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PROPOSED SCHEME FOR STAFF RETIREMENT AND INSURANCE FUNDS AND RELATED BENEFITS

INDEX

PROPOSED SCHEME FOR STAFF RETIREMENT AND RELATED BENEFITS

(Item 18(b) on the Provisional Agenda for the Second Part of the First Session of the General Assembly)

REPORT BY THE SECRETARY-GENERAL

1. The General Assembly requested the Secretary-General to prepare schemes for staff retirement, for widows' and orphans' benefits and staff children's allowances and education grants, and directed that the memorandum of the Advisory Group of Experts (document A/C.5/19/Rev.1) should be transmitted to him for his guidance. Copies of the resolutions directing action by the Secretary-General are contained in Annex 1 together with observations by the Advisory Group of Experts.

2. In order to prepare suitable schemes, the Secretary-General arranged for the appointment of an expert Working Party consisting of:

D. Norman Chester, Chairman (United Kingdom)
E. Schoenbaum (Czechoslovakia)
N.E. Sheppard (Canada)
Rainard B. Robbins, Consulting Actuary to the Working Party.

The terms of reference of this Working Party and their Report are contained in Annex 2.

A. STAFF RETIREMENT SCHEME

3. The principal provisions of the scheme proposed by the Working Party involve the establishment of a pension scheme covering regular full-time employees of the staff with provision for the Specialized Agencies to join the scheme if they so wish. The scheme would provide retirement benefits on the basis of 1/60th of average salary for the five years preceding retirement, for each year of service, and would also provide for disability benefits in the event of earlier retirement due to ill-health and for pensions to widows. The normal retiring age would be 60 but provision is made, subject to a

minimum period of service of ten years, for retirement at 55. It is proposed that provision for the children of deceased staff members should be made through a continuance of the children's allowance, of which particulars are given in Part B. of this memorandum.

4. It is proposed that the scheme should be financed by a contribution from the staff of 7 percent, of salary and a contribution from the United Nations of 14 percent. The estimated annual cost to United Nations for 1947, the first year of operation, is estimated to be $1,620,000, but against this will be a set off of approximately $508,000 in respect of the Provident Fund contribution already provided in the budget for the 2,500 staff members assumed to have entered the retirement scheme by 31 December 1947. Details of this estimate are contained in Annex 3*.

5. Recommendations

(a) I recommend that the Report of the Expert Working Party be adopted as the basis of the staff retirement schemes for the United Nations and that the Assembly enact the Regulations which have been drafted by the Working Party in consultation with the Legal Department, and which are set out in Section (a) of Part II of the Working Party's Report. I recommend that the retirement scheme should become operative on 1 January 1947 as contemplated in the original proposals of the Advisory Group of Experts to the General Assembly at the First Part of the First Session.

(b) Under the provisions of the proposed scheme, the United Nations Staff Benefit Committee, which is to administer the benefits for United Nations staff, is to consist of nine members, three nominated by the General Assembly, three by the Secretary-General and three elected by the participants in the scheme. I agree with this recommendation and if the

* The figures in Annex 3 differ from those in the budget since the latter figures were based on the assumption that all staff members would be eligible for the Pension Fund, whereas the assumption now made is that the Pension Fund will not include staff with contracts of less than twelve months.

proposals are adopted by the Assembly, the Assembly will no doubt arrange to nominate three members to represent it on the proposed committee.

(c) The Working Party recommends the appointment by the Assembly of a Committee of three persons to advise the Secretary-General on the investment of the Retirement Fund and provision is made for such a committee in the Benefit Regulations (Section 24). I agree with this recommendation and the Assembly will no doubt wish to consider it in connection with the present powers vested in me under Regulation 23 of the revised Financial Regulations.

6. Preservation of Pension and Other Rights (See document A/114)

It will be seen from the Report of the Working Party on the possible arrangements for preservation of pension rights of persons transferred to the staff of the United Nations from the staff of Member Governments or vice versa, that this problem is a very complicated one and will require further examination. When Member Governments comply with the resolutions passed at the 31st Plenary Meeting of the General Assembly, this will secure the preservation of existing rights as recommended in alternative "A" of the Working Party's Report and supported by the Advisory Group of Experts. I suggest that further action should await detailed discussion between the Secretariat and Member Governments.

7. Provident Fund

The Working Party recommended that when the Retirement Fund is set up, the Provident Fund should be brought to an end. I accept the recommendation in the sense that no further persons appointed to the staff of the United Nations should be admitted to the Provident Fund after establishment of the Pension Fund. There will, however, be a number of persons on the staff of the United Nations with terms of appointment of less than twelve months who will not, on the basis recommended by the Working Party, be eligible for admission to the Pension Fund, but who will have been members of the Provident Fund and for whom provision will be required.

8. Recommendation

I recommend, therefore, that the United Nations Provident Fund be continued in operation as long as staff members, already members of the Provident Fund, remain on the staff of the United Nations without becoming eligible for admission to the Pension Fund, and that no further members be admitted to the Provident Fund after the establishment of the Pension Fund.

9. Participation of the Specialized Agencies

As mentioned above, the retirement and related benefits schemes recommended by the Working Party is devised to provide for the Specialized Agencies to join in it if they so wish. Informal discussions have taken place with the representatives of the Specialized Agencies and while the authoritative views of the Agencies are not yet available, it appears probable that a scheme on the lines proposed may be acceptable to the Agencies.

10. The Assembly will note that if the Specialized Agencies join in the scheme, they will bear their share of responsibility for keeping the Fund solvent. The Specialized Agencies will share on a joint basis with the United Nations in the administration of the scheme, which will be entrusted to a Joint Staff Benefit Committee consisting of two representatives from the United Nations Staff Benefit Committee and two representatives from the Staff Benefit Committee of each participating Specialized Agency. The Specialized Agencies will have full opportunity through their representation on the Joint Benefit Committee of making their views known on the investment and administration of the Fund's assets. The making and amendment of the regulations controlling the scheme will rest with the General Assembly of the United Nations.

B. RELATED BENEFITS

11. Children's Allowances and Education Grants

The Working Party have recommended a children's allowance of $144 per annum for each dependent child of a staff member, under 16 years of age, with an extension up to 22 years where the child is still attending an educational institution. The Working Party have recommended that the education grant to be paid in respect of children who are sent to the staff member's home country for education should be at the same rate, and as mentioned above, they recommend that these allowances should be continued on the same basis (at the cost of United Nations) in respect of the children of deceased staff members. In accordance with the resolutions adopted by the Assembly at the First Part of the First Session these allowances will not be payable to Assistant Secretaries-General and top-ranking Directors.

12. The Secretariat estimates that the cost of the children's allowances and education grants, which will be chargeable to the budget, will be $400,000, for the year 1947.

13. Recommendation

I recommend that the scheme of Children's Allowances and Education Grants, as proposed by the Working Party, be adopted, and that the General Assembly enact the Regulations set out in Section (c) of Part II of the Working Party's Report.

14. Medical Benefit and Hospitalization

The Report of the Working Party recommends that, in addition to joining the Associated Hospital Service, the staff of the United Nations should join the Health Insurance Plan of Greater New York. The latter scheme under its present rules does not cover staff with salaries above $5,000 per annum, and some modifications would be required on this and other points before it could be made available to the whole staff. Subject to these modifications the two schemes together will give the completest service possible in the New York area to cover hospitalization and medical and surgical treatment. It is proposed by the Working Party that each staff member should contribute up to 1 percent of his salary towards the cost of membership of these schemes. The excess over 1 percent will be borne on the budget of the United Nations, and it is estimated that the cost of this to the United Nations might be $100,000 in the year 1947.

15. Recommendations

I recommend that the proposals of the Working Party be adopted in principle and that the Secretary-General be authorized to negotiate with the authorities of the Health Insurance Plan of Greater New York, with a view to its application on a satisfactory basis to the staff of the United Nations. I propose to give further consideration to the arrangements to be made to provide similar cover for the staff attached to offices of the United Nations outside the New York area.

16. Provision for Discretionary Benefits

The various schemes outlined above will prove a fairly complete cover for the staff of the United Nations, but they are not completely comprehensive. For example, the disability pensions provided under the scheme would, in many cases, not be equivalent to the provision an employer would be required to make, by the law of countries with advanced social legislation, for an employee disabled in his service. It is proposed that this and other contingencies should be provided for by giving the Secretary-General a discretionary power to pay from the General Budget such gratuities either by way of lump sum or a periodical payment, as may be necessary to cover cases not provided for in the United Nations Joint Pension Regulations or in the United Nations Staff Regulations, or where those Regulations do not, because of the special circumstances, adequately cover the particular case.

17. It will be seen that the guidance given in the proposed draft Regulation regarding the circumstances in which the discretionary power is to be exercised is not very precise, and I propose to have this matter further examined during the forthcoming year and to report to the Second Session of the General Assembly whether more detailed regulations to cover this point can be drafted in the light of the year's experience of the working of the scheme.

18. The cost of any payments made under this Regulation would be charged to the General Budget of the United Nations and a full report of the circumstances under which the payments were made would be given to the Assembly.

19. Recommendations

I recommend, therefore, that the General Assembly enact the Regulations contained in Section (b) of Part II of the Working Party's Report.

20. International Court of Justice

A separate memorandum is being submitted to the Assembly on the question of pensions for the Judges of the International Court. Provision for the Registrar and staff of the International Court is made in the staff retirement scheme.

21. Immunities

The Working Party in their Report (Part I. Commentary on Main Provisions) refer to the desirability of including in any Convention concerned with immunity from taxation, a clause providing immunity for the benefits payable under the Retirement Regulations, Children's Allowances and Education Grants. It seems appropriate that this phase of the retirement plan be considered in connection with the problem of immunities in general.

ANNEX I.

The relevant Assembly Resolutions read as follows:
(See document A/64, 1 July 1946)

Page 16, paragraph 21.

Children's allowances and education grant.

"The General Assembly approves, in principle, the adoption of schemes to become effective 1 January 1947.

(a) for the payment of children's allowances as a supplement to the salaries of the eligible members of the staff of the Organization;

(b) for the payment of an education grant to an eligible member of the staff who may wish to send his child, or children, from the country to which he is assigned for duty to that country recognized as his home at the time of his appointment, provided such country be not the country where he is permanently assigned for duty."

Paragraph 22.

"The Secretary-General shall submit to the second part of the first session of the General Assembly a scheme for children's allowances and education grants, and the memorandum of the Advisory Group of Experts on these subjects (document A/C.5/19/Rev.1) shall be transmitted to the Secretary-General for his consideration."

Paragraph 28.

Staff Retirement scheme

"The Secretary-General shall establish immediately a provident fund for members of the staff, giving consideration to the scheme outlined in Part I of the suggestions of the Advisory Group of Experts on the establishment of a staff retirement scheme and related questions (A/C.5/20)."

Paragraph 29.

Provident Fund

"The Secretary-General shall submit to the second part of the first session of the General Assembly a report on the operation of the provident fund, suggesting such changes in the scheme as he may consider desirable."

Paragraph 30.

"The Secretary-General shall submit to the second part of the first session of the General Assembly proposals for a permanent staff retirement scheme to become operative 1 January 1947, taking due account of the suggestions of the Advisory Group of Experts, the various points raised during the general discussion of these suggestions in the Administrative and Budgetary Committee and other relevant considerations."

Page 17, Paragraph 31

Widow's and Orphan's Benefits

"In establishing a permenent staff retirement scheme, the Secretary-General shall give consideration to the desirability of adopting a system for the provision of benefits to widows and orphans of members of the staff, either by a separate scheme or by the grant of a lump sum benefit on the death of the member.

Paragraph 33 (a)

Injury compensation, sick leave and disability benefit.

"The Secretary-General shall submit to the second part of the first session of the General Assembly proposals for permanent schemes for injury compensation and compassionate benefits."

Paragraph 33 (b)

"Pending the adoption of a permanent scheme, the Secretary-General is authorized to indemnify a member of the staff who is injured as the result of an accident incurred in the course of his duties or to pay an indemnity to the staff member's estate should he die in such circumstances."

Paragraph 33 (c)

"Pending the adoption of a permanent scheme, the Secretary-General is authorized to indemnify a member of the staff who is compelled to discontinue his employment as a result of sickness directly attributable to his work in the service of the Organization or to pay indemnity to the staff member's estate should he die in such circumstances."

Resolutions adopted on the Reports of the Sixth Committee

Page 24, paragraph 4

Pensions for Judges and Staff of the International Court.

"The General Assembly is desirous of assuring that adequate and responsible pensions be assured to the judges and the registrar and the staff of the International Court of Justice and therefore directs the Secretary-General, in consultation with the registrar of the Court, to develop a pension plan for judges and registrar and staff for submission to the second part of the first session of the General Assembly."

Twenty-third plenary meeting, 6 February 1946.

Page 33, paragraph F

Accrued pension rights; preservation thereof.

"In order to facilitate the engagement, as members of the staff of the United Nations, of persons who have accrued rights as officials, either of the central government of Members or of subordinate governmental or other administrative authorities within the territory of Members, it is desirable that arrangements should be made to secure that accrued pension rights are not lost when such persons accept posts on the staff of the United Nations, by way either of transfer or of secondment.

"Therefore, the General Assembly recommends that: after such discussion with the Secretary-General as may be necessary to settle details the governments of Members adopt such legislative or administrative measures as may be required to preserve such pension rights."

Thirty-first plenary meeting, 13 February 1946.

ANNEX I (continued)

SUGGESTIONS BY THE ADVISORY GROUP OF EXPERTS

(See First Report of the Advisory Group of Experts to the Secretary-General, pages 84 and 85.)

SUGGESTIONS ON THE WORKING ARRANGEMENTS FOR THE PREPARATION OF THE STAFF RETIREMENT SCHEME AND RELATED BENEFITS

1. The General Assembly has directed that the Secretary-General submit to the Second Part of its First Session a plan for the establishment of a Staff Retirement Scheme and related benefits such as benefits under a Widows and Orphans Scheme, and for the establishment of a system of injury compensation payments during sickness and disablement, and related benefits. It is essential that a beginning be made on a study of these questions without delay. Intensive investigation and study will be necessary in order that the result may be available for submission at the Second Part of the First Session of the General Assembly.

2. The following plan is suggested as procedure for making the necessary studies and preparing the recommendations for submission to the General Assembly.

(a) A Working Party of consultants should be appointed at an early date which should consist of not more than five members, including persons with a wide range of experience in the social insurance field.

It is tentatively suggested that the Working Party might consist of one or more social scientists familiar with social insurance; an individual who has had experience in the administration of social insurance planning; one or more actuaries; and an individual who is familiar with the problems of the finance of staff retirement and accident compensation plans.

The Working Party would be served by a secretary designated from the staff of the Secretariat. It is tentatively suggested that the Working Party might be attached to the Budget and Administrative Planning Office for purposes of administration and staffing.

(b) The Working Party would take account of the proposals put forward by the General Assembly and related information from staff members, and would prepare a draft plan.

(c) The plan prepared by the Working Party would be submitted to the Advisory Group of Experts. The Advisory Group of Experts would review the plan, or alternative plans, and would prepare recommendations which, subject to approval by the Secretary-General, could be transmitted to the General Assembly at the Second Part of its First Session. During such review the Advisory Group would provide opportunities for representative members of the staff to express their views on the plan.

3. This proposal, it is believed, offers the best means of calling on the available talent and would offer a basis for informing the members of the General Assembly of the plans.

4 March 1946

ANNEX II

In order to carry out the directions contained in the Resolutions of the General Assembly set out in Annex I, a Working Party on Staff Retirement and Insurance Funds was set up with the terms of reference set out in the following letter addressed to the Working Party by the Assistant Secretary-General for Administrative and Financial Services on 31 May 1946:

"The Secretary-General has asked me to convene your Working Party to advise him on certain matters on which he is required to submit reports to the General Assembly. It is contemplated that your group will, if necessary, meet from June 3rd through July 15th, reassembling again in August, if necessary, to prepare for submission of the proposals to the General Assembly.

"The specific questions on which you will be asked to prepare recommendations for the Secretary-General are as follows:-

(1) Report on the existing Provident Fund, with such changes in this scheme as may be desirable.

(2) Proposal for a permanent staff retirement scheme to become operative 1 January 1947.

(3) System for the provision of benefits to widows and orphans of members of the staff of the United Nations.

(4) Proposals for permanent schemes for injury compensation, compassionate benefits, and for indemnification of disability resulting from sickness directly attributable to work in the service of the Organization.

(5) Proposed scheme for children's allowances and education grants.

(6) Pension Fund for the Judges of the International Court of Justice. (In conjunction with the Registrar of the International Court of Justice.)

(7) Preservation of pension rights for officials of Member Governments transferred or seconded for service with the United Nations. (To be considered in conjunction with the Legal Department.)"

ANNEX II (continued)

STAFF RETIREMENT AND INSURANCE FUNDS

REPORT OF THE WORKING PARTY TO THE SECRETARY-GENERAL

Index to Part I.

PROPOSED SCHEME FOR STAFF RETIREMENT AND INSURANCE FUNDS AND RELATED BENEFITS

INTRODUCTORY

Terms of Reference

In his letter dated 31 May 1946, on behalf of the Secretary-General, the Assistant Secretary-General for Administrative and Financial Services, in convening the Working Party, stated that the specific questions on which the Working Party were asked to prepare recommendations for the Secretary-General were as follows:

(a) Report on the existing Provident Fund, with such changes in this scheme as may be desirable.

(b) Proposal for a permanent Staff Retirement Scheme to become operative 1 January 1947.

