UNITED NATIONS JOINT STAFF PENSION FUND

REPORT
OF THE
UNITED NATIONS JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

OFFICIAL RECORDS: FORTIETH SESSION

SUPPLEMENT No. 9 (A/40/9)

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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I. INTRODUCTION

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that since then have been amended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, consisting of 21 members, representing the member organizations that are listed in annex V. One third of the Board members are chosen by the General Assembly and the corresponding bodies of the other member organizations, one third by the executive heads and one third by participants. The Board reports annually to the General Assembly on the operations of the Fund and the investment of its assets and, when necessary, recommends to it amendments to the Regulations that govern, inter alia, the rates of contribution by the participants (currently 7.25 per cent of their pensionable remuneration) and by the organizations (currently 14.50 per cent), the conditions of eligibility for participation and the various benefits to which staff and their dependants may become entitled. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat at the United Nations Headquarters in New York and the management expenses for its investments - are met by the Fund. A summary of the operations of the Fund during the year ended 31 December 1984 is contained in section II below.

3. The present report is submitted by the Board following its thirty-fourth session held in July/August 1985 at the headquarters of the International Civil Aviation Organization (ICAO), Montreal. A list of the members and alternates accredited to that session is contained in annex VI. Section III of the report contains an account of matters considered by the Board, including recommendations for action by the General Assembly.

4. In response to General Assembly resolution 39/246 of 18 December 1984, the Board reviewed the method of calculating the lump-sum commutation of benefits and the question of the imposition of a ceiling on the amounts of such commutations, the imposition of a ceiling on the highest levels of pensions, the operation of the two-track pension adjustment system and compensatory and interim measures for participants whose pensionable remuneration had been lowered as at 1 January 1985 through the adoption of the scale of pensionable remuneration recommended by the International Civil Service Commission (ICSC). Also in response to the resolution of the General Assembly and in co-operation with ICSC the Board re-examined the procedure for the adjustment of pensionable remuneration in between comprehensive reviews as well as the methodology for the determination of such remuneration and for monitoring its level. The Board's recommendations are given in section III of the present report.

5. The Board also devoted considerable attention to the management of the investments of the Fund as well as to the actuarial valuation of the Fund as at 31 December 1984. It discussed the effect of re-entry into participation and has proposed an amendment to article 40 (c) (ii) of the Regulations of the Fund. Among the other matters considered by the Board were the composition of the Board (sect. IX of General Assembly resolution 39/246) and the admission to membership in the Fund of the United Nations Industrial Development Organization (UNIDO).

6. The Board, in accordance with article 4 of the Regulations, appointed a Standing Committee to act on behalf of the Board when it is not in session. Its membership is given in annex VII.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is given in annex VIII.

II. SUMMARY OF THE OPERATIONS OF THE FUND DURING THE YEAR ENDED 31 DECEMBER 1984

8. The number of participants in the Fund increased during the year from 52,432 to 53,204.

9. During the same period the principal of the Fund increased from $3,115,548,779 to $3,500,632,266 (see annex II).

10. The investment income of the Fund during the year amounted to $334,556,580, comprising $232,165,067 in interest and dividends and $102,391,513 in net profit on sales of investments. After deduction of investment management costs in the amount of $3,849,813, net investment income amounts to $330,706,767. A summary of the investments as at 31 December 1984 and a comparison of their book and market values are contained in annex II, schedules 2 and 3.

11. On 31 December 1984 the Fund was paying 7,571 retirement benefits, 7,514 early and deferred retirement benefits, 2,578 widows' and widowers' benefits, 4,199 children's benefits, 477 disability benefits and 39 secondary dependants' benefits. In the course of the year it also paid 3,596 lump-sum withdrawal and other settlements (see annex I).

