected. Since the low-yield investments made in the early years of the Pension Fund's existence would represent a smaller proportion of the total assets, further increases in the total yield, well in excess of 4 per cent, could be expected.

20. In those circumstances, his delegation could not agree to the proposed increase of only 1/4 per cent in the statutory rate. His delegation wished to know to what extent the proposed changes in the pension regulations could be financed by increasing the statutory rate to either 3 1/2 or 3 3/4 per cent, bearing in mind that even an increase of that order would leave sufficient margin between the statutory and actual rates of interest. He would also welcome a more exactly calculated estimate of the level of the statutory rate necessary to cover the cost of the proposed changes in the pension regulations without any increase in the Organization's budget, together with an explanation of the obstacles standing in the way of the adoption of such a rate. The picture would be clearer if an estimate could be made of the actual rate of interest in respect of all the assets of the Pension Fund in the next few years, on the assumption that the actual rate of interest in respect of new investments would be 4 1/2 to 5 per cent, as envisaged by the Pension Review Group. He felt that if such information were made available it would enable the Committee to improve the pension scheme for the staff of the United Nations and the specialized agencies without any increase in budgetary expenditure.

21. Mr. PARISIS (Belgium) said that it was difficult to compare the existing pension scheme with the proposed new arrangements. He would be grateful if the Secretariat could reproduce the existing provisions alongside the proposed changes, on the lines of the table in the document containing the proposed amendments to certain provisions of the Pension Scheme Regulations of the International Court of Justice (A/4424, annex I).

22. Commenting on the differences of view which had arisen over withdrawal settlements (A/4563, para. 19), he said that it appeared that the lump-sum payable to participants under the proposed regulations after completing five years contributory service would be less in most cases than the corresponding payments under the present regulations. That situation seemed unfair to staff who had begun their service under the existing regulations.

23. His Government was opposed to retroactive regulations in principle. Moreover, it was probably the case that some staff members had been swayed by the possibility of a lump-sum withdrawal benefit when they had decided to accept the risks and dis-

advantages associated with expatriation. It had also been pointed out that the continuance of the present arrangements would not have an adverse effect on the Fund (A/C.5/835). In that connexion, he recalled the discussion at the present session concerning the proposed amendments to certain provisions of the Pension Scheme Regulations of the International Court of Justice when misgivings had been expressed concerning the introduction of retroactive regulations.

24. He asked the Chairman of the Advisory Committee to explain why the Committee had not taken a position on the proposal made by the representatives of the staff at United Nations Headquarters, and proposed that the amendment suggested in document A/C.5/835 be put to the vote.

25. Mr. CUTTS (Australia) pointed out that the topics prescribed in operative paragraph 1 of General Assembly resolution 1310 (XIII) had been examined in detail by the Pension Review Group, the Joint Staff Pension Board and the Secretary-General. The Secretary-General had submitted specific proposals which the Advisory Committee supported in substance, adding detailed suggestions for their implementation. In his delegation's opinion, that was the appropriate way to deal with a matter of such complexity. Generally speaking, his delegation supported the Secretary-General's proposals and accepted the Advisory Committee's recommendations for their implementation; the effective date of 1 April 1961 suggested in paragraph 26 (b) of the Advisory Committee's report seemed very practical for that purpose.

26. His delegation shared the Czechoslovak representative's view that a statutory rate of 3 1/4 per cent might be lower than necessary, even allowing a generous margin for safety. It would be interesting to hear the Controller's opinion as to what safety margin a statutory rate of 3 1/2 per cent would leave.

27. His delegation was not convinced that it was appropriate for the Committee to have before it the statement by the Headquarters Staff Council which appeared in document A/C.5/835. The Headquarters Staff Council by no means represented all the participants in the United Nations Joint Staff Pension Fund. Moreover that Council, in common with the other equivalent bodies, had participated in the study of the proposals at every stage. It had made representations to the Pension Review Group, was represented on the Joint Staff Pension Board, and had made representations to the Advisory Committee. The Headquarters Staff Council would thus appear to have exhausted all appropriate channels of communication on the subject, and it was somewhat disturbing to find an interested party making direct representations to the General Assembly. It would appear from paragraph 23 of the Advisory Committee's report that the Staff Council's proposal did not enjoy the support of that Committee. Australia agreed with the Secretary-General and the Advisory Committee that, in general, the proposals should be considered as an integrated whole; it would therefore be reluctant to support, at the present stage, any departure from that body of proposals. If the Fifth Committee could not accept the proposals as a whole, it should refer them back to the experts with new directives.