(c) System for the provision of benefits to Widows and Orphans of members of the staff of United Nations.

(d) Proposals for permanent schemes for Injury Compensation, Compassionate Benefits, and for indemnification of disability resulting from sickness directly attributable to work in the service of the organization.

(e) Proposed scheme for Children's Allowances and Education Grants.

(f) Pension Fund for the Judges of the International Court of Justice (in conjuction with the Registrar of the International Court of Justice).

(g) Preservation of Pension Rights for Officials of Member Governments transferred or seconded for service with United Nations. (To be considered in conjuction with the Legal Department)

Subsequently, the Working Party were asked to include in their agenda consideration of the possibility of providing some form of hospitalization and medical benefit service for members of the United Nations staff.

Form of Report

We have interpreted our terms of reference as meaning the provision of a general scheme of staff benefits covering the various items mentioned individually and not as requiring us to report separately under each heading. We have, however, thought it desirable to deal separately with the Pension Scheme for the Judges of the International Court of Justice, and with the problems involved in any scheme for the preservation of pension rights for officials of Member Governments transferred or seconded for service with United Nations. Items (f) and (g) of our terms of reference are therefore not dealt with in this particular report.

Our report falls into three main parts:

Part I is an analysis of the problems involved in a staff benefit scheme for United Nations and the ideas underlying our main proposals.

Part II contains the Draft Regulations of the Pension Fund and other Staff Benefits which would come into effect if our report is accepted by the Assembly. The drafting of these clauses has been undertaken in conjunction with the Legal Department.

Part III is a report by the Actuarial Consultant to the Working Party on the cost and financial implications of the Pension Plan.

PART I

GENERAL CONSIDERATIONS UNDERLYING THE PROPOSALS

In drawing up our proposals for retirement, widows' and disability pensions and for the other benefits in the plan, we have had in mind the following considerations:

(a) The draft Staff Retirement Scheme and other proposals transmitted by the General Assembly at its first session to the Secretary-General, as a broad guide in the formulation of a scheme.

(b) The past experience under the staff benefit schemes of the various Member countries and of the League of Nations, and the techniques evolved by actuaries in dealing with these questions.

(c) The probable character and distribution of the staff of the United Nations. In this connection we would mention the following points: the likelihood of the employment of a larger proportion of older persons with a higher age of entry into the service than is found in the normal organization; the fact that among the professional grades there may be a good deal of comparatively short time service; the wide range in position, nationality, and salary of employees in the United Nations; the probability of a high proportion of women employees; and the administrative difficulties involved in an international organization with offices in several countries, and the possibility that the various specialized agencies may be allowed to participate. Our task has been complicated by the fact that the organization is still in a fluid state and there is some uncertainty as to the composition of the staff in two or three years' time.

We have had an opportunity to obtain some opinions from the Administration, but in view of the difficulties just mentioned, the scheme as a whole should be reviewed when conditions are more crystallized.

(d) The Assembly of the United Nations would wish to make as generous provisions as possible for its employees, subject to the limitation of sound finance. We have had this in mind for three main reasons:

(i) It should be a normal characteristic of public authorities to be good employers. In the case of the United Nations, the responsibility so to act is increased by the fact that service with United Nations is likely to mean leaving one's own country and living in a different land.

(ii) On becoming an international civil servant, the employee of the United Nations will be excluded from his own country's general scheme of social security. In the light of the developments of the past few years and the general trend towards more liberal State provisions, particularly in the fields of pension rights, sickness and medical benefits, loss of rights under one or other of the national schemes may be an important deprivation. The

United Nations has therefore the responsibility to provide coverage as a good employer on the assumption that there will be no State insurance scheme covering its employees.

(iii) A scheme containing liberal provisions is likely to facilitate the staffing of the United Nations' Secretariat. It should make for a more contented and loyal staff and one less open to outside pecuniary influences. Under the heading of personnel policy would also come the greater facilities in the way of recruiting older personnel or the earlier retirement of personnel no longer suitable for United Nations service.

At the same time we recognize that there is a limit to generosity and that pensions are costly benefits for which to make provision. We have therefore worked within a limit for contributions by the United Nations (apart, that is, from any employee contributions) of an over-all figure covering all benefits of twenty per cent of the annual salary pay-roll. Whilst such a figure has provided us with an over-all limit, it does not of course give any final answer as to how that over-all figure should be distributed to cover different social risks. Some people would emphasize one and others another kind of provision. We have tried to provide a balanced division of benefit within the total figure, having regard to the benefits normally provided under this kind of plan and to any views expressed by the Permanent Staff Committee.

As regards the detailed wording and provisions of the plan, our aim has been to provide a plan simple to understand, and as fair as possible, so that the staff may not feel that they will be caught out on legal or other technicalities or that nearly similar cases would be treated differently.

OUTLINE OF PENSION AND STAFF BENEFIT PLAN

(This is only a rough guide to the main points of the proposals. For the full details, see the Draft Regulations).

A. United Nations Joint Staff Pension Plan.

1. Membership - Every regular full-time employee under sixty years of age at time of entering United Nations employment whose appointment is either

(a) made without any fixed limit of time, or

(b) provides for participation in Pension Fund (where fixed period contract of employment).

2. Benefits:

Retirement - At age sixty (or higher age where Secretary-General approves) One-sixtieth of average remuneration for last five years before reaching retiring age for each year of contributory service. Up to one-third of value of benefit may be taken as lump sum. (See also under Withdrawal Benefit for retirement after age of fifty-five.)

In special cases Secretary-General may decide to allow new entrants over age of fourty to pay higher contribution and so earn a higher number of years of contributory service for pension purposes.

Disability (permanent incapacity) - calculated as for retirement benefit but to be not less than one-third of final average remuneration, or than the retirement benefit that would have been available if his service had continued to age sixty (if this would be less than one-third of final average remuneration).

Death Benefits - Funeral and burial expenses: up to $500, at discretion of Joint Benefit Committee.

Widow (a) of a pensioner - half his pension;

(b) of a participant - half disability benefit (including minimum). Widow benefit to cease on remarriage at which date widow to receive a lump sum equal to twice her annual widow benefit.

Adult Dependant (where no widow). Not greater than for widow but at discretion of Joint Benefit Committee.

Note: Employees who are admitted to the Pension Fund without passing a satisfactory medical test are not eligible for either disability or death benefits until five years of service have elapsed after their entry.

Withdrawal Benefits - Cessation of employment before age of retirement other than for disability, death or serious misconduct:

(i) If before completion of five years of contributory service: employee's own contributions returned with interest.

(ii) If after completion of five years of contributory service: Person to continue to be protected for disability or death without further payment of contributions for a period equal to one month for each full year of contributory service.

At end of this period of protection, if no claim to disability or death benefit, person to be paid a lump sum equal to the actuarial equivalent at the date his service ceased of the benefit that would have been payable to him at the age of retirement with his years of contributory service.

Joint Benefit Committee may pay capital sum before end of protection period but person would cease to have benefit of such protection.

(iii) After reaching age of fifty-five participant with ten years' or more contributory service may retire on retirement benefit equal to the actuarial equivalent of the benefit that would have been payable to him at age of retirement with his years of contributory service.

Summary Dismissal for serious misconduct may involve forfeiture of rights.

Discretionary power in Joint Benefit Committee to pay lump sum representing value of any part of those rights.

Persons employed in Unhealthy Areas (for more than three months) -

Contributory service in such areas to count as twice normal contributory service for pension purposes.

3. Contributions to Pension Fund - Participant to pay seven percent of his remuneration.

United Nations and member Organizations to pay (in respect of their own staffs):

(a) fourteen percent of total participants' remuneration;

(b) any amounts necessary to provide for both older entrants and persons employed in unhealthy areas who are allowed advantage of extra years of contributory service.

4. Joint Responsibility for Solvency of Pension Fund: If actuarial valuation reveals at any time that assets of Fund are not sufficient to meet Fund's accrued liabilities then the United Nations and each Specialized Agency which is a member of the Fund must each contribute to make good the deficiency. Respective contributions will be in proportion to total contributions made by each organization in respect of its staff during the three years previous to the date of the actuarial valuation.

5. Management - (See page 43 for statement of how joint management arrangements are expected to work.)

(i) Assets of Fund to be property of the United Nations and balances invested by Secretary-General on advice of independent Committee of three members appointed by the General Assembly and after consultation with Joint Benefit Committee.

(ii) Responsibility for management of Fund and execution of Regulations placed in hands of Joint Benefit Committee composed of two members appointed by United Nations Staff Benefit Committee and two each by the Staff Benefit Committees of each of the Specialized Agencies which are members of the Fund.

(iii) Joint Benefit Committee to have Secretary appointed by Secretary-General on its recommendation who, subject to any decision of the Committee, shall be the authority for authorizing all payments of benefits out of the Fund.

(iv) United Nations to have a Staff Benefit Committee composed of three members appointed by the General Assembly, three appointed by the Secretary-General and three elected by the participants. Each Specialized Agency joining the Fund to have Staff Benefit Committee composed of representatives of Governing Body, Director-General or other Chief Executive and participants in accordance with decision of Governing Body.

(v) Various discretionary powers to be vested in Joint Benefit Committee, who may delegate these powers to the Staff Benefit Committees of the various Organizations in respect of the staff of those Organizations subject to the requirement that the Secretary of the Joint Committee

6. Amendment of Regulations - General Assembly of the United Nations to be final authority for enacting Pension Fund Regulations and their amendment. Joint Benefit Committee to have power to recommend amendments and to make observations on any amendment brought before General Assembly.

7. Actuarial Reviews - at end of the first year and at not less intervals than three years, thereafter.

B. Present United Nations Staff Provident Fund. Fund to be terminated and balance transferred to Staff Pension Fund with each person's period of paying into Provident Fund to count as contributory service for him under the Pension Regulations. United Nations to pay into Pension Fund difference between present total United Nations and employee contribution (twelve percent) and total United Nations and employee contribution that would have been payable during this period if there had been a Pension Fund (twenty-one percent) i.e. a difference of nine percent.

C. Medical Benefit and Hospitalization Insurance. Employee covered by the Pension Fund and employed at the headquarters site to be insured under the Associated Hospital Service (Blue Cross) Scheme (for hospitalization) and Health Insurance Plan of Greater New York (for general medical and surgical services). Comparable arrangements to be made for employees at other centres. Scheme to be contributory. Total cost per employee:

Single	$3.22 per month
Married	$6.44 " "
Family	$9.25 " "

Contribution by United Nations so that no employee pays more than one percent of his salary (or the Actual $3.22 etc. per month if this be less).

D. Children's Allowances:

(a) $144.00 a year for each child under age sixteen (or eighteen if in school or twenty-two if at University) of a regular full-time employee, excepting senior officials in receipt of special salary allowances;

(b) Allowances to continue after death of participant in Pension Fund of an employee who becomes a pensioner;

(c) Allowances to be doubled if both parents are dead.

E. Education Grants. For each child sent home to another country to school - under age eighteen (or to University under age of twenty-two) - $144.00 a year, in addition to children's allowance - plus cost of one round trip journey per annum.

F. Discretionary power vested in the Secretary-General to pay such gratuities either by way of lump sum or an annuity as may be necessary to cover cases not specifically provided for in the Staff Benefit Plan or where, in his opinion, the provisions of the Staff Benefit Plan do not, because of the special circumstances, adequately cover that particular case.

COMMENTARY ON MAIN PROVISIONS (WITH PARTICULAR REFERENCE TO SPECIAL PROBLEMS INVOLVED AND IDEAS UNDERLYING THE WORKING PARTY'S RECOMMENDATIONS.

A. STAFF PENSION PLAN

1. Membership

The question as to what qualifications should be prescribed before an employee may participate in the Pension Fund is not easy to answer. On the one hand we are sure that the General Assembly would wish to take as generous a view as possible of its responsibilities towards any of its employees. On the other hand, care must be taken to see that the Fund is not unnecessarily mulcted by the free and easy admittance of cases with a high risk factor or the costs increased by unnecessary provision for transient employees.

In our proposals, we have aimed at including in the Pension Fund every regular full-time employee of United Nations, subject to certain comparatively minor exceptions. We have taken this view for four reasons:

(i) Any system whereby some people are included and others are excluded from the Pension Fund is bound to create anomalies;

(ii) If the employees excluded from the Pension Fund are numerous, then some form of Provident Fund arrangement would probably be necessary with a separate set of pension and benefit arrangements covering this class. Here again, there is ample room for anomalies and invidious distinctions.

(iii) A possible reason for excluding some employees from the Pension Fund would be if a minimum retirement pension were provided. We have not, however, recommended any minimum retirement pension, and each participant on retirement will be entitled to the number of sixtieths of final average salary which he has worked with the Organization. Furthermore, should he leave before he has completed five years of contributory service, a participant will be entitled only to his own contributions plus interest.

(iv) There are, however, minimum benefits prescribed in the case of disability and death payable without a waiting period for eligibility and therefore there are arguments in favour of excluding from the Pension Fund persons who are likely to be only short-term or temporary or irregular employees, in order to avoid any minimum liability in such cases. As against this, one has always to reckon upon the possibility that a person who is at present regarded as a temporary employee may continue in that status for many years and ultimately, so far as length of service is concerned, be indistinguishable from a person who from the first day of his employment was given a permanent contract. We should therefore try to avoid any sharp distinction based on the possession of a contract of indefinite employment.

The term regular full-time employment will, of course, have to be defined, but we have in mind that the distinction would except:

(a) Occasional employees taken on to undertake a stated short-term job, e.g. extra stenographers recruited to meet a temporary peak demand;

(b) Persons paid wholly on a per diem expense basis;

(c) Persons who, though working on the site of the United Nations, are in effect the employees of another and probably private organization. Employees of the Cafeteria management, should the Cafeteria be let out to a catering firm, would be a case in point. Persons on loan from Member Governments etc. and still being paid by those Governments are naturally not employees of the United Nations and would therefore be excluded.

We have also specifically excluded in the proposed Regulations persons who are over the age of sixty when they first enter the employment of the United Nations or of a Specialized Agency.

So far as the members of the Secretariat with fixed term contracts are concerned, these appear to fall into two main groups:

(i) the definitely short-term specialist appointments, for terms of six months, one year, or two years or perhaps more; and

(ii) the Secretary-General, the Assistant Secretaries-General and any other senior members of the Secretariat with appointments of a similar character. (The Registrar of the International Court of Justice is also in this category.)

We envisage that Article 2 of the Draft Pension Fund Regulations could be applied in these cases in the following manner:

(a) Appointment on a fixed term contract should not be a reason for excluding a person from the Pension Fund. Such entrant unless he had at least five years' contributory service would not qualify for any withdrawal benefit, other than the return of his own contributions plus interest, but would at least be covered against disability or death during his period of service. It should therefore be a normal practice to provide for participation in the Pension Fund of all employees with fixed term contracts of one year or more.

(b) The Secretary-General, whose pension rights are secured outside the Pension Plan, would not be covered by the Regulations. We assume that the United Nations would also accept some responsibility for his widow and dependents should he become disabled or die during his period of service.

(c) We envisage that the Assistant Secretaries-General and similarly highly placed personnel would normally be covered by the Pension Regulations. In years to come it is possible that some of these posts may be filled by promotion from the lower ranks, and in these cases continuity would be achieved in years of service with the promoted person getting the advantage of having his pension based on a higher final average remuneration. We must point out, however, that the Assistant Secretaries General appointed from outside who hold office only for five, or say ten years, will acquire only a comparatively small retirement pension (one-twelfth (five-sixtieths) of final average salary after 5 years service). In some cases, if they are over the age of 40 at time of appointment they may get the advantage of the special provision for older entrants. But it is impossible to do more than this for the short service employee within the framework of a contributory Pension Fund. Anything beyond this would have to be done by the General Assembly outside the Fund.

(d) The Registrar and staff of the Registry of the International Court of Justice would be included in the Plan, but separate provision, outside the Plan, would be made for the Judges.

We have purposely not tried to define the phrase "regular full-time employment" in the Regulations. Whilst in the light of our remarks the general purpose is clear, we think the Administration should have a margin of discretion, particularly in the early period of the Plan, to decide the precise scope of the meaning of the phrase. It may be that the words would be introduced formally in the employee's letter of appointment where he was to be admitted to the Pension Fund.

As a consequence of these proposals, we make two other recommendations: that no Provident Fund should be maintained once the Pension Fund is in operation and that the Secretary-General should have a wide discretion to make grants on periodical payments in cases that will not be covered by the normal Pension Fund arrangement. We comment on these at Pages 53 and 63.

2. Retirement Benefits.

The annual contributions necessary in order to be in a position to pay

Two principles underlie the retirement pension proposals:

(a) Regard should be had to the employee's salary in the final years of his employment. Retirement on account of reaching retiring age normally involves an adjustment in a person's standard of living. For this reason, it is popular to associate the amount of pension with the salary the retired person was receiving in the year or so before retirement. This principle has the advantage to the employee of giving him a more certain view of the adjustment he will have to make and would also, from his point of view, be the logical basis for a retirement pension. At the same time, if too short an average period is taken (e.g. one year) then there is the danger on the one hand that promotion may be given in the last year before retirement merely in order to give the person an extra pension (with heavy cost to the Pension Fund) or on the other hand that the chance of promotion for older men may be reduced because of need to avoid an expensive charge on the Fund. Furthermore, the use of a five-year average is more consistent with the idea that the retirement pension should be related to the standard of living the employee was used to at the time of his retirement.

Therefore, the average salary for the last five years of service preceding the normal age of retirement is proposed.