III. MATTERS CONSIDERED BY THE BOARD, INCLUDING RECOMMENDATIONS TO THE GENERAL ASSEMBLY

A. Actuarial valuation of the Fund as at 31 December 1984

12. Article 12 of the Fund's Regulations states that "the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary". The practice of the Board has been to have actuarial valuations carried out every two years. Accordingly, the consulting actuary submitted to the Board at its thirty-fourth session the actuarial valuation of the Fund as at 31 December 1984 (the previous valuation had been as at 31 December 1982). 1/ The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

13. Pursuant to the decisions taken by the Board in 1984, the consulting actuary prepared four valuations using different assumptions as to economic factors and future growth of the participant population. Two of the assumptions were the same for all four valuations, namely (a) the rate of increase in pensionable remuneration (6.5 per cent a year in addition to static increases), and (b) price increases, reflected in increases of pensions to beneficiaries (6 per cent a year). In three of the four valuations future growth of the participant population was assumed to be 2.6 per cent a year for the General Service category and 1 per cent for the Professional category during the first 20 years, with no growth thereafter. The variable in these three valuations was the nominal rate of interest (investment return), which was assumed to be 8, 9 and 10 per cent a year (corresponding to a real rate of return of 2, 3 and 4 per cent a year respectively). The 6.5/9/6 basis (i.e. rate of increase of pensionable remuneration of 6.5 per cent a year; nominal rate of interest of 9 per cent a year; and price increases of 6 per cent a year) was designated as the "regular valuation"; it corresponded to the "regular valuation" assumptions in the valuation as at 31 December 1982. The fourth valuation used the 6.5/9/6 basis but assumed no growth in the participant population beyond the level as at the valuation date. 2/

14. The results of the four valuations may be summarized as follows:

Valuation basis	Contribution rate required (as a percentage of total pensionable remuneration)	
	Total required	Imbalance a/
Regular participant growth assumption		
Economic assumption		
6.5/8/6	28.56	6.81
6.5/9/6	24.76	3.01
6.5/10/6	21.37	(0.38)
Zero participant growth assumption		
Economic assumption		
6.5/9/6	25.94	4.19

a/ Excess over a contribution rate of 21.75 per cent; provision for administrative expenses has been assumed to be 0.14 per cent of total pensionable remuneration.

15. Developments over the past three valuations (using the 6.5/9/6 basis and the regular participant growth assumption) are summarized in the following table (in all cases the provision for administrative expenses has been assumed to be 0.14 per cent of pensionable remuneration):

Valuation date	Contribution rate required (as a percentage of total pensionable remuneration) Total required	Imbalance
31 December 1980		
Before demographic changes	27.82	6.82 a/
After demographic changes	28.32	7.32 a/
31 December 1982		
Before 1 January 1983 changes in Fund Regulations and procedures	29.41	8.41 a/
After 1 January 1983 changes in Fund Regulations and procedures, but before demographic changes	25.79	4.79 a/
after demographic changes	26.80	5.80 a/
31 December 1984		
Before 1 January 1984 and 1985 changes in Fund Regulations and procedures	25.94	4.94 a/
After 1 January 1984 and 1985 changes in Fund Regulations and procedures	24.76	3.01 b/

a/ Excess over contribution rate of 21 per cent.

b/ Excess over contribution rate of 21.75 per cent.

16. As can be seen from the foregoing table, the imbalance as revealed by the valuation as at 31 December 1984 (3.01 per cent) is 1.78 per cent lower than the imbalance of 4.79 per cent as at 31 December 1982 reported to the General Assembly at its thirty-eighth session. 3/ This net decrease has been achieved because favourable developments between the two valuations outweighed adverse factors. The latter consisted of demographic changes, which added a total of 1.01 per cent to the imbalance, and of the interest accumulating on the previous imbalance (an addition of 0.56 per cent) - giving a total of 1.57 per cent. On the other hand, net experience gains and certain changes in assumptions have reduced the imbalance by a total of 1.42 per cent. In other words, the imbalance would have increased by 0.15 per cent were it not for the increase in the rate of contribution effective 1 January 1984 and the economy measures introduced effective 1 January 1985. The foregoing factors are set out in greater detail in the following table, which shows how the imbalance has decreased from 4.79 to 3.01 per cent of pensionable remuneration:

