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ANNUAL REPORT OF THE UNITED NATIONS
JOINT STAFF PENSION BOARD

PENSIONABLE REMUNERATION OF THE STAFF

Thirty-first report of the Advisory Committee on
Administrative and Budgetary Questions to the
thirteenth session of the General Assembly

1. The Advisory Committee on Administrative and Budgetary Questions has considered various matters relating to the United Nations Joint Staff Pension Fund and, in particular, the question of the pensionable remuneration of the staff.
2. The Advisory Committee has based its examination of these matters on the following documents:
 - (a) The annual report of the United Nations Joint Staff Pension Board (A/3938);^{1/}
 - (b) The Secretary-General's report on the pensionable remuneration of the staff (A/C.5/760) as well as a statement on the question by the United Nations Headquarters Staff Association (A/C.5/760/Add.1);
 - (c) The report of the Expert Group on Pensionable Remuneration (ACC/PR/28).
3. The various proposals and recommendations that are before the General Assembly are summarized in the annex to the present report, together with the related comments of the Advisory Committee.

^{1/} Official Records of the General Assembly, Thirteenth Session, Supplement No. 8.

ANNEX

Proposals and recommendations before the General Assembly on various matters connected with the United Nations Joint Staff Pension Fund, and, in particular, on the question of the "pensionable remuneration"

(Paragraph references in each column relate to the document cited at the head of the column)

Expert Group on Pensionable Remuneration (ACC/FR/28)	Joint Staff Pension Board (A/3928)	Administrative Committee on Co-ordination (A/C.5/760)	Secretary-General (A/C.5/760)	Comments of the Advisory Committee
(1)	(2)	(3)	(4)	(5)
<p>The Expert Group functioned under the authority of the ACC; accordingly its recommendations, addressed to the ACC, are not directly before the General Assembly.</p> <p><u>Pensionable remuneration</u></p> <p>In view of the introduction of the post adjustment system, a notional uniform increase of 10 per cent should be made in the pensionable remuneration of the staff in the Professional category and above at all duty stations. The Group hopes that this increase can come into force as early as 1 January 1959 (para. 79).</p> <p>According to the Group, an analysis of the financial situation has shown that an increase of this order could be made without imperilling the financial soundness of the Fund (para. 68).</p> <p><u>Comprehensive review of Joint Staff Pension Fund</u></p> <p>(a) The Group recommended that a group of outside experts should be requested to make an immediate review of the financial situation of the Pension Fund (para. 80).</p> <p>(b) The Group recommended that a comprehensive review of the Joint Staff Pension Fund should be instituted, as soon as possible, to cover the whole system of benefits as well as the financial and technical bases of the Fund (para. 82).</p> <p><u>Composition of Review Body</u></p> <p>No recommendation.</p>	<p><u>Pensionable remuneration</u></p> <p>The Board agreed on the necessity of reducing the discrepancy created by the post adjustment scheme, between the take-home pay and the pensionable remuneration in most duty stations. It felt, however, that any immediate increase in pensionable remuneration should be such as not by itself to endanger the financial position of the Fund and not to prejudice the conclusions of the proposed comprehensive review. Consequently, the Board recommended an increase of 5 per cent in the pensionable remuneration of staff in Professional category and above (para. 19 and resolution B).</p> <p><u>Comprehensive review of Joint Staff Pension Fund</u></p> <p>A comprehensive study of the Fund, as recommended by the Expert Group, should be undertaken under the auspices of the Board with a view to submitting proposals for action by the General Assembly in 1960. This review should be of broad scope, taking into account the problems referred to in the report of the Expert Group, with particular attention being given to the adequacy of the different benefits paid by the Fund, the problems arising from increases in cost of living after retirement, taxation of pensions and the financial and technical bases of the Fund. A comprehensive study of this nature would encompass the substance of both recommendations (a) and (b) of the Expert Group, as set out in column (1) (para. 18 and resolution B).</p> <p><u>Composition of Review Body</u></p> <p>The experts should be appointed by the Secretary-General in consultation with the Board's standing committee which would also</p>	<p><u>Pensionable remuneration</u></p> <p>ACC concurred unanimously in the recommendation of the Joint Staff Pension Board, to be effective 1 January 1959 (para. 12).</p> <p><u>Comprehensive review of Joint Staff Pension Fund</u></p> <p>ACC agreed unanimously with the recommendation for a comprehensive review covering the matters indicated by the Expert Group and the Pension Board (para. 11).</p> <p><u>Composition of Review Body</u></p> <p>In view of the important questions of financial and administrative policy which will arise from any such</p>	<p><u>Pensionable remuneration</u></p> <p>The Secretary-General's recommendations have been supported in their entirety by the United Nations Headquarters Staff Association (A/C.5/760/Add.1).</p> <p><u>Pensionable remuneration</u></p> <p>Secretary-General's position same as that of ACC (para. 12).</p> <p><u>Financial implications to the United Nations:</u></p> <p>\$95,000 per annum, by way of addition to the Organization's contributions to the Fund.</p> <p><u>Comprehensive review of Joint Staff Pension Fund</u></p> <p>Secretary-General's position same as that of ACC (para. 11).</p> <p><u>Estimated cost of review over 1959 and 1960:</u> \$26,300.</p> <p>United Nations share: \$9,400 in 1959 and \$3,750 in 1960.</p> <p><u>Composition of Review Body</u></p> <p>Secretary-General associates himself fully with the views of the ACC.</p>	<p><u>Pensionable remuneration</u></p> <p>The Advisory Committee believes that the recommendation of the Pension Board, endorsed by the ACC, and the arguments advanced in support of that recommendation, are reasonable. The Committee would here underline the fact that since 1956 the pensionable remuneration of staff in the General Service category has increased, on the average, by some 15 per cent whereas that of staff in the Professional category and above has remained the same since 1951. To that extent, it is also a fact that the actuarial margin in the Pension Fund has been utilized, in part, in favour of one category of participants.</p> <p>In a growing Fund, that is a Fund which has not reached its normal or optimum rate of retirements or other separations, there may be advantage in not delaying any necessary increase in pensionable remuneration, since delay would deprive the Fund, for the period of such delay, of the increased contributions payable both by the participants and the member organizations.</p> <p>Accordingly, although it could be argued in terms of pure logic that any action in this regard might await the proposed comprehensive review (see below), the Advisory Committee would see merit in the recommendation which the ACC has made pursuant to General Assembly resolution 1095 A (XI) of 27 February 1957.</p> <p><u>Comprehensive review of Joint Staff Pension Fund</u></p> <p>The Advisory Committee, for its part, does not see any objection to the proposal for a comprehensive review of the Pension Fund. The estimated cost of \$26,300 for this purpose appears reasonable and may be shared, as recommended by the Pension Board, among the member organizations, or may be met out of the Fund itself. In either case, any resolution (see draft annexed to A/C.5/760) which the General Assembly may adopt on the subject of the review should include a clear reference to the manner of financing the review.</p> <p><u>Composition of Review Body</u></p> <p>There appears to be some difference between the Pension Board and the ACC as regards the manner of appointment of the members of the Review Body. The Advisory Committee recognizes that, having regard to the tripartite composition of the Pension Board and to its over-all responsibilities relating to the Pension Fund, the Board has a special role to play in any review of the Fund. At the same time, in view of the important questions of financial and administrative policy involved from the point of view of</p>