It must be appreciated, however, that there are certain difficulties in connection with this basis as compared say with a basis whereby pension rights are accumulated on the average salary in respect of all years of service. For one thing, the actuarial calculations, involving as they do estimates of the trend of salaries, are likely to be subject to a wider margin of error, and for another, should the level of salaries be raised at any future date, then pensions would become payable on this higher level notwithstanding that contributions had been fixed with a lower level of salaries in mind (in such a case the United Nations and member organizations

(b) Regard should be had to length of service. It is a well accepted principle in employer provision for staff that the longer the service with the employer, the greater the provision made for that particular employee. We have therefore related the retirement pension directly to years of service without any maximum (even service which may continue beyond the normal retiring age of sixty will count for pension purposes). The only exceptions to this rule are:

(i) A minimum of five years contributory service is required before any rights are acquired to any withdrawal benefit other than return of own contributions plus interest if employment ceases before age of sixty other than by disability or death.

(ii) Persons who fail to pass the required medical examination but who are otherwise eligible for the Pension Fund cannot become entitled to disability or death benefit until they have had five years service.

(iii) Though the disability and death benefits are based on the employee's accrued retirement benefit, in most cases a minimum of one third of final average salary will be payable.

Problem of the older entrant.

The present staff of the United Nations contains a number of people who would normally be regarded as too old to enter a pension fund. Whilst the present circumstances may be abnormal, it is probable that the United Nations and the Specialized Agencies may wish to recruit a limited number of older people (for this purpose people over the age of forty). Some provision should therefore be made for this class of person. We have not felt it necessary or desirable, however, to provide specially generous pension provisions for such employees.

(a) An employer might justifiably feel less responsibility for providing for a person who can complete only a short period of years

(b) Adequate arrangements for the preservation of Pension Rights (see separate report) should go some way to meet the needs of the older entrant from one or other of the national civil services.

For these reasons, we have recommended a simple optional provision whereby the person who enters the United Nation's service late in life may, if the Secretary-General so decides, secure a retirement benefit higher than his actual number of years of service would warrant, but in return for a correspondingly higher individual contribution.

The aim of Table in Section 18 of the Regulations is to enable a person who enters the service over the age of forty but under the age of fifty-one to secure a minimum retiring pension of 20-60ths (or one-third of final average salary) subject to his paying higher contributions. We would like to have made possible the same one-third minimum for those who entered beyond the age of fifty but the high cost, both to the contributor and to the United Nations, made it impossible. We have, therefore, tapered off the scale of additional years, but in such a way as would enable a new employee over the age of fifty to double his years of service for pension purposes.

It should be quite clearly recognized that, even with the higher contribution from the employee, the cost of providing these extra benefits to the older entrant will represent a special burden; thus an employee entering at the age of 50 who is allowed to pay a contribution entitling him to the retirement pension he would have obtained had he entered the service at the age of 40 (in other words 20/60ths or one-third of final average salary) would cost the United Nations or Member Organization (in respect of their staff) a further annual contribution of about 27 per cent of the employee's salary in addition to the standard contribution of 14 per cent. Presumably this point would be considered as part of the general conditions of service (including salary) of the new entrant if it was intended to allow him to have the advantages of the table.

The provision for the employee's widow and for disability benefit would

Provision for Earlier Retirement

One of the most difficult problems of pension fund policy, particularly as it is tied up with the personnel policy of the Organization, is the question of giving some special retirement rights to those employees who may have to or wish to retire before reaching the age of sixty. It may be, for example, in the interests of the Organization, that such a person may be asked to retire, or the employee himself may not feel up to the standard of fitness required by the strenuous nature of his duties. At the same time, it would be unwise to give too much attention in the Pension Fund to people who retire before the age of sixty. A primary purpose of the Fund is to provide for employees who have served their working life with the United Nations, and who have ceased employment under the Staff Regulations and are in need of an income, whereas by far the larger proportion of employees who leave United Nations' service before the age of sixty will presumably go to some other employer, and therefore pass out of the responsibility of United Nations. The problem, therefore, is to make some provision for the real case of the employee who has for one reason or other to retire prematurely without opening the way for extensive benefits for employees passing from the United Nations' service to some outside service. We think that this provision can best be made by fixing a minimum age of fifty-five and a minimum number of years of contributory service of ten to be satisfied before the person is entitled to a retirement pension. The pension would be one-sixtieth of his final average renumeration for each year of contributory service reduced by an actuarial equivalent to take account of the benefit being paid at an age earlier than sixty.

Lump Sum or Annuity

The Pension Regulations of the League of Nations allowed the employee about to retire the choice of either an annuity or a lump sum equal to the present capital value of the annuity. A high percentage of League staff took advantage of this option. And from the administrative viewpoint there is a certain advantage in paying off the retired person

We do not propose that such an option should be included in the United Nations' Pension Fund, and for two main reasons:

(i) An option of this kind would involve an element of selection against the Fund. For example, married employees who felt they had only a short expectation of life would take the lump sum.

(ii) In cases in which an employee took the lump sum and then, quite quickly, spent or otherwise got rid of the money, there is the subsequent danger that public critics, not knowing all the facts, might consider the United Nations made inadequate or no provision for their former employees.

It has been represented to us, however, that an international official on retirement may have to incur certain once-and-for-all expenditure by way of readjustment, e.g. expenses involved in returning to and settling in his home country. Provided that a maximum is fixed to the amount of the employee's retirement benefit which can be obtained in this way, we see no major objection to an employee on retirement having the right to a part of his pension (and we suggest up to one-third) payable in the form of a lump sum, leaving the balance to be paid by way of annuity.

3. Disability

Cessation of employment due to sickness or injury may be of a temporary or a permanent character. The cause of the sickness or injury may be attributable to a man's employment or to factors quite outside it. In most national schemes, two types of distinction are usually drawn:

(a) Between sickness pay payable by the employer as part of the wage contract, and sickness benefit payable under some State health insurance scheme;

(b) Between sickness or injury due to employment and that due to other causes. (The former is usually an employer's responsibility involving, so far as the lower paid workers are concerned, a higher rate of benefit, whilst the latter is usually left to some State

... voluntary provision.)

Neither distinction is easy to make in the case of the United Nations employee. For since a United Nations employee will be outside any State scheme for workmen's compensation or health insurance, the United Nations must also accept responsibility for this provision. It would still be possible, however, for the United Nations to make a distinction between what would normally be a workmen's compensation case and other causes of disability and be more generous in respect of the former.

Certainly it could be argued that the employee of the United Nations should not be worse off than he would be if the United Nations were subject to the State law prescribing benefits in respect of workmen's compensation for employees on that site. At the same time, it must be recognized that the distinction between a workmen's compensation case and an ordinary case of sickness or injury is often very artificial and in many cases leads to purely legal hair splitting. Furthermore, the actual provision varies from country to country, and even from State to State within the United States of America, and therefore the strict legal responsibility of the United Nations would vary according to the country or State in which the employee was normally engaged by them. Again, the workmen's compensation risks for professional and clerical workers are very low and indeed in some national schemes such people are excluded.

We have thought it desirable, therefore, to provide for a disability benefit which makes no distinction in respect of the cause of the sickness or injury. At the same time it will be open to the Secretary-General, under his discretionary powers, to supplement the death or disability benefit, where there are reasons for believing that the employee would have received more generous treatment if the United Nations had accepted the responsibility of being covered by the relevant national or State Workmen's Compensation Law.

Relation of Disability Benefit to Sick Pay

By far the greater part of sickness or injury involves merely a short absence from employment. These cases should be taken care of by the rules governing sickness pay as part of the normal conditions of service. The present United Nations Provisional Staff Rules (as recently revised) provide that:

Rule 14

(a) Members of the staff are entitled to accumulate sick leave at the rate of one and one-half working days per calendar month on full pay. The maximum amount of sick leave which may be accumulated is 90 working days.

(b) A staff member may, if necessary, be advanced sick leave, the amount of which will not ordinarily exceed 30 working days. In special cases of extended illness, additional sick leave may be advanced by the Bureau of Personnel.

(c) In the case of staff members on an annual salary, sick leave may be taken in units of days and half days. Sick leave taken by staff members in the hourly rate category will be taken to the nearest hour.

Rule 15

After exhausting accumulated sick and annual leave, permanent staff members with more than three years' service may be granted additional sick leave on half-pay up to a maximum of six calendar months.

These provisions, judged by the standards of the most progressive employers in this field, are not over-generous even for the long service member. Certainly for the employee just brought over from another country on a permanent contract the provision made is, we think, of doubtful adequacy. We mention this point not because it is within our precise terms of reference but because the more meagre the sick pay provision the greater the need for other provision. We have assumed, therefore, that the sick pay benefit for all regular full-time members of the staff (in other words for all people who would be covered by the Pension Fund) would be sufficiently liberal so that the only provision we were called upon to make was for permanent disability; in other words, for cases in which an employee became permanently incapable of performing satisfactorily his duties with the United Nations due to mental or physical impairment regardless of cause.*

Whilst the provision for permanent incapacity would be related to the employee's rights so far as retirement pension was concerned, and therefore would be larger the longer the period of service, we feel that some minimum provision is necessary, and we have placed that as being equivalent to one-third of the man's average salary in the five years' period prior to being invalided out of the service. Such provision would cover persons permanently disabled who had been only a short period with United Nations and not therefore had time to build up a sufficient number of years of service to provide them with a pension on which they could be expected to maintain a reasonable standard of life.

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* There are a large number of possible definitions of disability. An alternative definition to the one adopted could pay regard to "professional disability", i.e. whether the employee was actually able to carry out the duties of the profession or the position for which by training he was suited and which before his illness or injury he was engaged upon. We have not adopted this latter interpretation because we have been given to understand that an employee transferred from one position to another would not lose in salary thereby. This would presumably cover the case of a specialist employee who through illness or injury was incapable of continuing in his former post but who nevertheless could continue with some kind of duties for the United Nations. If this rule were not to be operated, then the Working Party would wish to alter the definition of disability by inserting after the word "duties" the words "or the duties of any other position that would not involve a decrease in remuneration of more than 25%."

This one-third minimum would, however, not apply to the person whose retirement pension, by reason of his late entry into the United Nations service, could not reach this figure. In other words, an entrant of the age of forty-five could normally obtain a retiring pension of only fifteen sixtieths (or one-quarter), and in this case the minimum disability pension would similarly be one-quarter. (This assumes the employee had not been paying higher contribution under the Special Table.)

Two other points must be noted in connection with the provision for invalidity. First, we would stress the importance, by proper medical care and rehabilitation where necessary, of bringing the incapacitated person back to being a useful member of the United Nations staff once again. Prevention rather than cure; cure rather than cash should be the goals. Second, the existence of a minimum benefit for invalidity places a special emphasis on seeing that new employees are required to pass an adequate medical examination before entering into the service and into the Fund. Where, for reasons of personnel policy, the Secretary-General considers it necessary to bring in a new entrant who has failed to pass the required medical test, we propose to safeguard the Fund by requiring the entrant to have a minimum period of five years' service before becoming eligible for any death or disability benefits.

4. Death Benefits

(a) Funeral Benefit

We have included in the Pension Regulations a discretionary right, to be exercised by the Joint Benefit Committee, to pay, out of the Fund, the funeral and burial expenses of a deceased employee up to a limit of $500. There are always a number of heavy payments to be made by the widow or dependant of a deceased person and whilst these can be insured against under a scheme of voluntary private insurance, we have thought it desirable to make a certain minimum provision under the Plan.

Where the deceased employee is to be buried in his own country and this is a considerable distance from the headquarters of the United Nations, we assume will be made under the Staff Rules governing expenses of travel, etc.

(b) Widows and Dependants

There is an increasing tendency in public pension schemes to make some provision for the widow and dependants of a deceased employee. We have therefore included a widow's or dependant's benefit which would normally be equal to half of what the employee would have been entitled to had he retired at that date on disability benefit, or, if he were already retired, then half his retirement benefit. In addition, the widow whilst in receipt of the pension would continue to receive the children's allowance being paid in respect of the children at the time of his death (or children born within ten months of the date of his death), subject to the general conditions governing these benefits.

We have not confined this benefit to the widow, but have included a discretionary provision so as to extend cover to one dependant of either a male (without a widow) or a female employee. We have in mind the case where an unmarried man may be the sole support of his mother, or, a female employee, of her parents. Even in a national scheme, there are administrative difficulties in deciding the extent of dependence and of avoiding fraudulent or misconceived claims on the Fund. In the case of an international organization where the dependant person may be in a country some distance from headquarters or may retire there after the death of the employee, the administrative difficulties are considerably increased. It was with these administrative difficulties in mind that we recommend that the dependant's benefit shall be subject to the discretion of the Joint Benefit Committee. As a further safeguard, we have provided that so far as the widow or dependant of a retired person is concerned, she must have been the wife or a dependant at the time the retirement benefit (or disability benefit) was first paid. It may be that provision in respect of dependants will require modification in the light of experience.

5. Privileges upon Cessation of Employment other than by Death, Disability or Serious Misconduct

(a) Until he has had 5 years of contributory service we have given the participant no right to take out of the Pension Fund anything but the contributions he himself has paid, with interest.

(b) After 5 years contributory service the vested rights he has in the Fund are in respect of the employee's pension rights prescribed in the Regulations and accrued to date, and not in respect of a particular sum of money which has been contributed over the period by himself and the United Nations. In other words the Plan is not a "savings bank" scheme as is a Provident Fund.

(c) No distinction has been drawn between resignation or voluntary withdrawal and dismissal, except where the dismissal was for serious misconduct. It is often invidious to draw a distinction between voluntary resignation and dismissal, for the same factors may be at work. However, Regulation 19 of the Provisional Staff Regulations states that the Secretary-General may "summarily dismiss a member of the staff for serious misconduct". We have treated this as covering some crime or as a serious dereliction of duty, e.g. revealing important United Nations' secrets, and as therefore warranting the possible imposition of a penalty where the official may lose his pension rights. In most other cases of dismissal, the Provisional Staff Regulations provide for the payment of at least three months' salary as an indemnity.

(d) We have introduced a feature often found in national schemes of social insurance but an innovation in employer provision. Under this provision an employee who leaves United Nations employment after five years of contributory service continues to be covered so far as the disability and death benefits are concerned for a period equal to one month for each full year of contributory service. The arrangement applies, however, only if he does not take the lump sum value of his withdrawal benefit until the end of the period.

(c) As already indicated at page 32 we have made provision for the withdrawal benefit to be treated as a retirement benefit in the case of those employees who wish to retire after the age of 55 and have at least ten years contributory service to their credit.

6. National Taxation of Benefits.

The practice of various countries differs in respect of the taxation of retirement benefits, pensions and other forms of annuities. Consideration should therefore be given to including in any Convention concerned with immunity from taxation, a clause whereby the benefits payable under the Pension Regulations or allowances in respect of children should not be taxable, notwithstanding any national law to the contrary.

7. Improvements in Benefits.

As already indicated, we have tried to propose as liberal and comprehensive coverage as possible within the limits of financial reason. It may be, however, when the finances of the scheme come to be reviewed within the next few years, that at the rate of contributions proposed a surplus will be revealed. Had we this wider financial margin available at the moment, i[illegible] probable that we would have given first consideration to providing som[illegible]imum retirement benefit after say, 10 years' service. We would also ha[illegible]en consideration to raising the minimum benefits in respect of de[illegible]d disability. There is also the question of raising the general basi[illegible]he retirement benefit by substituting 50ths instead of the 60ths pro[illegible] Such a substitution would, however, involve minor changes in respect of other parts of the Regulations, e.g. it is probable that a maximum would have to be fixed to the retirement benefit. Another possibility, which would have to be considered in the light of staffing policy as a whole, would be the provision of a retirement benefit at an earlier age than 60 in the case of women employees.

8. Orphans and Children of Pensioners.

Some pension schemes make direct provision for the children of the widows of employees entitled to a widow's pension and for the orphans of former employees. These benefits are then met out of the contributions made to the Pension Fund. In view of the fact, however, that the United Nations will be adopting a scheme of children's allowances for all employees other than a limited number of the senior posts, we have reached the conclusion that the simplest arrangement in this case would be to continue the children's allowances which the employee or the pensioner was enjoying at the time of his retirement, disability or death. This right would extend to children born not more than ten months after the employee became a pensioner or died.

In the case of orphans, both the parents dead, the normal children's allowances should be paid at double rate. This is desirable because normally part of the cost of providing for a child is covered in the salary or other income of their parents, whereas orphans have to be provided for without the existence of parental income.

We do not propose that the education grant should be made available to the children of pensioners for the reasons given later.

These benefits, as in the general scheme of children's allowances, are to be paid out of the General Budget of the United Nations and not out of the Pension Fund.

9. Currency

There are two problems here: what should be the currency for the purpose of calculating an individual's benefits under the Fund, and in what currency should those benefits be paid? In most cases the answer will be the same for both questions, but there will be other cases, for example, where an employee on retirement returns to his native country, not being a country in the currency of which his pension rights have been calculated, where the answer may be different.

As a general principle, we propose that a person's pension rights and other benefits shall be calculated and be payable in the currency in which his salary is calculated. Thus, if all salaries are calculated in dollars, even though they may be paid in other currencies in the case of employees stationed in those other countries, then we would propose that all pension and other rights, including contributions to the Fund, should be calculated in dollars. In other cases, the contributions and the benefits would be payable in the currency of the country in which the employee's salary was calculated.

If the retiring employee or pensioner is given unlimited rights in respect of choosing the currency in which his pension shall be paid, there is a danger that he may ask for conversion for speculative reasons and not for reasons of convenience. For example, should he anticipate that the currency in which his pension is being paid is likely to decline relatively to another currency, he may ask for conversion into this other currency.