	Increase (decrease) in the imbalance (Percentage)
Changes in demographic assumptions	
Increased longevity	0.39
Greater incidence of early retirement and of retirement at age 60	0.52
Other demographic changes	0.10
Interest accumulating on 1982 imbalance	0.56
Change in the assumption as to percentage of participants who elect lump-sum commutation	(0.36)
Favourable investment experience	(0.13)
Net effect of currency changes on pensionable remuneration and benefits	(0.19)
Effect of new scale of pensionable remuneration for the Professional and higher categories	(0.16)
Other experience gains	(0.58)
Increase in the rate of contribution effective 1 January 1984	(0.75)
Economy measures introduced effective 1 January 1985	(1.18)
	(1.78)

17. The Board recalled the recommendation that it had made to the General Assembly at its thirty-eighth session and reaffirmed at its thirty-ninth session that the rate of contribution be raised gradually to 24 per cent by 1 January 1990. 4/ The Board unanimously recommends that the General Assembly, at its fortieth session, decide that the rate of contribution be increased from the current level of 21.75 per cent by 0.75 per cent to 22.5 per cent effective 1 January 1986.

18. Such an increase in the rate of contribution would reduce the remaining imbalance to 2.26 per cent of total pensionable remuneration. Barring unfavourable developments, and assuming that the rate of contribution is increased in two stages to 24 per cent by 1 January 1990, the remaining imbalance should cease to be a cause for concern. In particular, the interest accumulating on the imbalance should be considerably less than hitherto (the interest accumulating on an imbalance of 2.26 per cent amounts to approximately 0.2 per cent a year). At the same time, the improvement in the actuarial balance of the Fund, as shown by the latest valuation, should not induce feelings of complacency, and the Board proposes to monitor developments and to make appropriate recommendations to the General Assembly should the need arise.

19. As can be seen from the table in paragraph 16 above, the imbalance grew between the 1982 and 1984 valuations by 0.52 per cent because of the recognition in the actuarial assumptions of the greater incidence of early retirement and of retirement at or shortly after age 60 than had been assumed on the basis of prior experience. This trend, if it continues unchecked, will have further adverse effect on the actuarial balance of the Fund, and the Board trusts that this factor will be given due weight in the formulation or reformulation of the personnel policies of the member organizations. In this connection the Board recalls the recommendation it had made in 1982 and reaffirmed in 1983 and 1984 that the statutory age of separation be raised to 62. 5/

20. The tables in paragraphs 15 and 16 above show that the improvement in the actuarial balance of the Fund has been brought about largely because of the measures taken by the General Assembly in recent years on the recommendation of the Pension Board. These measures have comprised economies and the infusion of additional resources. The economy measures have reduced the imbalance by 4.28 per cent of pensionable remuneration, as follows:

	Percentage
Reduced rate of accumulation for entrants as at 1 January 1983	1.93
Reduced cost-of-living adjustment of benefits in payment and of deferred retirement benefits	1.81
Use of higher discount rates for lump-sum commutation	0.39
Other economy measures	0.15
	4.28 6/

21. The infusion of additional resources has reduced the actuarial imbalance by 1.27 per cent, of which 0.75 per cent relates to the increase in the rate of contribution effective 1 January 1984 (including 0.25 per cent paid by the participants), and 0.52 to the abolition of refunds to the organizations under former article 26 of the Regulations of the Fund. 6/