28. Mr. TURNER (Controller) said that the Secretary-General and the executive heads of the member organizations had endeavoured to facilitate the Fifth

Committee's task by summarizing the main features of the changes proposed in the staff pension scheme. They hoped that the Secretary-General's report, complemented by the Advisory Committee's comments and recommendations, brought out with sufficient clarity the salient features on which the Fifth Committee was required to take action. The Secretary-General appreciated the Australian representative's favourable comments on the manner in which the item had been dealt with. The idea of presenting the draft revised regulations side by side with the existing provisions, as suggested by the Belgian representative, had been carefully considered, but had been rejected on the ground that the new proposals did not lend themselves to a direct comparison and that such a presentation would be confusing.

29. The statement by the Headquarters Staff Council was addressed, not to the General Assembly, but to the Secretary-General; in bringing it to the General Assembly's notice the Secretary-General had acted on a precedent established some years previously, under which it had become the custom to lay before the Fifth Committee the views of the staff on matters of vital interest to them. The fact that the Secretary-General's proposals under General Assembly resolution 1310 (XIII) were submitted jointly with the executive heads of the other member organizations prevented the Secretary-General and, it might be presumed, the Advisory Committee from taking a definite position on the Staff Council's representations. However, the Secretary-General took a very sympathetic view of those representations, and the views expressed by the Staff Council were widely shared by the participants in all member organizations. The Secretary-General appreciated the constructive observations made by the Chilean and other representatives in that connexion.

30. The Secretary-General and his advisers were flattered by the Czechoslovak representative's confidence in their judgement in the matter of investments. He himself was not sure that the Secretary-General's investment policy would prove so successful as to produce an average annual yield of the order of magnitude contemplated by the Czechoslovak representative. The yield on investments, as measured on 30 June 1960, had been appreciably more than 3 1/4 per cent but less than 4 per cent. The situation prevailing in the period 1946-1948 had been very different from that of 1958-1960, and many changes were possible during the twenty- to forty-year period for which investment policy had to be framed. Such a policy demanded a cautious and conservative approach, and the Secretary-General, pursuant to the directives given him by the Investments Committee, acted accordingly. It was a matter of judgement whether a change from 3 per cent to 3 1/2 per cent or more would be prudent and safe. Some members of the Committee might consider a change to 3 1/4 per cent to be risky, while others clearly considered it over-cautious; the truth probably lay somewhere between those extremes. Meanwhile the Pension Review Group and the Secretary-General considered, in the light of experience to date, that a modest increase from 3 to 3 1/4 per cent was neither unduly rash nor unduly cautious as a basis for planning. He would study the Czechoslovak representative's remarks carefully, and would reply to them in detail in the near future.

31. Mr. AGHNIDES (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Belgian representative had been correct in inferring from paragraph 23 of the Advisory Committee's report that the Advisory Committee had taken no definite position on the proposal made by the United Nations Headquarters Staff Council concerning withdrawal benefits. The Advisory Committee had confined itself, in paragraph 26 (d) of its report, to drawing the General Assembly's attention to the relevant documents. The Australian representative had to some extent already explained why the Advisory Committee, as stated in paragraph 5 of its report, had limited its observations to the financial and administrative implications of the Secretary-General's proposals and to comments on certain specific points of particular interest. The General Assembly had, very appropriately, referred the highly complex subject of the pension scheme to a group of qualified experts, and the group's proposals had been

thoroughly reviewed by the Joint Staff Pension Board, on which the General Assembly and its sister legislatures, the executive heads of the member organizations and the staff were all represented. The Board, which was the General Assembly's principal adviser on pension matters, had been unable to recommend the staff's proposal and had merely drawn it to the attention of the General Assembly. The Advisory Committee had considered it neither appropriate nor necessary to take a position in a matter on which the Pension Board had already expressed its views. That did not mean that the Advisory Committee opposed the staff proposal; it had merely felt that it should not take a position different from that of the competent substantive authority. It was neither for nor against the proposal, and it was for the Fifth Committee to interpret the significance of that attitude.

The meeting rose at 5 p.m.