On the other hand, there will be cases where, on retirement or on becoming eligible to a benefit under the Pension Fund, the employee, or his widow in the case of a widow's pension, may find it more convenient to convert the value of the pension into another currency, e.g., of the country in which they are to be domiciled.

We recommend that it should be entirely at the discretion of the Joint Benefit Committee to grant applications for the conversion of pensions into a currency other than the basic currency in which the pensioner's rights were calculated, but that normally such application would be granted where the pensioner asks to be paid in the currency of the country in which he is to reside or is residing. In the case of any conversion, the rate of exchange prevailing at the time of conversion would be used to calculate once and for all the benefits which the Pension Fund is responsible for paying.

10. Management (including participation by the various Specialized International Agencies)

There are obvious advantages in having a single pension plan covering the employees both of United Nations and of all the International Organizations. Without such an arrangement the movement of employees from one organization to another would be impeded or special arrangements would need to be made for the preservation of accrued rights. Moreover, as pensions and other staff benefits are part of the general conditions of service, there is the same need to secure a broad similarity of approach and avoid inter-agency competition. Finally, some of the Agencies may not have sufficient employees to enable a Pension Fund to be operated, at least on strict actuarial principles. We have, therefore, assumed that the United Nations Pension

Plan will ultimately cover all, or most, of the staffs of the other International Organizations.

If this assumption is accepted, it is not possible to look at the management of the United Nations Pension Fund in isolation. Regard must be had to the part which the member International Agencies must play in a joint plan. With this in mind we make the following proposals:-

Suggested Arrangements

First, it is important to be clear upon the distinction between the Pension Fund on the one hand and the children's allowances, education grants, hospitalization and general medical insurance on the other. The allowances and grants are a charge on the general Budget of each organization in respect of its own staff and would be administered by the United Nations and by each of the Specialized International Agencies in respect of such staff. The precise arrangements in respect of hospitalization and medical services will very much depend on local conditions and here again each international body will have to manage and finance its own scheme. Similarly the discretionary right vested in the Secretary-General could, so far as the staff of each Agency is concerned, be vested in the Director-General or Chief Executive of such Agency, and the cost incurred borne directly by the General Budget of that Agency.

So far therefore as this group of benefits are concerned, whilst it is still important to secure co-ordination of general policy, the finance and administration would be a matter for each International Organization in respect of its own staff.

The Pension Fund raises different issues for unless each organization is to have its own separate scheme and Fund, there must be a single Fund centrally managed with complete equality of treatment for each participant whatever his employing organization.

Possibly the easiest way of tackling the problem of joint management is to analyze the various functions which have to be performed in the management of the Pension Fund.

1. The collection of contributions, mainly by deduction from salaries, and payment of these and the employer's contribution into the Fund monthly.

2. Keeping of records, as to period of contributory service of each employee, etc.

3. Payment of benefits.

4. Making of decisions where discretion is allowed under the Regulations.

5. Handling of investments and assets of the Fund.

6. General decisions of policy, e.g. review of the Regulations and finances from time to time and suggestions for change. This would include the drafting and keeping up-to-date of the administrative rules.

7. Legislative decisions changing the Regulations.

It is clear that each Agency will wish to have some say in the general policy underlying the Pension Fund and the Regulations, and particularly where their special interests are involved. At the other extreme there is a miscellany of detailed business, such as keeping of records and accounts, periodical payment of pensions etc. to be carried out strictly in conformity with the agreed policy, and this presumably the Specialized Agencies would be willing to leave to the United Nations.

Policy decisions will be of two main kinds:

1. Decisions required in respect of the discretionary powers given to the Staff Benefit Committee under the Pension Fund Regulations, e.g. under Sections 6(a), (e), (f) and (g), 7, 8(c) and 9.

2. Decisions on such major questions as the formulation of the administrative rules (Section 35); arranging for an actuarial valuation and preparing comments on the Actuary's report (Section 30); proposing amendments to the Regulations (Section 36); expressing views on investmen policy (Section 24) and generally keeping the Pension Fund and its Regulations under review.

Whereas general policy questions would not arise frequently, indeed many of these questions come up for consideration only once a year at the most, decisions of the first kind, i.e. the use of the discretionary powers, might need to be exercised quite frequently, as the cases arose, and in most instances a decision could not be delayed. The main problem of joint management therefore is to secure for each Agency sufficient say in the general control of the Pension Fund, which can only be done by having some form of Joint Benefit Committee, whilst decentralizing responsibility for day to day decisions as much as possible, and so avoid the waste of time involved in the frequent bringing together of a large number of people, mostly international officials, from various countries. A possible arrangement for achieving the best of both worlds might be along the following lines.

ADMINISTRATIVE ASPECTS

1. Joint Benefit Committee

So far as general decisions of policy are concerned and the general overall management of the Fund, this would be in the hands of a Joint Benefit Committee, composed of two respresentatives from the United Nations and two from each Agency. (The Chairman of each individual Organization's Staff Benefit Committee could be one of the two representatives.) Normally, this body would meet once or possibly twice, a year. It would be open for any Staff Benefit Committee to request a special meeting to deal with some special subject which required urgent consideration.

The Joint Benefit Committee would have its own Secretary who would be responsible for the normal arrangements of the Committee's work, transmission of its decisions to the appropriate person or body and for the certification of all payments against the Fund. He would be both Secretary and Certifying Officer.

The Joint Committee should be able to delegate to each of the local Staff Benefit Committees such of its discretionary powers as it may think fit and in respect of the staff or beneficiaries of that Agency.

It will be noticed that this arrangement would give each Organization, including the United Nations, an equal voice in the overall policy of the Pension Regulations. This is simpler than trying to work out a scheme of representation proportional to some such basis as numbers of staff etc. and as each Organization would be responsible for its own financial contributions, there should be a congruity of interest in managing the Fund on sound lines.

Whilst the primary purpose of the Joint Benefit Committee would be to manage and administer the Pension Fund Regulations, it could also act as a body in which staff benefits in general e.g. children's allowances, could be discussed and a common policy agreed.

2. Agency Staff Benefit Committees

The United Nations and each Agency would have a Staff Benefit Committee, which would normally be composed of two persons elected by the staff, two appointed by the Secretary-General or Chief Executive and two by the General Assembly or the Agency's Governing Body. It would, however, be left to each Agency to decide on the precise composition of its Staff Benefit Committee.

The United Nations and each Agency Staff Benefit Committee would have delegated to it by the Joint Committee certain discretionary powers* in respect of the staff or beneficiaries of that Agency. Normally, the arrangement would be that the Agency Staff Benefit Committee would transmit to the Secretary of the Joint Committee their decision in respect of any of the employees or beneficiaries under their jurisdiction, e.g. on the death of an employee the Agency Staff Benefit Committee would recommend how much should be paid under Regulation 6(a) by way of funeral and burial expenses. The final decision, however, cannot be left entirely in the hands of each Agency Committee for there would be a temptation to be generous to their staff at the expense of the Fund. Therefore, the Secretary of the Joint Committee, in his capacity as Certifying Officer for the payment of benefits, must have the right in the first instance to question the decision of the local Staff Benefit Committee should he think that it is not in accordance with the Regulations or the Administrative Rules, or that it is out of line

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* This arrangement refers only to those discretionary powers given under the Regulations to the Joint Benefit Committee. Under Section 18, the Secretary-General of the United Nations has the right to admit people under the special provision for older entrants, and, subject to the payment of the necessary larger contributions, this right would be available to the executive head of each Agency.

with the general policy of the Joint Committee. In most cases, where a decision was questioned, the matter would be settled by discussion between the Secretary and the Agency Staff Benefit Committee concerned. And in the early years of the operation of the Plan there would clearly be an advantage in having as the Chairman of the Joint Committee a person who was readily accessible for the Secretary to consult. Where a major issue of principle was concerned, or where there was a serious division of opinion between an Agency Staff Benefit Committee and the Secretary, the question would be referred to the Joint Committee for settlement.

FINANCIAL ASPECTS

The United Nations and each Specialized Agency would be responsible for paying into the Fund, the 7 per cent deductions from the salaries of their staffs, plus their 14 per cent and such other periodical payments as are prescribed in the Regulations. Furthermore, if an actuarial valuation revealed that the assets of the Fund were not sufficient to meet the accrued liabilities of the Fund under the Pension Regulations then the United Nations and each Agency would have to pay into the Fund a proportionate sum to make good the deficit. The deficiency payment would be proportionate to the total contributions made by each Organization in respect of their staff during the three years previous to the date of the actuarial valuation.

As regards the administrative costs we recommend that the United Nations should pay the comparatively small cost of the central management of the Fund, including the keeping of the central records, the cost of any actuarial valuation and any other expense (including the salary of the Secretary of the Joint Benefit Committee) directly attributable to the central management of the Pension Fund. Each Agency would be responsible for making the necessary deductions from the salaries of its staff; for transmitting all the necessary records so that the central Pension Fund records could be kept up to date and generally for meeting the expenses incurred in its own office in respect of the local business of the Pension Fund.

Enactment of the Regulations.

We recommend that the General Assembly of the United Nations should be the authority for the purpose of enacting Pension Regulations, and also for making any changes in those Regulations. The Joint Benefit Committee would, however, have certain rights both to propose amendments and to make observations on any amendment under consideration by the General Assembly.

11. Investments.

The Pension Fund will accumulate a large balance in time

be a heavy responsibility to see that this balance is inv

will be important so to arrange the investment that the i

high as possible. (The present calculations are based on

yield of 2-1/2% on the investment, whereas if we could ha

the overall contribution would be decreased by about 2% o

On the other hand, the money is held in trust for a parti

therefore no risk can be taken which might involve substa

The investment of Pension Funds was exhaustively dea

of Experts held by the International Labour Office in 193

which are included in the International Labour Code at pa

assume that the United Nations would not depart from this

without very good reason.

The kind of investments we had in mind were the giltrespect of houses to be erected for the employees at the permanent site. It may under certain circumstances be necessary to hold part of the balance in the form of gold.

In a matter so important as this, in which all kinds of pressure may be brought to bear to secure the investment in particular securities or in a particular way, we think there is need for a small independent advisory committee on the lines of the one which we understand functioned successfully in the case of the League of Nations Pension Fund investments. The responsibility for making such investments is placed on the Secretary-General after receiving the advice of this independent investment committee. The Joint Benefit Committee would have the right to be consulted.

12. Actuarial Valuation.

In view of the uncertain and inadequate data on which the financial calculations in respect of the Pension Fund have had to be made, it is essential that a complete actuarial valuation of the Fund should take place at an early date. We recommend that there should be such a valuation at the end of the first year of the operation of the Pension Fund, when the opportunity should be taken to review the working of the Regulations.

It may be that if the composition of the staff is still changing, or the Organization is still expanding rapidly, a further revaluation and appraisal of the situation may have to take place at the end of the second year of the Plan's operation, but once the composition and size of staff becomes more stable, we think that an actuarial revaluation once every three years would be adequate.

The Actuary's Report would be presented to both the Secretary-General (and to the competent authority in the case of Member Organizations) and to the Joint Benefit Committee. The report would indicate, for example, how far the rates of contribution laid down in the Regulations were adequate to meet the benefits prescribed and if not, would show the extent of their inadequacy and might also include recommendations as to any changes the Actuary may think are needed in the Regulations. It would be a responsibility of the Joint Benefit Committee to

13. Maintenance of Solvency of the Fund

The League of Nations Pension Regulations contained a section stating that the League of Nations guaranteed the payment of the benefits prescribed in the Regulations. In a sense this clause did little more than put the obvious into words. For any Pension Fund Regulations are in effect a contract between employer and employee, under which there are to be paid stated benefits to the staff in exchange for a stated contribution. And it could be expected that having approved and enacted such Regulations the delegates of the Governments concerned would feel under heavy responsibility to see that the benefits prescribed in those Regulations were paid. Indeed no legal or other authority existed which could give the employee any redress if the League had failed to pay the benefits. The same sense of obligation must rest on the General Assembly of the United Nations in respect of any benefits they enact under the proposed scheme.

As, however, the proposed Pension Plan will apply not only to the employees of the United Nations but also to employees of such Specialized Agencies as join the Fund, it becomes desirable to put the obligation into more concrete form, in terms of the financial share for which each organization must accept responsibility. This is best done by the United Nations and member organizations undertaking to maintain the Fund always with sufficient money and assets to pay in full the liabilities and rights accrued to that date. If the Fund is not in this position the extent of the deficiency will be revealed from time to time by actuarial valuation. Section 16 of the draft Pension Regulations, therefore, proposes that where an actuarial valuation reveals that the assets of the Fund may not be sufficient to meet the liabilities accrued under the Pension Regulations the United Nations and each Member Organization shall pay into the Fund a sum which in total makes good the deficiency. The payments are to be proportionate to the total contributions (mainly the 14% of salaries) paid into the Fund by the United Nations or Member Organizations during the three years prior to the date taken for the purpose of the valuation.

14. Date of Inception of Plan

The General Assembly, at its First Session, approved the establishment of a Staff Pension Plan as from 1 January 1947.

B. Provident Fund.

We understand that the present Provident Fund was established in order to make some provision until a permanent staff pension scheme could be brought into existence. We recommend, therefore, that the Staff Provident Fund should be wound up as at the day prior to the inception of the new Staff Pension Plan. The balance standing at that date in the Provident Fund, insofar as it applies to employees who are being transferred to the new Pension Fund, will have to be transferred. In other cases, the employee would be repaid his rights under the Provident Fund. Moreover, as we propose that for the purpose of calculating years of service under the new scheme, the period during which the employee was contributing to the Provident Fund shall be counted, and insofar as the Pension Plan offers real protection against risks it will be better and therefore more costly than the 'saving' provisions of the Provident Fund arrangement. Thus there will, in addition to the balance transferred, also have to be a deficit payment in respect of each individual transfer.

C. Medical Benefit and Hospitalization Insurance

In the United States there is no compulsory Federal or State insurance scheme providing medical benefits and hospitalization. Under New York State law, and under many other State laws, it is possible for non-profit-making organizations to be established which will provide voluntary insurance coverage in respect of these risks. The basic feature of these insurance schemes is that they cover a particular group of employees and, except as a member of such a group, the individual cannot enter the scheme, the purpose of the group arrangement being to secure an averaging of risk.

In many cases, the employees form a group voluntarily and whilst the employer collects the contributions by way of deduction from salaries, the employer does not otherwise participate, e.g. by way of a contribution towards the cost. It would therefore be possible for the employees of the United Nations voluntarily to combine and make an arrangement with some established organization or insurance company, and so cover themselves to some extent against the costs of medical care and hospital treatment.

We have thought, however, that the United Nations would wish to contribute towards the cost of such a provision and for several reasons.

(i) The cost of medical treatment and hospitalization in the United States must be among the highest, if not the highest of any country in the world. The insurance premiums payable to cover these costs are therefore quite high, particularly for the married man with a family in the lower income bracket. Therefore, if the scheme is completely voluntary without contribution from the United Nations, the lower-paid people, and particularly the lower-paid married man, might find it difficult to pay the premium, and would not join. Yet these are just the kind of people who most need the insurance coverage.

(ii) The United Nations, under their Staff Regulations, will be paying sick leave and the Pension Fund will be accepting responsibility for paying disability benefit. It is in the interest of both the United Nations and the employee that he should get adequate and prompt medical attention, and so reduce the period of sickness or the possibility of disability.

(iii) One of the strongest recent trends in the sphere of social security has been the establishment of national insurance schemes providing some form of medical benefit. As an international authority accepting responsibility as a good employer the United Nations would not wish to ignore that trend.

There remain two major questions: First, what should be the basis and extent of the contribution by the United Nations; Second, how should the medical and hospital services be made available to the United Nations' staff? Actually, the two questions are closely bound up because the contribution per employee and the availability of the different kinds of treatment vary according to the insurance scheme adopted.

In the field of hospitalization, there is the popular and well-tried non-profit-making organization - the Associated Hospital Service (popularly known as the "Blue Cross"). The New York Association covers two million people and similar associations in different parts of the United States cover altogether twenty million people. There is no real competitor in this field, and we recommend that this particular scheme should be adopted for the purpose of hospitalization.

As might be expected, the coverage in respect of surgical operations and general medical expenditure is not so easy to obtain, and although there are a number of schemes in existence, none give complete coverage in respect of all medical costs. Working in conjunction with the Associated Hospital Service is the United Medical Service Inc., which provides a schedule of allowances for medical, surgical and maternity care. Under the schedule is:

(a) The Surgical Indemnity Plan, which provides cash indemnities to any subscriber in respect of in-hospital surgical procedures and obstetrical and fracture specialties, the rates being for the individual $0.40 monthly, husband and wife $1.00 and for a family $1.80 monthly.

(b) The Surgical Medical Plan, which includes provision for service for other subscribers. It covers surgical procedures and obstetrical and fracture specialties, in-hospital care and some minor surgery in the doctor's office. It also provides for in-hospital, non-surgical medical care amounting to $3.00 per day beginning on the fourth and through the twenty-first day of each hospital admission and $10.00 per week for ninety days thereafter except that subscribers eligible for service benefits would be required to pay for the first three days. They would in that case, however, have no bill from their doctor for non-surgical medical care from the fourth to the one hundred-eleventh day of each hospital admission. The rates are $0.64 monthly for the individual; $1.36 monthly for the husband and wife, and $2.36 monthly for a family.