22. So that an assessment could also be made of the position of the Fund on a current, rather than a projected basis, the consulting actuary calculated the actuarial value of accrued benefits on the valuation date. This value represents the amount of assets that the Fund would have to have on hand in order to meet its present obligations. These obligations consist of: (a) the continuation of the existing pensions payable to current pensioners and beneficiaries, and (b) the establishment of the necessary reserve to meet benefit payments on behalf of present active participants on the assumption that they would terminate employment on the valuation date. The Fund's liability for these accrued benefits will be very much influenced by the rate of interest used to discount future benefit payments to the valuation date and by the rate at which pensions will be assumed to increase after award (if a system of adjustment of pensions continues to exist indefinitely). Assuming a rate of interest of 9 per cent and inflation of 6 per cent a year (i.e. as in the "regular valuation"), the consulting actuary's calculations indicate that the Fund is fully funded if no provision is made for increases in benefits after award; if it is assumed that benefits will continue to be adjusted after award, the Fund's assets as at the valuation date were equal to 56.1 per cent of its liabilities. Both these funding ratios are better than the ones revealed by the valuation as at 31 December 1982.

23. On the basis of its analysis of the results of the actuarial valuation as at 31 December 1984, the Board concluded that, subject to the observations in paragraph 18 above, the Fund is now in a much improved actuarial position and that, consequently, there is currently no need for further changes in the benefit system or the pension adjustment system of the kind made in recent years.

B. Investments of the Fund

1. Management of the investments

24. The Board reviewed the investments of the Fund on the basis of a report and accompanying statistical data presented by the representatives of the Secretary-General. The report described the prevailing economic and market conditions and the investment returns achieved during the 12 months to 31 March 1985. The Board also heard statements by the representatives of the Secretary-General and members of the Investments Committee who attended the Board meeting and responded to questions from Board members.

25. The market value of the Fund's assets as at 31 March 1985 was $3,926 million, $329 million more than a year earlier. The investment return was calculated, as before, using the standard method which included income from interest and dividend payments, as well as realized profits, and also accounted for unrealized profits and losses due to market fluctuations. The return for the year ended 31 March 1985 was 8.1 per cent. That compared with the total returns over a five-year period as follows:

Year ended 31 March	Percentage return
1985	8.09
1984	13.01
1983	27.05
1982	7.85
1981	26.60

26. The Board noted the fluctuations of the results from one year to the next, which were reflections of short-term market conditions and currency movements. The data provided in the report illustrated that, in view of the long-term objectives of the Fund, investment returns should be assessed over longer periods rather than on the basis of short-term trends, which were often misleading and therefore might obscure an underlying long-term positive or negative trend. The average annual return, before adjustment for inflation, over the past five-year period had been 12.6 per cent, over the past 10 years 9.5 per cent and over the past 25 years 6.9 per cent.

27. Historically, equities had generated better returns than bonds, which was the reason why the portfolio had had a weighting of 50 to 60 per cent for equity securities. As at 31 March 1985, 54 per cent of the portfolio was equity investments; 33 per cent bond investments and 10 per cent real-estate-related investments; short-term cash equivalents accounted for 3 per cent of the assets.

Although the long-term guideline ranges for the weighting of the components in the portfolio had not been altered, the composition of the portfolio was changing continually, reflecting the judgement of the Secretary-General and the Investments Committee as to changing economic, market and currency trends.

28. The Board was provided with detailed information on the structure of the portfolio, which was widely diversified to render the return less dependent on individual markets and currencies. Global diversification was an established investment principle endorsed by the Board many years ago. As at 31 March 1985, $1,902 million or 50 per cent of the Fund's long-term investments were placed in markets outside the United States. The Fund was invested in 46 countries, including 23 developing countries. As for geographic diversification, investments were made in 21 different equity markets, including 5 in developing countries. Of the $676 million development-related investments, 78 per cent had been made through international and regional development institutions. In order to obtain broad currency diversification, funds were invested in 23 different currencies. The policy was to maintain an optimal balance between risk and reward offered through geographic and currency diversification.

29. Investments in developing countries were discussed by the Board bearing in mind the resolutions adopted by the General Assembly on this matter. Direct investments in developing countries had risen by 3.3 per cent to $151.6 million. The total amount invested in development-related securities had risen to $676 million, an increase of almost 12 per cent. The management of the Fund kept close contacts with the World Bank, the International Monetary Fund (IMF), the various regional development banks, governments and private sources in order to be apprised of new investment opportunities. The Secretary-General's representatives stated that in respect of development-related investments, as for all of the Fund's investments, the four criteria of safety, profitability, liquidity and convertibility were met at the time the investments were made and that all investments were kept under continuous review.