Temporary payments to supplement pensions and life annuities

(Question not considered by Expert Group, evidently because it was not covered by its terms of reference which were confined to the issue of pensionable remuneration.)

Temporary payments to supplement pensions and life annuities

Considering the low level of benefits presently being paid in the form of annuities by the Pension Fund, the Board recommended, as a temporary remedy, effective 1 January 1959 and pending action based on the comprehensive review, the payment of a supplement amounting to 10 per cent of the regular benefit to persons receiving pensions or life annuities in the form of retirement benefits, widows' benefits and disability benefits. This supplement would not apply to withdrawal benefits or to other lump sum or fixed sum payments.

Funds for this purpose would require to be appropriated by the General Assembly and by the governing bodies of the other member organizations (paras. 20 and 21, and resolution B).

Temporary payments to supplement pensions and life annuities

The executive heads of the ILO, UNESCO, WHO, WMO and ICITO were unable to support the recommendations of the Board (para. 13). On the other hand, the executive heads of the United Nations, FAO and ICAO supported the recommendation (para. 14).

Temporary payments to supplement pensions and life annuities

Secretary-General supported the recommendation of the Board.

Secretary-General has also recommended that additional payments to all pensioners - whether they belonged to the United Nations or to the other organizations - estimated at \$45,000 in 1959 and \$54,000 in 1960 - should be met out of United Nations funds, with the other organizations being invited to reimburse the United Nations their approximate shares of these payments. An organization's share for this purpose would be based on the proportion which the number of participants who are members of its staff bears to the total number of participants in the Fund (paras. 15, 19, and paraa 5 to 7 of draft resolution).

Temporary payments to supplement pensions and life annuities

This is a point on which the AGC was unable to reach agreement because of basic differences between the executive heads of the International Labour Organization, the United Nations Educational, Scientific and Cultural Organization, the World Health Organization, the World Meteorological Organization and the Interim Commission for the International Trade Organization, on the one hand, and the Secretary-General and the executive heads of the Food and Agriculture Organization and the International Civil Aviation Organization, on the other (see paras. 13 to 15 of A/C.5/760).

Having regard to these differences, it would have been appropriate to defer this question until after the proposed comprehensive review. The Pension Board appears, however, to have been impelled by a sense of urgency in regard to the amelioration of the condition of present pensioners.

However - in order not to prejudice the outcome of the proposed comprehensive review and taking into account the dissenting views expressed by the executive heads of certain participating organizations (para.13 of the Secretary-General's report in document A/C.5/760), as well as the varying circumstances in which the pensioners in question find themselves - there would seem to be a case to limit these temporary payments to a more conservative increase of 5 per cent of the present pension in each case.