(c) The General Medical Expense Indemnity Plan provides surgical and non-surgical benefits whether in-hospital, home or office. This includes aftercare and there is no exclusion with regard to the first three days of non-surgical medical care in hospital. A credit of fifty per cent for subscribers within certain income brackets is given towards the cost of special services such as x-ray or laboratory services, etc. The rates are $1.60 monthly for the individual and $4.00 monthly for the family, there being no special rate for husband and wife.

There are also various schemes prepared by private insurance companies, whereby in return for a fixed premium, the insured person is entitled to certain payments in respect of each medical visit.

Of the schemes we looked at the best appeared to be the Health Insurance Plan of Greater New York, (which has just been licensed to operate in this field), though even this falls far short of what we would consider adequate provision in this field, e.g. the cost of drugs and of dental benefit are excluded. The plan originated during Mr. LaGuardia's term of office as Mayor of New York. Though it is purely a voluntary non-profit-making organization, it is the nearest approximation to a comprehensive scheme of medical benefit. Like all these associations, the basis of the scheme is the insurance of a group of employees for a premium which varies according to whether a man is single, married or is married and has children. The Health Insurance Plan of New York respect to types of illness;* Second, so far as the normal illness is concerned the Plan meets the whole cost and does not just make a contribution; Third, the Plan is based on the use of the group practice idea which is the latest development in medical organization. Finally, the income ceiling is very much higher in the Health Insurance Plan.

At the same time, it must be appreciated that the Plan has not yet operated, and though it appears to have the co-operation of the medical profession in New York State, the history of the organization of public medical services shows that many difficulties can arise between the medical profession and the insurance organization. Again, the premium charges are based on very rough estimates of likely cost, and in view of the lack of experience of such costs, particularly United States experience, it may be that the subsequent operation of the Plan will reveal discrepancies. Finally, the Plan has so far been confined to Greater New York, though we have been informed that it can be made to operate in other parts of New York State. On the whole, however, we recommend the adoption of the Health Insurance Plan of Greater New York as the scheme for covering employees against the need for medical care.

On this basis, the total monthly contributions in respect of the two schemes for the various classes of employees would be:

	Individual	Husband and Wife	Family
Blue Cross Scheme (Hospital)	$0.80	$1.60	$2.00
Health Insurance Plan (Surgical and Medical)	2.42	4.84	7.25
	3.22	6.44	9.25

We have considered various ways in which the United Nations contribution might be calculated. For example, the United Nations might contribute half in respect of every employee, or the United Nations might cover the cost for the employee but not for his dependants. The most attractive method of United Nations contribution appears to be one which takes account both of income and of family responsibility. Thus, a married man obtaining a low salary should, we suggest, receive a higher contribution from the United Nations than a single man with a large salary. Indeed, in the latter case, in view of the low rate of monthly contribution, we doubt whether any contribution from the United Nations is necessary.

premium up to a maximum of one per cent of his salary, and beyond that, the cost should fall on the General Budget of the United Nations.

The following examples will illustrate our recommendation:

		Annual Contributions		
		Participant $	United Nations $	Total $
Case A.	Annual Salary $2000.			
	Single man or woman	20 (i.e. 1%)	18.64	38.64
	Married man and wife	20 (i.e. 1%)	57.28	77.28
	Married man with family	20 (i.e. 1%)	91.00	111.00
Case B.	Annual Salary $4000.			
	Single man or woman	38.64 (actual dollar cost)	Nil	38.64
	Married man and wife	40 (i.e. 1%)	37.28	77.28
	Married man with family	40 (i.e. 1%)	71.00	111.00

Arrangements with both the Organizations specified can be made at comparatively short notice and may be terminated quite quickly should they prove unsatisfactory. When the permanent site of the United Nations has been decided upon and a community of the staff has been formed, then this would be the time to reconsider the general position of medical benefits, to see whether or not the United Nations might not employ its own medical staff directly for this purpose. Provided, however, that the staff can get satisfactory treatment at reasonable cost by an arrangement with the medical practitioners in the area of the permanent site, there would be certain advantages in avoiding such direct employment, e. g. the connection with the local hospitals would probably be easier and closer.

The whole question of the administrative arrangements involved will have to be worked out in considerable detail by the Administration. We can do no more in this report than indicate our broad proposals. We should, however, mention three other points:

(i) The Health Insurance Plan of Greater New York excludes employees with a basic salary of more than $5,000 per annum. We understand, however, that there is a possibility that by direct negotiation, this income limit might be raised to a somewhat higher figure.

(ii) The cost of dental treatment and optical provision in the United States is very high at present, and it would be of considerable value to the staff if the Administration could give consideration to any method whereby this cost could be reduced in respect of its employees. One possibility, for example, would be for the United Nations to engage one or more dentists who would make an annual X-ray examination of the teeth of any employee who desired it, including the possibility of annual cleaning of the teeth. An optician could be engaged to make an annual examination of the sight of employees. It might even be possible to secure spectacles at favourable rates by a commercial arrangement with some firm of manufacturers of frames and lenses.

(iii) The foregoing provisions in respect of hospitalization and medical benefit will, broadly speaking, only cover those employees and their dependants who reside at or near the headquarters site of the United Nations. We think that provision on similar lines should be made available for the staff in the Branch Offices of the United Nations. The actual provisions, however, will vary from country to country. For example, it is probable that the employees at the London Office could be brought within the National Health Service at present being established in England. Another possibility is that of a direct money payment to such employees in respect of their hospital and medical bills. The exact contribution in respect of such staff would have to be worked out in the light of the

D. & E. Children's allowances and education grant.

At its twenty-first plenary meeting, the General Assembly approved in principle the adoption of schemes to become effective 1 January 1947:

(a) For the payment of children's allowances as a supplement to the salaries of eligible members of the staff of the organization;

(b) For the payment of an education grant to an eligible member of the staff who may wish to send his child, or children, from the country to which he is assigned for duty to that country recognized as his home at the time of his appointment, provided such country be not the country where he is permanently assigned for duty.

We were asked to prepare a scheme for children's allowances and education grants, and we have given consideration to the memorandum of the Advisory Group of Experts on these subjects (document A/C.5/19/Rev.1).

In general, we have accepted the recommendations contained in the memorandum of the Advisory Group of Experts. The only points at which we have departed are:

(i) For reasons mainly of administrative tidiness, we would have preferred to have made children's allowances payable to all regular full-time employees, in other words to the same range of staff who were covered by the Pension Fund. The Advisory Group recommended that neither the children's allowances nor the education grants should be payable to the Secretary-General, the Assistant Secretaries-General, Directors or other high officers employed on a five-year contract, nor to personnel serving under a short-term contract, i.e., two years or less. In seeking for a definition as to which employees should be included in the Pension Fund, we have avoided distinctions based on length of contract.

There would be considerable convenience if the same test, i.e., whether the person was a regular full-time employee, could be applied in the case of children's allowances and education grants. However, at their twenty-first plenary meeting (Journal, col. 669), the General Assembly resolved that "the allowances for the Assistant Secretaries-General and top ranking directors are deemed to include.....education and children's allowances". We have therefore felt compelled to exclude these officials from the operation of the children's allowances and education grant schemes, but everybody else other than the Secretary-General and the Judges of the International Court would be covered.

(ii) The Advisory Group recommended a net sum of $135.00 per annum for each dependent child under sixteen years of age. We suggest that it would be more convenient if the net sum were fixed at $144.00; in other words, $12.00 per month.

(iii) The Advisory Group suggested that the age limit of sixteen should be raised to eighteen where the child is still attending school. In addition we have provided that the allowances should be paid up to the age of twenty-two in respect of the children of eligible employees attending a University or similar educational institution.

(iv) The most important change is really an extension of the proposals of the Advisory Group so as to cover the children of persons in receipt of a pension from the Pension Fund and to provide for orphans. Thus a person who retired before the age of sixty on a disability pension would continue to receive the allowance in respect of his children, so long as they were otherwise eligible. Similarly, the widow of a deceased employee, in receipt of a widow's pension, would continue to

In broad terms, the definition "employee" would, for this purpose, cover people who were in receipt of a pension of one kind or another from the Pension Fund. In the case of the orphan of a person who dies in the service of the United Nations, the guardians would receive a child's allowance at the double rate.

The cost of the children's allowances, including the cost in respect of the children of pensioners, would be paid out of the General Budget of the United Nations. It would, of course, be possible to include an amount in respect of children of pensioners in the Pension Fund finances, and make them payable out of contributions to that Fund. In view of the fact, however, that there was to be a general scheme of children's allowances, we thought that the simplest and most straightforward arrangement would be for the United Nations to continue to pay to pensioners, including widow pensioners, the children's allowances such persons would have been entitled to had the employee remained in the service of United Nations.

(v) The Advisory Group suggested that the education grant should be at the rate of $150 for each eligible child. We suggest a slight modification in the rate. As we have proposed that the orphan should receive children's allowances at the double rate, we recommend that for the purpose of the education grant, the children's allowances should be calculated as though the child were an orphan. In other words, the addition would be $144.00 and not $150.00. This would make $288.00 as against the $285.00 proposed by the Advisory Group.

We do not propose that the education grant should be understand it, the purpose of the education grant is to place the employee who is assigned for duty to a place other than that recognized as his home country in the same position as though he were in his own country. The pensioner, however, is not tied to the site or to a branch office of United Nations, and can return to his native country at any time. He therefore should not need the education grant.

F. Discretionary Rights of Secretary-General

In drawing up any pension plan and other benefit arrangements applying to a large organization, there is always the problem as to how far the Regulations should be twisted or complicated in an attempt to meet every forseeable case. We have purposely tried to make the Regulations as simple as possible, and therefore, particularly in a new and expanding organization such as the United Nations, cases are bound to arise which are not covered at all or not covered adequately by the Regulations. We have therefore thought it necessary to include a general provision whereby the Secretary-General is authorized at his descretion to pay such gratuities, either by way of lump sum or an annuity, as may be necessary to cover cases not specifically provided for in the Staff Benefit Plan, or where, in his opinion, the provisions in the Staff Benefit Plan do not, because of the special circumstances, adequately cover that particular case. We have in mind that the Secretary-General would exercise this discretion in cases of hardship or in the interests of equity.

To guide the Secretary-General in dealing with individual cases we suggest that regard should be had to the benefits or other rights which the employee would have had in the country in which he is employed by the United Nations, had he been employed by a public authority subject to the law of that country.

These discretionary powers cannot be provided for out of the finances of the Pension Fund and would therefore have to be made out of the General Budget of the United Nations. We propose that the Secretary-General should be advised by the

FINANCES OF STAFF BENEFITS

Pension Fund (Retirement, Death and Disability Benefits).

Mr. Robbins, the Consulting Actuary to the Working Party, has advised that the over-all cost of the benefits provided for in the Pension Fund Regulations will amount to 21% of total salary payments. He stresses the many uncertainties he had to face in making this estimate. Further experience will show whether because of these uncertainties the original estimate was too high or too low.

The 21% over-all contribution could be divided between the employees and the United Nations in varying ways. At the moment the employee is paying 6% to the Provident Fund, and we understand that that figure was fixed around the level of what an employee might broadly be expected to afford from his salary. Having regard, however, to the facts that the proposed pension Plan will provide benefits far superior to the simple savings scheme represented by the present Provident Fund and that the employee will be getting substantial benefits under the hospitalization and general medical proposals for a comparatively low maximum contribution of a 1% deduction from salary, we think that the slightly higher employee contribution to the Pension Fund might reasonably be expected. As the over-all contribution is 21% this could be divided as to one-third by the employees and two-thirds by the United Nations; thus the employee would pay 7% and the United Nations would pay 14%.

Whilst we have not written the actual proportions in the draft Regulations, we have in mind that in any future change in the over-all contribution either upward or downward, one of the considerations in the allocation of the financial responsibility between the employee and the United Nations would be the basis on which the original distribution of cost was made.

In addition to the 14%, the United Nations will have to make up the deficit due to the transfer of the employees from the Provident Fund to the Pension Fund. The total employee and United Nations' contribution to the Provident Fund is 12%; the new over-all contribution will be 21% - an absolute increase of 9%. An absolute increase of 9% on top of the present total contributions of 12% means a payment of an additional 75% of the total balance

It is very difficult to estimate what this figure would be, but it may be of the order of some $300,000. It would be possible, however, for the United Nations to make this payment over a period, possibly of three years, but paying two and a half per cent interest during that period.

In addition, the United Nations would have certain responsibilities in respect of the older entrants allowed the advantage of higher benefits under Section 18. The cost of these will depend entirely on the policy adopted by the Secretary-General in recruitment and conditions of service of such staff, but in absolute figures it cannot be large.

When the provisional retirement pension scheme was before the Administrative and Budgetary Committee in February, there was some criticism that the scheme did not provide for fiftieths of final average salary but only sixtieths. The increase in cost of providing fiftieths over the present proposals would be to raise the twenty-one per cent to a figure of around twenty-five to twenty-six per cent. If it could be assumed that the employees' contribution could not be raised more than the proposed seven per cent, then almost all the extra cost will fall on the United Nations, making their contribution to a scheme based on fiftieths not fourteen per cent but eighteen per cent or nineteen per cent. Combined with the cost of children's allowances and hospitalization, this would bring the total United Nations' contributions above the figure of twenty per cent which the Working Party have taken as an overall limit for their purposes.

Other Staff Benefits

Children's Allowances

The cost of children's allowances will, of course, vary with the marital status and age distribution of the Secretariat. Unless employment policy is positively directed to the contrary, it seems likely that in early years the number of children eligible for these allowances will be lower than it will be later because men and women with no families or with small families can adjust themselves more readily to the problems incident to transportation to United Nations employment and will therefore be attracted in larger numbers

If we assume that there is one child to receive an allowance for every two employees, and that the average salary of employees is $3,600 the allowance recommended - $144 a year - would require an outlay each year on the part of the United Nations of two per cent of total salary payments.

Education Grants

If we assume that one child out of ten qualifies for an education grant, these benefits would cost about two-tenths of one per cent of total salary payments. Whether or not this assumption is at all good, it shows that, relatively speaking, education grants do not present a heavy budgetary item.

Hospitalization and Medical Service

On the assumption that the participant pays the cost up to one per cent of his salary, it seems that the remainder of the cost of this benefit, for United Nations to pay, should not exceed one per cent of the total salary payments.

Summary

The following summary table may help in an understanding of the sources from which the various benefits proposed in this Report will be financed:

SUMMARY TABLE OF SOURCE OF FINANCE FOR STAFF BENEFIT PLAN
(For Staff of United Nations)

Form of Benefit	Payment by Employee	Payment by United Nations
Retirement, Death, Disability and Withdrawal Benefits (Contributory)	7% of salary	14% of employees' salaries.
	Paid into Pension Fund	
Hospitalization and General Medical Insurance (Contributory)	Dollars per annum	
Single person	38.64	Balance payable out of General Budget where dollar cost exceeds 1% of employee's salary.
Man and wife	77.28	
Man, wife and family	111.00	
	Subject in each case to maximum of 1% of his salary.	
Children's Allowances and Education Grants	Nil.	Payable entirely out of General Budget

It will be seen that the normal deduction from the employee's salary will be seven per cent in respect of the Pension Plan and usually one per cent in respect of medical benefit and hospitalization, making a total of eight per cent.

The simplest method of calculating the contributions payable by the United Nations is to translate the cost of the various benefits into percentage additions to the total salary payments. The United Nations will have to pay fourteen per cent in respect of the Pension Plan; an estimated two per cent in respect of Children's Allowances; an estimated 0.4 per cent in respect of Education Grants; and about one per cent in respect of the medical service and hospitalization. Thus the total United Nations contribution in a normal year is likely to be about seventeen and a half per cent of total salary payments. In addition, there will be certain small payments in respect of the older entrant allowed the advantages of Section 18 of the draft Regulations.

We cannot close this Report without expressing our sincere thanks to Miss Norah Davies for her untiring and devoted work as Secretary to the Working Party. The preparation of this Report in such a comparatively short period of time has involved a heavy strain on the Committee but in particular on Miss Davies, who has always responded splendidly to the heavy calls we made upon her services.

D. Norman Chester (U.K.) Chairman
E. Schoenbaum (Czechoslovakia)
N.E. Sheppard (Canada)

Rainard B. ROBBINS (U.S.A.)
Consulting Actuary

N.B. Davies, Secretary

New York, August 7,1946

ANNEX.

Comparison of health insurance provisions of United Medical Service Inc., and the Health Insurance Plan of Greater New York.

SERVICES PROVIDED	HEALTH INSURANCE PLAN OF GREATER NEW YORK	UNITED MEDICAL SERVICES (General medical expenses indemnity contract.)
Number of visits	No limitation.	Not more than one in any one day or twenty in any one illness.
After-care-surgical	No limitation. All necessary care provided.	Various limits set forth in contract.
After-care-medical	No limitation. All necessary care provided.	Various limits set forth in contract.
Pre-natal care	No limitation. All necessary care provided.	Included.
After-care-maternity	No limitation.	Two or three weeks' limit, depending on case.
Specialist care	No limitation. All specialties provided.	Indemnity only for 50% of base rates as set forth in contract. If income is over $1800 for single and $3500 for family, the subscriber will pay the difference between 50% of the base rate and the specialist's private fee.
Pre-existing conditions	Coverage included and no waiting period.	No waiting period.
Periodic health examinations.	Provided.	Excluded.
Eye refractions	Provided.	Excluded.
Treatment for mental disorders	Treatment by a psychiatrist is not included. Diagnosis and consultation by psychiatrists included. This provides for handling of psychosomatic disorders.	Excluded.
Pathology	All laboratory services provided for diagnostic treatment	$50. limitation.

SERVICES PROVIDED	HEALTH INSURANCE PLAN OF GREATER NEW YORK	UNITED MEDICAL SERVICES (General medical expenses indemnity contract.)
Congenital anomalies	Coverage provided.	Excluded.
Radiology	All diagnostic and therapeutic radiology provided.	$50. limitation.
Removal of tonsils and adenoids	No waiting period.	No waiting period.
Physiotherapy	No limitation.	Plan indemnifies only for 50% of base rate of $3. per visit.
Tuberculosis	Care provided unless treatment is required at institution.	Not excluded. However, limit on visits prevents proper care over long periods.
Venereal diseases	Treatment provided.	Not excluded.
Quarantinable diseases.	Care provided.	Not excluded.
Conditions covered by Workmen's Compensation or Veterans' Administration.	Excluded.	Excluded.
Alcoholic addiction.	Treatment for acute alcoholism excluded.	Excluded.
Cosmetic surgery	Excluded except for restorative surgery.	Excluded.
Care furnished by medical department of employer.	Provided.	Excluded.
Rest cures.	Excluded only if patient is in an institution.	Excluded.
Night calls.	$2. for calls between 10 p.m. and 6 a.m.	$2. for calls between 8 p.m. and 6 a.m.
Immunizations	No limitation.	Plan indemnifies only for 50% of base rates as set forth in contract.
Allergy tests.	No limitation.	Same as above. See Art. V of UMS contract for further limitations.

Part II (a)

UNITED NATIONS JOINT STAFF PENSION SCHEME REGULATIONS

UNITED NATIONS JOINT STAFF PENSION SCHEME REGULATIONS

ARTICLE 1

DEFINITIONS

SECTION 1

"Member Organization" means a specialized agency brought into relationship with the United Nations in accordance with the provisions of Article 63 of the Charter which has been admitted to the Joint United Nations' Pension scheme under Article 9, Section 27 of these Regulations.

"Age of retirement" means the end of the month in which the participant reaches the age of sixty years or such later age as may be determined in the Staff Regulations applying to the participant concerned for the termination of appointment by retirement.

"Pensionable remuneration" means the remuneration, including payments in kind, determined by the participant's contract of employment, but excluding children's allowances, education grants, expense allowances and all other special grants and allowances, payments for overtime, fees, honoraria, payments for any expenses incurred in the service of the United Nations or of a Member Organization. If the value of payments in kind is not stated in the contract of employment it shall, for this purpose, be determined by the Joint Benefit Committee.

"Final average remuneration" means the average pensionable remuneration of the participant during the last sixty months of contributory service before the termination of employment, provided that where the participant has less than sixty months of contributory service the final average remuneration shall mean the average pensionable remuneration during the actual period of contributory service.

"Contributory service" means the number of complete calendar months for which contributions have been paid on the pensionable remuneration or counted for this purpose under Sections 17 and 18.

ARTICLE 2

PARTICIPATION

SECTION 2

appointment is made without limit of time or that his appointment is for a fixed period and his participation is provided for in the letter of appointment.

ARTICLE 3

BENEFITS

RETIREMENT BENEFITS

SECTION 3

Whenever a participant retires on reaching the age of retirement, or such later age as may have been approved in his case by the competent authority in accordance with the Staff Regulations, he will be entitled during the remainder of his life to a retirement benefit payable monthly equal to one-sixtieth of his final average remuneration multiplied by one-twelfth of his contributory service at the date of his retirement.

A participant may elect to receive part of his retirement benefit in the form of a lump sum equal to not more than one-third of the actuarial value of his benefit.

DISABILITY BENEFITS

SECTION 4

Whenever the employment of a participant ceases before he has reached the age of retirement because of his inability to perform satisfactorily his duties as an employee of the United Nations or of a Member Organization, due to physical or mental impairment, and subject to Section 7, he shall be entitled, while such disability continues, to disability benefit calculated in the same manner as the retirement benefit, provided that this disability benefit shall not be smaller than one-third of the final average remuneration or than the retirement benefit that he would have been entitled to at the age of retirement (on the assumption that his final average remuneration remained unchanged), whichever is the less.

COMMENCEMENT OF DISABILITY BENEFIT

SECTION 5

The Joint Benefit Committee shall determine, in accordance with the procedure described in the Administrative Rules made under these Regulations, when a participant qualifies for disability benefit, provided that the has exhausted his right to any larger payment under the Staff Regulations applying to him.

Until the recipient of a disability benefit reaches the age of retirement, the Joint Benefit Committee may from time to time require evidence of the continuance of disability and review the participant's eligibility to disability benefit in the light of such evidence.

DEATH BENEFITS

SECTION 6

Subject to Section 7, the following death benefits shall be payable under these Regulations:

(a) Upon the death of a participant the Joint Benefit Committee may pay an amount not exceeding $500 towards the cost of burial and funeral expenses determined in accordance with the Administrative Rules.

(b) If a married male participant dies, his widow shall be entitled to a widow benefit amounting to half of the benefit which would have been paid to the participant had he qualified for a disability benefit at the time of his death. This benefit shall cease on the widow's remarriage.

(c) If a married male beneficiary of a retirement or disability benefit dies, his widow, provided she was his wife at the time of the cessation of his service with the United Nations or Member Organization, shall be entitled to a widow benefit half as large as the benefit being paid to the deceased at the time of his death. This benefit shall cease upon the widow's remarriage.

(d) Upon ceasing to be entitled to a widow benefit under (b) and (c) by reason of remarriage the widow shall be entitled to a lump sum payment equal to twice the annual amount of her widow pension.

(e) Upon the death of a female participant, or of a male participant who leaves no widow, there may be paid at the discretion of the Joint Benefit Committee, for such period as they may determine, a dependent's benefit to one dependent, the benefit to be not greater than an amount calculated in the same manner as that payable to a widow under (b) above.

(f) Upon the death of a female beneficiary of a benefit resulting from

Benefit Committee for such period as they may determine, a dependent's benefit to one dependent, the benefit to be not greater than an amount calculated in the same manner as that payable to a widow under (c) above.

(g) If an unmarried male beneficiary of a retirement or disability benefit dies there may be paid, at the discretion of the Joint Benefit Committee for such period as they may determine, a dependent's benefit to one dependent, the benefit to be not greater than an amount calculated in the same manner as that payable to a widow under (c) above.

INITIAL MEDICAL EXAMINATION

SECTION 7

The Joint Benefit Committee may require any employee, before admission under these Regulations, to undergo a medical examination as prescribed by them.

If the results of this medical examination are not to the satisfaction of the Joint Benefit Committee the participant concerned shall not be entitled to the benefits under Sections 4 and 6 until he has completed five years employment with the United Nations or a Member Organization or with one or more of these bodies.

WITHDRAWAL BENEFITS

SECTION 8

Where a participant ceases to be employed by the United Nations or by a Member Organization prior to reaching the age of retirement for reasons other than disability, death or summary dismissal for serious misconduct as defined in the Staff Regulations, he shall be entitled to the following withdrawal benefits:

(a) If the participant has completed less than five years of contributory service, he shall be entitled to a sum equal to his own contributions paid in to the Pension Fund with the addition of interest at the rate of two percent per annum.

(b) If the participant has completed five or more years of contributory service, he shall continue, for a period equal contributory service at the date he ceased to be employed by the United Nations or by a Member Organization. At the end of that period, he shall be entitled to a lump sum payment equal to the actuarial equivalent at the date service ceased of the benefit that would have been payable to him if he had reached the age of retirement at the date his service ceased.

A capital sum shall not be payable if during this period the participant had become entitled to the payment of a disability benefit or his widow or dependent to a widow or dependent benefit.

(c) At the request of a participant the Joint Benefit Committee may pay the capital value of the accrued rights at a date earlier than that prescribed in (b) but the participant's right to continue eligibility shall cease on the date that such payment is made.

(d) A participant who has reached the age of fifty-five years, has ten or more years of contributory service, and retires before the age of sixty, may elect to be paid, instead of the withdrawal benefit, a retirement benefit equal to the actuarial equivalent at the date his service ceased of the benefit that would have been payable to him if he had reached the age of retirement at the date his service ceased.

SUMMARY DISMISSAL FOR SERIOUS MISCONDUCT

SECTION 9

The Joint Benefit Committee may pay a participant summarily dismissed for serious misconduct under the Staff Regulations, or the widow or dependent of such a participant, an amount equal to either the whole or any part of the benefits he would have been entitled to had he ceased to be employed under Section 8.

RE-EMPLOYMENT

SECTION 10

If a person to whom a withdrawal benefit has previously been paid under Section 8 becomes a participant on a new appointment the following provision shall apply: upon payment into the Pension Fund of the lump sum in respect of withdrawal benefit received under Section 8(a), (b) or (c) or of be deemed to include the period of contributory service to his credit at the time of his withdrawal.

ARTICLE 4

PRESERVATION OF PENSION RIGHTS

SECTION 11

In order to secure continuity of pension and staff benefit rights the Secretary-General of the United Nations may conclude with any Member or Members agreements adjusting the provisions of these Regulations so far as the participants under the jurisdiction of the Member or Members are concerned. These agreements shall in each case be subject to the approval of the General Assembly.

ARTICLE 5

PENSION FUND

ESTABLISHMENT OF THE FUND

SECTION 12

A Pension Fund shall be established to meet the liabilities resulting from the present Regulations. The Pension Fund shall be the property of the United Nations and shall be administered separately from the other assets of the United Nations, and be used solely for the purposes provided for in the present Regulations.

PAYMENTS INTO THE FUND

SECTION 13

The Pension Fund shall be maintained by:

(a) the contributions of the participants;

(b) the payments of the United Nations and of the Member Organizations;

(c) the income earned by investment;

(d) any other income appropriate to the purposes of the Fund.

CONTRIBUTIONS OF PARTICIPANTS

SECTION 14

Subject to Section 18, seven per cent of the pensionable remuneration of each participant shall be deducted from his remuneration and paid each month

During any period of sick leave on full or half pay, participants shall continue to contribute to the Pension Fund by deduction from such payments on the basis of their full pensionable remuneration.

During any period of authorized leave without pay (including sick leave without pay) a participant may continue to contribute to the Pension Fund by paying his own contribution and the contribution that would normally be payable under Section 15 or 18 of these Regulations by the United Nations or the Member Organization by which he is employed. Such contributions must be made on the date on which his salary would have been payable and on the basis of his full pensionable remuneration. In cases approved by the Secretary-General in the case of the United Nations' staff and by the competent authority in the case of the staff of Member Organizations, the United Nations or the Member Organization may continue to pay the contribution otherwise due under Section 15 or 18 of these Regulations notwithstanding that the participant is not in receipt of pensionable remuneration, and in such cases the participant will pay only his own contribution.

PAYMENTS BY THE UNITED NATIONS AND EACH MEMBER ORGANIZATION

SECTION 15

The United Nations and each Member Organization shall pay to the Pension Fund in respect of the participants employed by them:

(a) each month a contribution of an amount equal to fourteen per cent of the total monthly pensionable remuneration of these participants;

(b) each month such additional contributions as are necessary to maintain the Fund in a position to meet the obligations in respect of participants allowed the benefits prescribed in Sections 17 and 18;

(c) any amount necessary under Section 10 to bring a participant's payments up to the then actuarial value of the added contributory service.

DEFICIENCY PAYMENTS

SECTION 16

If at any time an actuarial valuation shows that the assets of the Pension Fund may not be sufficient to meet the accrued liabilities under the Regulations, there shall be paid into the Fund by the United Nations and each Member Organization the sum necessary to make good the deficiency. The United Nations and each Member Organization shall contribute to this sum an amount proportionate to the total contributions which each body paid under Section 15 valuation though which it was revealed that the assets of the Fund might not be sufficient to meet the accrued liabilities.

ARTICLE 6

SERVICE IN UNHEALTHY AREAS

SECTION 17

Whenever a participant is employed for more than three months in an area scheduled by the Joint Benefit Committee as being specially detrimental to health, his actual contributory service during the whole of the period he is employed there shall be doubled for any purpose in which contributory service is used in these Regulations as a basis for the calculation of benefits.

ARTICLE 7

SPECIAL PROVISIONS FOR PERSONS ENTERING THE EMPLOYMENT OF UNITED NATIONS OR OF A MEMBER ORGANIZATION AFTER FORTY YEARS OF AGE

SECTION 18

The Secretary-General in respect of United Nations' employees and the competent authority in respect of employees of Member Organizations may decide that any person eligible for participation in the Fund who enters the service of the United Nations or of the Member Organization after the age of 40, may, for the purpose of calculating the number of years of contributory service to be used as a basis of benefits, have his actual number of months of such service multiplied by the figure stated in the second column of the following table. The participant concerned must, however, agree to pay, in lieu of the contribution provided for in Section 14, the contribution as stated in the third column corresponding to the multiplier above. No such person, however, shall be authorized to choose an age stated in column (1) higher than his actual age on the date of his appointment.

Chosen Age	Months of contributory service to count for each month of actual contributory service	Percentage contribution to be deducted from participant's remuneration.
		%
40	1.00	7.00
41	1.05	7.35
42	1.11	7.77
43	1.18	8.26
44	1.25	8.75
45	1.33	9.31
46	1.43	10.01
47	1.54	10.78
48	1.67	11.69
49	1.82	12.74
50 and any year up to the year preceding age of retirement.	2.00	14.00

ARTICLE 8

ADMINISTRATRATION OF THE PENSION FUND

UNITED NATIONS STAFF BENEFIT COMMITTEE

SECTION 19

The United Nations Staff Benefit Committee shall consist of three members elected for three years by the General Assembly, three members appointed by the Secretary-General and three members, who must be participants, elected for three years by the participants by secret ballot. Where questions directly affecting participants employed in the Registry of the Court of International Justice are under consideration, a member appointed by the Registrar shall be entitled to attend the Staff Benefit Committee. The Assembly and the participants shall respectively elect for three years three substitute members.

The members of the United Nations Staff Benefit Committee and their substitutes may be re-elected.

AGENCY STAFF BENEFIT COMMITTEES.

SECTION 20

Each Member Organization shall have a Staff Benefit Committee, which shall include representatives of the Organization corresponding to the General Assembly of the United Nations, of the Chief Executive Officer

JOINT BENEFIT COMMITTEE

SECTION 21

The Joint Benefit Committee shall consist of two members appointed by the Staff Benefit Committee of the United Nations and two members appointed by each of the Staff Benefit Committees of each of the Member Organizations.

SECRETARY OF THE JOINT BENEFIT COMMITTEE

SECTION 22

Upon the recommendation of the Joint Benefit Committee, the Secretary-General of the United Nations shall appoint a secretary. Subject to the Administrative Rules and the decision of the Joint Benefit Committee, the payment of all benefits under these Regulations must be certified by the Secretary.

POWER OF DELEGATION

SECTION 23

Subject to Section 22, the Joint Benefit Committee may delegate to the Staff Benefit Committees of the United Nations and of each Member Organization some or all of its discretionary powers under Article 3 of these Regulations in respect of the application of these powers to the participants and beneficiaries of the bodies concerned.

INVESTMENT OF ASSETS OF THE FUND

SECTION 24

Subject to the complete separation to be maintained between the Fund's assets and other assets of the United Nations as provided in Section 12, the investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an investments committee of three members elected by the General Assembly, and after having heard any observations or suggestions by the Joint Benefit Committee concerning the investments policy and the general administration of the Fund's assets. In making such investments due consideration will be given by the Secretary-General to safety, yield, liquidity, as well as to the social and economic utility provided by them.

STAFF

SECTION 25

the keeping of the accounts and records of the Fund and the payment of benefits.

ADMINISTRATIVE EXPENSES

SECTION 26

Expenses incurred in the administration of these Regulations by the Joint Benefit Committee and by the Staff Benefit Committee of the United Nations shall be met out of the General Budget of the United Nations.

Expenses incurred in the administration of these Regulations by the Staff Benefit Committee of a Member Organization shall be met out of the General Budget of that Organization.

ARTICLE 9

ADMISSION OF SPECIALIZED INTERNATIONAL AGENCIES

SECTION 27

Subject to its acceptance of these Regulations any specialized agency which has entered into relationship with the United Nations under Article 63 of the Charter of the United Nations shall be entitled to become a Member Organization of the United Nations Joint Pension Fund, provided that agreement has been reached with the Secretary-General of the United Nations as to any payments necessary to be made by the specialized agency to the Fund in respect of the new obligations incurred by the Fund and as to other transitional arrangements that may be necessary.

ARTICLE 10

GENERAL PROVISIONS

ACTUARIAL EQUIVALENTS

SECTION 28

Actuarial equivalents shall be calculated on such mortality, invalidity, and other statistical assumptions, as well as the rate of interest, as may be adopted by the Joint Benefit Committee after having received qualified actuarial advice. These assumptions may be subject to change from time to time by the Committee.

CURRENCY

SECTION 29

At the request of a beneficiary, the Joint Benefit Committee may authorize the value of a benefit calculated as provided above to be converted into another currency at the rate of exchange prevailing at the time of conversion, and thereafter the value so converted shall be substituted for the value as originally calculated.

Payments of benefits shall be made in the currency selected from time to time by the beneficiary at the current rate of exchange with the currency in which the benefit has been calculated.

ACTUARIAL VALUATIONS

SECTION 30

The Joint Benefit Committee shall have an actuarial valuation of the Pension Fund made one year after the appointed date by a qualified actuary, and thereafter at least every three years. The actuary's report shall state the assumptions on which his calculations are based, shall describe the method of valuation used, shall state the results of his investigations, and his recommendations, if any, for changes in the Regulations. The report shall be presented to the Joint Benefit Committee and to the Secretary-General of the United Nations and to the competent authority of each Member Organization.