The manner of financing these payments appears to have been a basic point of difference in the AGC. The recommendation that the payments should be met through budgetary appropriations by the member organizations would be the first instance of a departure from the principle that all benefits should be funded by statutory contributions from both the organizations and the participants. The further recommendation of the Secretary-General that the United Nations should initially finance the additional payments to all pensioners, whether they belong to the United Nations or to the other organizations, might appear to leave the other organizations with no choice in this matter. Nevertheless, if it should be decided that the supplementary payments should be made out of budgetary appropriations, the procedure recommended by the Secretary-General would appear to be the best.

Alternatively, the payments might be financed from the Pension Fund itself; this would, however, require an amendment to the Regulations of the Fund, which could only be adopted after consultation with the Pension Board, in accordance with article XXXVII of the Regulations.

From a strictly budgetary standpoint and from the point of view of co-ordination among agencies in the common system, payment of the supplementary benefit from the Pension Fund itself would appear preferable.

OTHER RECOMMENDATIONS OF THE PENSION BOARD

Joint staff Pension Board (A/3938)

Adjustment of retirement, disability and widows' benefits from 1 January 1958

The Board considered that the improvement authorized in 1957 in prospective retirement, widows' and disability benefits had been made possible by the favourable yield gained by the Fund from the investment of its assets and decided that it would not be equitable to deprive those pensioners who had contributed to the increased capital of the Fund from receiving advantages similar to those granted to the active participants. The Board has therefore recommended the extension, as of 1 January 1958, to existing pensioners, of the improvements in benefits adopted by the General Assembly at its twelfth session. (Para. 23 and resolution A).

(The improvements in question are those relating to articles IV, V and VII of the Regulations:

- (a) To increase the rate of calculation of benefit payable upon the retirement, disability or death of a participant, from one-sixtieth to one-fifty-fifth of the final average remuneration (articles IV, V, VII);
- (b) To raise the minimum in the disability benefit from three-tenths to one-third of the final average remuneration (article V);
- (c) To provide for a minimum widow's benefit (article VII).

Voluntary deposits by participants (Regulations: article XVIII, para. 1)

The Board decided to recommend to the General Assembly an amendment to article XVIII of the Pension Fund Regulations to raise the maximum of voluntary deposits by a participant to an amount computed to be sufficient to purchase an additional retirement benefit which, together with his prospective regular retirement benefit, will provide for him a total retirement benefit not to exceed 60 per cent of his final average remuneration at the age of retirement. (The present maximum relates to one-half or 50 per cent.)

It is stated that the amendment has no actuarial implications for the Fund.

(Para. 26 and amendment to article XVIII under section VI)

Size of the Pension Board (article XIII, para. 1)

The Board has recommended that the size of the Board should be reduced to a permanent strength of eighteen members, six to be appointed by the United Nations Staff Pension Committee and twelve by the Staff Pension Committees of the other member organizations. Both the United Nations group and the other group (and consequently the whole Board) would have equal representation of the three groups referred to in article IX, namely, the general conferences, the administration and the participants.

The amendment is to be effective when the General Assembly has taken action resulting from the proposed comprehensive review of the Fund, or on 1 January 1962, whichever is earlier.

(Para. 22 and amendment to article XIII under section VI.)

Forfeiture of right to a benefit (new article XLII)

To meet difficulties which may arise from the refusal of a beneficiary to receive his benefit or from the impossibility of locating a beneficiary, the Board has recommended an addition to the Regulations to provide for the forfeiture of rights to benefits after certain time-limits. To safeguard the rights of beneficiaries, the Board reserved the power of reinstating the right to the benefit in certain circumstances.

(Para. 27 and Article XLII under section VI.)

Comments of the Advisory Committee

Adjustment of retirement, disability and widows' benefits from 1 January 1958

The Advisory Committee has no objection to the recommendation of the Pension Board, which, it is understood, is an ad hoc, exceptional measure. It would obviously be impracticable to apply retroactively to past participants improvements in benefits resulting from favourable experience as determined at the time of an actuarial valuation.

Voluntary deposits by participants

The Advisory Committee has no objection to the recommendation of the Pension Board, although the possibility of final implications to the Fund cannot entirely be ruled out. If the actuarial assumptions which form the basis of present calculations for this purpose were proved incorrect by adverse experience, the "voluntary deposit" provision might have financial applications to the Fund. In other words, the Fund is in fact, "selling" additional benefits at "prices" based on certain assumptions; if those assumptions are not proved correct, the "prices" may turn out to have been inadequate.

In any case, the proposed modification of the present provision would represent only a very small addition to the risk, if any, which is inherent in the provision as it now stands.

Size of the Pension Board

The Advisory Committee welcomes the recommendation of the Board on this point.

Forfeiture of right to a benefit

The Advisory Committee has no objection to the proposed new article; however, in order to preclude forfeiture merely on the ground that payment instructions have not been submitted within the prescribed period in a case where otherwise some action has been taken relating to the claim, the Committee suggests that the words "failed to submit payment instructions" might be replaced by the words "failed to act on his claim or to submit payment instructions".