Upon the receipt of the actuary's report, the Joint Benefit Committee shall make proposals to the General Assembly as to any action to be taken as a result thereof.

NON-ASSIGNABILITY OF RIGHTS

SECTION 31

A participant or a beneficiary may not assign his rights under these Regulations to another person, and none of the benefits payable under these Regulations shall be subject to execution, levy, attachment or other legal process.

DEBTS OWING TO THE FUND

SECTION 32

Any payment due from a participant to the Pension Fund and unpaid at the date of his becoming entitled to any benefit under the Regulations, shall

DOCUMENTARY EVIDENCE

SECTION 33

Every participant and every beneficiary under these Regulations shall furnish all necessary documentary evidence regarding himself and his wife and children in accordance with the Administrative Rules.

ANNUAL REPORT

SECTION 34

The Joint Benefit Committee will present annually to the General Assembly of the United Nations a Report, including a balance-sheet, on the operation of the present Regulations. The Secretary-General will transmit a copy of the Report to the competent authority of each Member Organization, and will inform each Member Organization of any action taken by the General Assembly upon the Report.

ADMINISTRATIVE RULES

SECTION 35

The Joint Benefit Committee shall make Administrative Rules necessary for the carrying out of the present Regulations. These Administrative Rules shall be reported by the Secretary-General to the General Assembly.

AMENDMENTS

SECTION 36

The present Regulations may be amended by the General Assembly after receiving any recommendations or observations which the Joint Benefit Committee may wish to make.

APPOINTED DATE

SECTION 37

These Regulations, which have been approved by the General Assembly on ...., will come into force on 1 January 1947.

ANNEX

TRANSITIONAL PROVISIONS RELATING TO THE UNITED NATIONS

TRANSFER OF BALANCES

SECTION 1

All the amounts in the Staff Provident Fund standing to the credit of participants shall be transferred at the appointed date to the Pension Fund.

UNITED NATIONS PAYMENT

SECTION 2

The United Nations shall pay into the Pension Fund a sum equal to seventy-five percent of the total amount transferred under Section 1.

TRANSFER OF CONTRIBUTORY SERVICE

SECTION 3

For the purpose of these Regulations, a participant's period of payment in the staff Provident Fund shall be counted as contributory service.

PART II (b)

DRAFT REGULATION COVERING DISCRETIONARY POWER OF SECRETARY-GENERAL TO PAY GRATUITIES

(As proposed by the Working Party on Staff Retirement and Insurance Funds.)

On the recommendation of the United Nations Staff Benefit Committee the Secretary-General of the United Nations may decide to pay from the General Budget such gratuities, either by way of lump sum or a periodical payment, as may be necessary to cover cases not specificially provided for in the United Nations Joint Pension Regulations or in the United Nations Staff Regulations, or where those Regulations do not, because of the special circumstances, adequately cover the particlar case.

In deciding upon whether such a payment shall be made, or in fixing the amount thereof, regard should be had to the International Labour Office Code or, where this is not sufficiently detailed, to the benefits or other rights which the employee would have had in the country in which he is employed by the United Nations, had he been employed by a public authority subject to the law of that country.

PART II (c)

DRAFT REGULATIONS FOR PAYMENT OF CHILDREN'S ALLOWANCES AND EDUCATION GRANTS

(As proposed by the Working Party on Staff Retirement and Insurance Funds)

ARTICLE 1

DEFINITIONS

SECTION 1

In these Regulations a child or children means a legitimate child or legitimate children under the age of sixteen years, or, if the child is in full time attendance at a school or a University (or a similar educational institution), such later age, not exceeding the age of eighteen or twenty-two years respectively.

ARTICLE 2

CHILDREN'S ALLOWANCES

SECTION 2

Each regular full time employee, with the exception of those specifically excluded by a resolution of the General Assembly, shall be entitled to a children's allowance of $144 per annum, in respect of each of his children. If both parents are employees of the United Nations only one allowance will be paid in respect of each of their children.

SECTION 3

The allowance shall continue to be payable in respect of the children of a regular full-time employee who becomes entitled under the United Nations Pension Regulations to a retirement or a disability benefit or to his widow if in receipt of a widow benefit. The allowance will not be paid in respect to children born more than ten months after the date of retirement, disability or death of the employee.

SECTION 4

Upon the death of a person who receives a children's allowance under these Regulations and following the death of the other parent, there shall be paid to the legal guardian of each child an allowance of $288 per annum.

ARTICLE 3

EDUCATION GRANTS

SECTION 5

Each regular full time employee, with the exception of those specifically excluded by a resolution of the General Assembly, who is employed by the United Nations in a country other than his home country as is specified in his letter of appointment shall be entitled to the following education grant:

(a) the sum of $144 per annum for each of his children in full time attendance at a school in his home country. Provided that where a child attended such a school for a period less than two-thirds of any one school year the allowance shall be reduced to such proportion of $144 as the period so attended bears to a full school year: and

(b) once in each school year the travelling expenses of the outward and the return journey of such a child by a route approved by the Staff Benefit Committee.

If both parents are employees of the United Nations only one grant will be paid in respect of each of their children.

ARTICLE 4

DISCRETIONARY PROVISION

SECTION 6

The Staff Benefit Committee may decide in each case whether the allowances or grants under these Regulations shall extend to adopted children, step-children or children not born in wedlock.

PART III

ACTUARIAL ANALYSIS OF THE PROPOSED UNITED NATIONS STAFF PENSION REGULATIONS

BENEFIT PROVISIONS IN BRIEF

Part I of the Report of the Working Party on Staff Retirement and Insurance Funds outlines the provisions of the Staff Pension Regulations. Briefly, payments on behalf of participants consist of:

1. An annuity for life to a participant who retires at age 60 or later, this to be one-sixtieth of final average salary multiplied by the number of years of his contributory service;

The participant may elect to receive part of his retirement benefit in the form of a lump sum equal to not more than one-third of the actuarial value of his benefit.

2. An annuity similarly calculated, payable during inability of a participant to perform his duties because of physical or mental incapacity; this annuity to be not less than one-third of final average salary or the retirement benefit that would correspond to the period of possible service to age 60 if smaller;

3. An annuity to the widow, or in some cases another dependent, of a participant, the annuity to be one-half as large as would have been available to the participant, had he become disabled at the time he died;

4. An annuity to the widow, or in some cases another dependent, of a retired or disabled participant, this annuity to be half as large as that payable to the participant;

5. At the death of a participant, burial and funeral expenses may be refunded to the extent of $500.

6. In case service is discontinued otherwise than because of disability and before age 60, then -

(a) If the participant has to his credit contributory service of less than five years, the participant shall be entitled to the return of his contributions with two per cent interest per annum.

(b) If the participant has to his credit contributory service of five years or more, the possibility of death or disability benefits is to continue for a period approximately one-twelfth as long as the period of his contributory service.

If the withdrawing individual reaches age 60 in this period, benefits are as if he had retired normally; if he is less than 60 years old at the end of this period and is not disabled, he is entitled to a lump sum payment, this to be the actuarial equivalent at the date service ceased of the annuity that would have been payable to this individual if he had retired at age 60 with the amount of contributory service that was credited to him when service ceased.

It is also provided that a participant, having reached the age of 55 years or more with 10 years or more contributory service, who retires before the age of 60, may elect to be paid, instead of the withdrawal benefit, a retirement benefit equal to the actuarial equivalent at the date service ceased of the amount that would have been payable to him if he had retired at the age of retirement with his contributory service at the time employment with the United Nations or a Member Organization ceased.

Final average salary means the average salary for the last five years of service before attaining age 60.

The above statement of benefits relates to years of contributory service to the credit of the participant. This period may be greater than the actual number of years of service because, for participants entering after age 40 and for employees serving in unhealthy areas, the Regulations make possible the accumulation of credit at a rate higher than one year for each year served, with a corresponding increase in contributions.

ELEMENTS AFFECTING COST

The cost of these benefits will be influenced by the employment policy of the United Nations, the longevity and morbidity experience of participants and their families, the degree to which employment ceases before retirement other than through death or disability, and the experience that develops as to salary changes. The contributions needed in the funding will depend also on the investment experience both as to yield rates and possible changes in capital values.

The larger the proportion of married employees, the greater will be the cost. The effect of the distribution as to sex is complicated by serveral related elements. It seems likely that the proportion of unmarried women will be larger than the proportion of unmarried men. Unmarried workers often have dependants, the effect of whom on the cost of the plan will be somewhat at the discretion of the Staff Benefit Committee. Women are more apt to become disabled than men and, as annuitants, they will on the average live considerably longer than will male annuitants.

Mortality Assumptions.

So long as the Secretariat is domiciled largely in the United States of America, it seems reasonable to assume that in general the longevity of annuitants will resemble that of annutity experiences in that country, especially because there is apt to be a predominance of United States citizens in the non-professional services of the Secretariat. At present,(*) the distribution of the Secretariat by nationality is approximately as follows:

Canada	49
China	18
Czechoslovakia	16
France	61
Netherlands	10
United Kingdom	142
United States of America	1069
All others	77
Total	1442

(*) End July 1946

In the calculation of costs herein reviewed, longevity of annuitants was assumed to follow the 1937 Standard Annuity Mortality Table. Perhaps there is an element of safety in this choice of mortality table. It is true that some large annuity experiences in the United States are showing somewhat heavier mortality than this table indicates. However, it seems likely that the Secretariat will contain a larger proportion of office workers and professional people than do most industrial organizations, and with some groups of a composition similar to that which seems probable for the United Nations Secretariat longevity has been distinctly greater in recent years than that shown by the above-mentioned table. It should also be borne in mind that longevity of annuitants and of the population generally has been increasing steadily for a long time, and that for more than a century each study of annuity experience has disclosed greater longevity than did any preceding study. If this trend continues, it is not unlikely that by the time retirement benefits become substantial under these Regulations the longevity will have out-distanced that of the table here chosen.

Investment Yield

Since the accumulation of funds for the payment of annuities involves long-term savings, the magnitude of investment income is very important. It seems unlikely that those responsible for investments will accept standards of safety lower than those usually required with respect to trust funds. With these thoughts in mind, calculations to estimate required contributions assume an average investment yield rate of two and one-half per cent. It would scarcely seem conservative to assume higher investment returns at a time when many similar calculations are based on rates as low as two per cent. If income were anticipated from sources other than contributions and investment returns, this could be reflected by using a higher interest rate in calculating contributions. However, such an interest rate would obviously be unrelated to actual income from investments.

Salary Scale

Contributions are related to salaries from year to year; benefits are related to salary during the last five years of service, prior to attaining age sixty. Thus, sums that are accumulated at any time correspond to salaries that are being paid or have been paid in the past, while the cost of benefits for which these accumulations are being created are related to an undetermined salary experience for the last five years of service. Hence the importance of getting as good an idea as possible as to how salaries will change as the participant grows older.

As an aid at this point the "Provisional Salary and Wage Administration Plan" - Secretary-General's Bulletin No. 19, dated 3 May 1946, was examined. This shows for each of a series of job classifications provisional salaries in five steps; the salary for step V being in the neighbourhood of twenty-five per cent higher than that for step I. It does not follow from this that, if these schedules are followed, an individual's final salary will normally be no more than twenty-five per cent greater than his initial salary. Employees might normally advance from one job classification to another on a higher salary level; hence this bulletin alone is not satisfactory as a basis of assumptions along this line. Perhaps the procedures necessary to engage desirable employees will result in salary experiences somewhat like those of other employers with similar needs.

For many of the less skilled non-professional employees, it seems probable that salaries will increase substantially in the fairly early years of service, and then change more slowly during a long period of service thereafter. For the more skilled non-professional workers and for professional workers it seems likely that substantial salary advances may be less rapid, but that they may continue longer during years of service. It seems probable, also, that professional employees will begin service at higher ages than will other employee

Test calculations have been based on a variety of different possible experiences as to:

(a) age at employment and

(b) rate of salary advancement.

Diagrammatically these may be indicated as follows:

Salary Scale	Salaries by age periods					
	20-24	25-29	30-34	35-39	40-49	50-59
A	Level	salary	-	same at all ages.		
B	2	3	4	4	4	4
C	2	3	4	4	5	5
D	2	3	4	4	5	6
E	3	3	4	4	5	6
F	-	-	4	5	6	7
G	-	-	2	2	3	4

A word of explanation about this table may be helpful. It would be clearly understood that these salary scales are deliberately over-simplified. There is no thought that an individual will normally continue for five or ten years without change in salary, but rather that for the purpose of the calculations that follow the scales here given will serve as well as would much more closely graded scales, especially when there is so much uncertainty now as to what the experience may be.

Scale A refers merely to the unusual experience of the man who receives the same salary from age twenty or at whatever later age his service may begin until he retires. Scale B applies to an individual who receives, for instance, $200 a month during the years from age twenty to twenty-four inclusive, $300 a month during the years from age twenty-five to twenty-nine and $400 a month thereafter until retirement at age sixty. Scale B applies equally to all who receive during the age periods mentioned any salaries that are in the proportion of the integers two, three and four. It also applies to an employee who begins at age twenty-five at, say $150 a month and is raised to $200 a month at age thirty, continuing thereafter on a level salary, and to an employee whose service begins at age thirty and continues until retirement without change in compensation.

Scale C is like Scale B except that a further twenty-five percent increase is provided at age forty; Scale D is like Scale C except for a twenty percent increase at age fifty. Scale E differs from Scale D in that the initial salary for the years of age twenty to twenty-four is fifty percent larger than under Scale E, and there is no increase at age twenty-five. Scale F assumes that employment begins not earlier than age thirty, and that a salary increase of twenty-five percent is made at age thirty-five, one of twenty percent at age forty, and one of sixteen and two-thirds percent at age fifty. Under Scale G a salary increase of fifty percent is made at age forty and the initial salary at age thirty is doubled beginning at age fifty. It may be noted that none of these scales anticipates salary increases after age fifty and that Scale B is level after age thirty and Scale C after age forty.

Which of these salary scales will as an average be most nearly approached by United Nations experience is, of course, difficult to judge. Without doubt different ones will more nearly represent experiences of different classes of employees. Economic conditions and employer-employee relations, not only in the country of the Organization's domicile, but also in many other countries, will have their influence. As will be illustrated a little later, the steepness of the salary scale rather than the salary level, influences the cost of benefits when expressed as a percentage of salary.

As an aid to my own observation as to the relative appropriateness of these scales, I have discussed this question with several individuals and have examined the salary scales used in pension calculations by a large industrial corporation with many employees in a wide variety of employments. Without doubt salary advance is usually relatively rapid in early years of employment, especially when employment begins at an early age. A matter of importance is the degree of further advancement after an initial period of some three to six years. The experience in later years seems to be different with men and women; with both it varies considerably with age at employment, this doubtless reflecting for later entrants previous employment and therefore training elsewhere.

This examination has led me to choose Scale C for women and Scale D for men.

Withdrawals

As already stated, if a participant withdraws from United Nations service with less than five years of contributory service, contributions are returned with interest. If contributory service is for five years or more when service ceases, no cash payment is available immediately, except at the discretion of the Staff Benefit Committee, but (a) if death or disability occurs within a period one-twelfth as long as the period of contributory service, death or disability benefits will be available as for a participant with the same service; (b), if, at the end of this period, the former participant is still living and is not disabled, he is entitled to a cash settlement which is to be the actuarial equivalent on the date employment ceased of the annuity that would be available to a participant aged sixty with the same contributory service and salary record.

It should be noted that the calculation of the lump sum settlement after five years of contributory service depends on the annuity for the individual alone while the liability at retirement with respect to a married male participant involves the prospect of a widow's benefit. Furthermore, it should be borne in mind that the actuarial equivalent takes account of the probability that the individual may die before reaching age sixty.

The importance of attention to withdrawal payments lies in the fact that they apply to every case of cessation of service prior to age fifty-six. If participation begins at age twenty and ceases at age fifty-six, a period of thirty-six years, the widow's and disability benefits will continue for three years and a cash settlement will be due at age fifty-nine if the individual is then living and not disabled. Likewise, if service begins at age thirty-three and continues until age fifty-seven, the cash settlement date comes at age fifty-nine.

Methods of Funding

There is no single method of funding retirement and related benefits that is "actuarially sound". Since the obligation to pay benefits must be met, the larger the contributions in early years the smaller they need to be later on. Two general approaches are common in calculating contribution rates:

1. One method is to calculate each year with respect to each participant a contribution that will provide the increase in prospective retirement and other benefits that follow from that year's service. This is called the single premium method, and with respect to a particular individual, usually requires a contribution each year that is higher than that for the year before.

2. Another common method of calculation is to seek a contribution as a percentage of salary which, if continued year after year throughout the service of an individual, will meet the benefit requirements with respect to him.

The statements in the two preceding paragraphs center attention on the individual participant. It should, of course, be understood that whenever life contingencies are involved, an individual is mentioned merely as a representative of a large group of similar individuals, for instance, all men of a given age. An average contribution rate for participants of all classes is of interest and this could be adjusted from time to time following detailed investigation of the status of the Fund. The average of level premiums changes more slowly from year to year as the result of changes in age distribution, marital status or correction in any of the assumptions discussed above, than does the average of single premiums. It will be substantially the larger of the two initially and therefore its use is an important safeguard against the necessity of increasing the average contribution later on....

Basis of Calculations

Calculations discussed in later paragraphs are based on the following assumptions:

Interest yield rate:	2-1/2%
Mortality among annuitants:	1937 Standard Annuity Table (an American experience).
Salary Scale:	Scale C for women; Scale D for men.
Funding method:	Contributions to be level as percentage of salary.

Conspicuous by their absence from this list are assumptions regarding death rates among participants, rates of disability, and withdrawal rates of participants:

a) with less than five years' service

b) with five years' service or more

These would be different for men and women and as between professional and non-professional employees. There would be no particular difficulty about death rates among participants. The rate of disability is less dependable - largely because there is no satisfactory method of avoiding the element of discretion in deciding whether or not an individual is disabled.

Withdrawal rates will depend on employment policy with respect to such matters as age, salary, nationality of new appointees and plans for housing the Secretariat. It is difficult to get an idea of what these rates might be, but the effect on the size of contribution rates of different assumptions regarding them can be estimated. Withdrawal rates will probably be much larger in early years of employment and among the younger employees. If it be assumed that ten percent of an initial group withdraws from service in each of the first five years of service, the contribution rate could be decreased by about five percent to six percent for those beginning at age twenty, and about six percent to eight percent for those beginning at age thirty. If much more drastic rates be assumed, say, twenty-five percent the first year, this decreasing by five percent of the original group each year, the contribution rate could be decreased by about eight percent to ten percent for those beginning at age twenty and about twelve percent to fifteen percent for those beginning at age thirty. Withdrawals after five years of service have less effect on contribution rates because they are smaller in number and the values paid out are a larger proportion of the contributions that have been made.

Because of the dearth of information on many points that bear on the factors discussed in the preceding paragraphs, participants have been divided for the purposes of this analysis into two classes: Class I consists of those who will remain in the employment of the United Nations until retirement at age sixty or more; Class II consist of those who will sever their connection with the United Nations before attaining age sixty, because of death or disability, or through withdrawal from service. While contributions are being paid no one knows whether a particular individual will prove to belong to Class I or Class II. It is proposed that total contributions be the same with respect to all and that they be so calculated with respect to individuals of a particular age, sex and salary, that, if accumulated at compound interest until age sixty is reached, they will be sufficient to provide the annuities falling due then or later to retired participants, their widows or dependants.

It is now possible to state the fundamental assumption, that replaces dealing with the various elements mentioned above as absent from the list of assumptions. This is that if contributions are determined to be sufficient to provide the retirement and widows' benefits for those who prove to be in Class I, for those who prove to be in Class II the total of accumulated contributions when service ceases will be sufficient to pay all benefits that fall due in respect to them. Lump sum settlements will cost substantially less than the accumulations of contributions made with respect to these individuals. Also, for those as a group who receive disability benefits, the accumulations will be very much too small. It is not so easy to decide about the group of those who die in service; the benefit, aside from the funeral benefit, is only half as large as the disability benefit, and in many cases will be nonexistent. But recipients will be predominantly women and they may be much younger than the deceased participants whose deaths give rise to the benefits. There is now no way of finding how the excess cost in one of these groups of Class II will compare with the savings in cost with respect to other groups, but the indications are that the difference will not be large enough to have a substantial effect on contributions.

Extensive calculations can be based on arbitrary detailed assumptions. While the resulting figures might appear impressive, they could have no more validity than the assumptions on which they rested; hence the decision to make the one assumption stated above regarding balancing of costs. To give an idea of the magnitudes involved in this assumption, independent calculation indicates that the death and disability benefits will probably cost between one percent and two percent of salary, and the discussion, on an earlier page, about withdrawals indicates that they may decrease needed contributions by a figure in this same range.

Contributions rates

With this background, figures are given below of contributions rates as level percentages of salary - on the basis of the different salary scales already described - to provide single life annuities at age sixty of one-sixtieth of final average salary multiplied by the number of years of contributory service. Below the table of contributions, for ready reference, the salary scales are repeated in diagrammatic form, and following this are some examples to help the reader to understand the figures:

Contributions, level as percentages of salary, to provide single life annuities of 1/60 of final average salary, multiplied by the number of years of contributory service credit.

SALARY SCALES

Beginning Age	A	B	C	D	E	F	G
			MEN				
	%	%	%	%	%	%	%
20	13.2	15.3	17.2	19.8	18.9	-	-
25	14.2	15.0	16.7	19.1	19.1	-	-
30	15.2	15.2	16.6	18.9	18.9	19.0	21.5
35	16.2	1[illegible].2	17.2	19.1	19.1	18.8	21.1
40	17.4	17.4	17.4	19.2	19.2	18.9	20.3
45	18.7	18.7	18.7	19.8	19.8	19.7	20.7
50	20.0	20.0	20.0	20.0	20.0	20.0	20.0
55	21.1	21.1	21.1	21.1	21.1	21.1	21.1
			WOMEN				
	%	%	%	%	%	%	%
20	15.2	17.6	19.8	22.7	21.8	-	-
25	16.3	17.2	19.2	21.9	21.9	-	-
30	17.5	17.5	19.2	21.7	21.7	21.8	24.7
35	18.6	18.6	19.8	22.0	22.0	21.7	24.2
40	20.1	20.1	20.1	22.2	22.2	21.9	23.3
45	21.6	21.6	21.6	22.9	22.9	22.7	23.8
50	23.0	23.0	23.0	23.0	23.0	23.0	23.0
55	24.3	24.3	24.3	24.3	24.3	24.3	24.3

Final average salary means the average of salaries for the last five years of service prior to attaining age sixty.

SALARIES BY AGE PERIODS

Salary Scale	20-24	25-29	30-34	35-39	40-49	50-59
A	Level	salary	-	same	for all	ages.
B	2	3	4	4	4	4
C	2	3	4	4	5	5
D	2	3	4	4	5	6
E	3	3	4	4	5	6
F	-	-	4	5	6	7
G	-	-	2	2	3	4

How to read these tables.

The figure 13.2% opposite age twenty in column A, the "A" referring to Salary Scale A, means that if a participant begins service at age twenty, and continues at the same salary until age sixty, a contribution of 13.2% of salary each year will provide a single life annuity beginning at age sixty of one-sixtieth of salary, multiplied by the number of years of service, i.e. 40/60ths of salary. In other words, if the participant's salary was $3,000. a year at all times, the contributions of 13.2% of salary each year would provid an annuity of two-thirds of $3,000. i.e. $2,000. a year, beginning at age sixt and continuing till death. This figure is for a man. For a woman the corresponding figure, shown in the table for women, is 15.2%.

Again, if a man should start at age thirty-five and continue to age sixty at a level salary, contributions of 16.2% of salary would be necessary to provide an annuity of one-sixtieth of salary multiplied by the number of years of service, i.e. twenty-five years, an annuity of 25/60ths of salary beginning at age sixty and continuing until death.

Turning to Salary Scale B, if, for instance, a man should start service at age twenty and receive $1200. a year for five years, then $1800. a year for five years and $2400. a year thereafter, contributions each year of 15.3% of salary would provide an annuity of 40/60ths of final average salary, the annuity to begin at age sixty and to continue till death. Final average salary in the above illustration is $2400, this obviously being the average salary for the last five years of service. This means that for five years the contributions would be 15.3% of $1200, then for another five they would be 15.3% of $1800. and after that 15.3% of $2400. The benefit would be 40/60ths of $2400, i.e. $1600. a year. The corresponding contribution rate for a woman would be 17.6% and the benefit would be the same as for a man.

If a man began at age thirty and followed Salary Scale B, the contribution required for an annuity of 30/60ths, i.e. 50% of final average salary, would be 15.2% of salary payments. This is the same as for Scale A, obviously because Scales A and B are identical for one who begins at age thirty or later.

Widows' and Dependants' Annuities.

The figures given in the above schedule are for single life annuities, ceasing at death. Perhaps a large majority of the men who retire at age sixty will be married and, if so, an annuity will be payable to the wife if she survives her husband, this annuity to be half as large as that of her husband. On the basis assumed in the calculations, this additional annuity will, if the wife is five years younger than her husband, add to the cost for the cases in point about 23% of the cost for the annuity on the life of the participant. This does not mean that each figure given above for men should be increased by 23%, but rather by a somewhat smaller percentage to reflect the fact that not all retiring men will be married. For man and wife both of age sixty, the corresponding figure is about 18%.

While perhaps a much smaller proportion of retiring women will have dependants eligible for dependants' benefits, the existence of some would justify an increase in the figures given above for women.

Contribution Rate for United Nations.

As already stated, it seems reasonable to me to choose Salary Scale C for women and D for men. Examination of the schedule of calculated contributions on page 101 shows that this would result in contribution rates, to provide single life annuities, varying from nineteen per cent to twenty-one per cent for men, the rate being close to nineteen per cent for the usual ages at entry. For women the corresponding percentages vary a little more widely and are somewhat higher at all ages other than age twenty. As already stated, these rates need to be increased to provide for widows' and dependents' benefits.

For men this increase should be in the neighbourhood of twenty per cent, which would bring the contribution rate near to twenty-three per cent. For women perhaps only a much smaller increase will prove to be needed.

With these facts in mind, I believe it would not be conservative to assume that a level total contribution rate of less than twenty-one per cent will be sufficient to cover the benefits of these Regulations. I believe that a twenty-one per cent rate will prove near enough to the correct figure, so that it can be adjusted in the light of experience as this develops and is disclosed by periodic actuarial valuations, without serious hardship or inconvenience whether such modification be up or down.

The schedules, given on page ? , show how the contribution rates should depend upon the salary experience of the Secretariat. If, in the judgment of those reponsible for recommending a contribution rate, salary scales different from those I have chosen are more appropriate, they will be thus justified in modifying my suggestion as to a contribution rate and the contribution schedule should be helpful in determining a different figure.

RAINARD B. ROBBINS (signed)

7 August 1946.

ANNEX III

COST OF PROPOSED STAFF RETIREMENT
AND RELATED BENEFIT SCHEMES.

1. The Secretariat

The budget provides for an establishment excluding the Secretary-General and "special project" posts of 2,820 posts at Headquarters, London and Geneva by 31 December 1946. The gross cost of salaries (excluding allowances) for those posts is $9,881,954, giving an average base salary of $3,504. (It is to be noted that this average salary is lowered by the fact that the calculation includes London posts to whi[illegible] a 25% cost of living reduction as compared with New York is applied[illegible] to transfer London functions to e.g., Geneva, where no differen[illegible]salaries, would increase the average base salary slightly[illegible]

The Report of the Working Party o[illegible]hat only staff members with contracts for one[illegible]d to the scheme. The Bureau of Personnel [illegible]1 December 1946 there will be 500 staff member[illegible]er increasing to 2,500 by 31 December 1947. [illegible]cannot be estimated accurately at present, b[illegible]umes that of the 2,500 staff members wi[illegible], by 31 December 1947, 90% will have been in United [illegible]1 January 1947 and, in accordance with the proposals of the [illegible]ty, will be allowed to count their service before signature of "permanent" contract for retirement scheme purposes. It is further assumed that the remaining 10% will have been in United Nations service for an average period of eight months before 31 December 1947.

Then on the above basis the United Nations pension contribution for 1947 will be

14% of $2,250 x 3,504 plus 250 x 3,504 x 0.67
i.e., 14% of $8,467,000 or $1,185,436.

In addition to this sum however, United Nations would be required to pay, in respect of the 2,250 employees assumed to have been serving at

1 January 1947 a contribution of 9% of the salaries which these staff members earned in 1946 (i.e., the difference between the 21% required for the retirement scheme and the 12% already contributed to the Provident Fund, the assets of which would be transferred to the Retirement Fund). Assuming these earnings to be the same proportion of the total 1946 basic salaries as 2,250 is to the total staff at 31 December 1946, this additional contribution would be

9% of 2,250/2,820 of $4,707,622 or $338,047.

Further additional payments might be required in respect of personnel entering the service over the age of 40, who may in certain circumstances be allowed to accumulate "added years" in accordance with Section 18 of the proposed Regulations. As stated in the Working Party's Report, the extra cost to United Nations in respect of an employee entering at 50 and permitted to count "added years" would amount to 27% of the employee's salary. It can, however, be assumed that the concession would be given to only a fairly small number of relatively senior officers whose services it was deemed in the interests of the United Nations essential to secure. An analysis made in October 1946 showed that approximately one-fifth of the Secretariat were over the age of 40, about one-half of these being between 40 and 45. Accordingly, assuming that

(i) of the 2,500 permanent contracts, 500 would be given to persons over 40, and that of the 500, 50 (i.e., 10%) would be allowed the concession, 45 having been in United Nations employment at 1 January 1947;

(ii) that the average extra cost to United Nations in respect of the concession would be half the 27% required for a man aged 50;

(iii) that the average salary of the 50 persons would be $8,000 per annum,

then the extra cost would be $13\frac{1}{2}$% of 45 x 8,000 plus 5 x 8,000 x 0.67, i.e., $13\frac{1}{2}$% of $386,667 or $52,200 in respect of 1947 service, plus arrears in respect of 1946 of $13\frac{1}{2}$% of 45 x 8,000 x 0.33 (i.e., assuming an average of 4 months service) or $16,200; that is a total addition, payable in 1947, of $68,400.

The total United Nations payment in respect of the supposed 2,500 established posts would therefore be, on the numerous assumptions made above, $1,591,883.

This contribution would rise as the number of permanent contracts was increased. The 1947 budget is based on a probable increase of 10% in man years of employment in 1947 over the man years based on strengths as at 31 December 1946. Assuming an average of 8 months employment for the additional staff, the increase in numbers by 31 December 1947 would be 15%, making a total staff of 3,243. The total annual cost of salaries of this staff, based on the average of $3,504, would be $11,363,472. On this amount, the United Nations contribution to the retirement scheme would be $1,590,886, plus $70,200 additional contribution in respect of staff over 40 (on the basis used earlier), or $1,661,086, i.e., an increase of approximately $70,000 over the 1947 figure.

Additional costs will be incurred for:

(i) Children's allowances - tentatively estimated at $350,000 per annum (basis of 40% of staff married, (say 1,200 men years in 1947) as shown by an analysis in October 1946, with an assumed average of two dependent children, the average age of the Secretariat being relatively low);

(ii) Education grants - tentatively estimated at $50,000;

(iii) Hospitalization and medical insurance - estimated at $100,000 per annum

To recapitulate: the cost of the Working Party's schemes in respect of the Secretariat can be broadly estimated at $2,091,883 in 1947, including a deficiency item of $354,247 in respect of 1946.

2. The International Court - Registrar and staff

The cost of these posts in approximately $122,000 in 1947, so that the United Nations contribution of 14% would be $17,080. The Registrar and staff are not, at present, members of the United Nations Provident Fund, and to put them in the same position as other United Nations staff, United Nations would be required to pay a contribution of 15% of their 1946 salaries (totalling $71,500) leaving the staff to pay 6% in respect of 1946.

The total contribution payable in 1947 by United Nations would thus be $27,800, including a non-recurring deficiency item of $10,720 in respect of 1946 service. The cost in 1948 would fall to $17,000 approximately.

Summary of 1 and 2

Very broadly, it may be estimated that, on the assumptions stated above, the cost to United Nations of applying the proposed schemes would be $2,120,000 in 1947, including a deficiency item in respect of 1946 of $365,000. (See attached recapitulation).

Additional costs outside the scheme will relate to:

(i) staff members continuing in the Provident Fund,

(ii) special compassionate and compensation benefits authorized by the Secretary-General,

(iii) pensions for Judges of the International Court of Justice,

(iv) any extra pension benefits which the General Assembly might decide to authorize for Assistant Secretaries-General and the Registrar of the Court,

(v) any pension becoming payable to the Secretary-General.

RECAPITULATION OF COSTS TO UNITED NATIONS IN 1947

A.	Pensions	
	(1) Contribution at 14% in respect of 1947 salaries of 2,500 Secretariat staff members assumed to be in the Retirement Scheme by 31 December 1947	$1,185,436.
	(2) Contribution at 9% in respect of salaries earned in 1946 by 2,250 Secretariat staff members assumed to count 1946 service for Retirement Scheme purposes	338,047.
	(3) Extra contribution 13½% of salaries in 1947 of 50 staff members over 40 years of age, assumed to be allowed to reckon added years	52,200.
	(4) Extra contribution at 13½% of salaries in 1946 of 45 staff members over 40 years of age, assumed to be allowed to count added years	16,200.
	(5) Contribution at 14% in respect of 1947 salaries of Registrar and staff of International Court of Justice	17,080.
	(6) Contribution at 15% in respect of salaries earned in 1946 by Registrar and staff, assumed to count 1946 service for Retirement Scheme purposes	10,720.
	Total Retirement Scheme payment in 1947	$ 1,619,683.
B.	Children's Allowances	350,000.
C.	Education Allowances	50,000.
D.	Hospitalization and Medical Allowances	100,000.
	Total cost to United Nations in 1947 of Working Party Schemes	$ 2,119,683.
E.	Provision made in budget for contributions to Provident Fund in respect of the 2,500 now assumed to be in the Retirement Scheme by 31 December 1947 - 6% of $8,467,000	508.020.
	Additional cost to United Nations in 1947	

NOTE: The note on page 6 of the Preliminary Budget Estimates states that the extra cost of the schemes, over the Budget provision for Provident Fund, would be $1,691,217. In calculating this figure: (i) it was assumed that all full time staff members would participate in the Retirement Scheme, and not only those with contracts for one year or more; (ii) no provision was made for extra contributions in respect of employees over 40 years of age. In the calculations set out above the assumption is that the Retirement Scheme will not include staff with contracts of less than twelve months, and the extra cost is reduced accordingly to $1,611,463.