30. The Board discussed the inflation-adjusted rate of return, which had improved substantially over the past three- and five-year periods with average annual real rates of return of 11.8 per cent and 6.7 per cent respectively. Because of the negative real rates of return during a number of years in the period 1966 to 1980, which had been characterized by rising inflation, the annual real rate of return over the past 25-year period was only 1.6 per cent.

31. Members of the Board raised a number of specific questions that led to discussion of the investment policies, the workings of the Investments Committee and the extent to which its advice was followed, the returns obtainable from various short-term investments, the status of development-related investments, the prospects for the banking industry, the policy regarding investments in tobacco companies and the outlook for the United States dollar. With regard to short-term investments, one member suggested that a small percentage of the assets, for example 5 per cent, should be set aside for that purpose. The Chairman of the Investments Committee indicated that the suggestion would be examined at its next meeting. The representatives of the Secretary-General responded to questions regarding the data in the report and, together with members of the Investments Committee, addressed questions concerning the policy, strategy and the decision-making process governing the investments of the Fund. The Board was advised that in response to General Assembly resolutions on South Africa, no investments had been made since 1976 in entities that had direct or indirect

investments in that country. Moreover, the policy had been to proceed with prudent and continuous divestiture of those investments made prior to 1976 in such corporations: the process had been completed in the summer of 1985.

32. The Board expressed its appreciation for the participation and comments of the Investments Committee. It also took note of the explanations given by the representatives of the Secretary-General and the detailed documentation provided.

2. Membership of the Investments Committee

33. The Secretary-General, in accordance with article 20 of the Regulations of the Fund, conveyed to the Board the names of three members whom he would propose, after consultation with the Advisory Committee on Administrative and Budgetary Questions (ACABQ), to the General Assembly at its fortieth session for reappointment as members of the Investments Committee. The Board noted the Secretary-General's proposal.

C. Requests addressed to the Pension Board in General Assembly resolution 39/246

34. In resolution 39/246, the General Assembly addressed to the Pension Board several requests, reports on which were to be submitted to the Assembly at its fortieth session. The requests in question were as follows:

(a) With the assistance of the Committee of Actuaries, to review the method of calculating the lump-sum commutation of benefits using a uniform discount rate (sect. I, para. 5);

(b) To re-examine the question of the imposition of a ceiling on the highest levels of pensions, and on the amount that may be paid to a participant by way of lump-sum commutation of part of his periodic benefit (sect. I, para. 7);

(c) To re-examine the operation of the two-track pension adjustment system in countries where the adjusted United States dollar amount, when converted into local currency, yields a larger benefit in local currency units than the adjusted local currency amount (sect. I, para. 8);

(d) In the light of the results of the actuarial valuation of the Fund as at 31 December 1984, to consider additional measures, with a view to avoiding, if possible, further increases in the rate of contribution of member organizations and participants to the Fund (sect. I, para. 9);

(e) To consider, taking into account, inter alia, the legal aspects of the question, any compensatory or interim measures regarding participants whose pensionable remuneration has been higher than it will be as at 1 January 1985, and to make appropriate recommendations, it being understood that such recommendations will also address the question of the equality of treatment of participants retiring on different dates, and that such measures as will be approved by the Assembly would, if necessary, be applicable with effect from 1 January 1985 (sect. II, para. 3);

(f) To co-operate with the International Civil Service Commission (ICSC) in the re-examination of the procedure for adjustment of pensionable remuneration in between comprehensive reviews (sect. II, para. 5);

(g) To co-operate with ICSC in the review of the methodology for the determination of pensionable remuneration for the Professional and higher categories and for monitoring the level of pensionable remuneration (sect. II, para. 6);

(h) To review the composition of the Board (sect. IX).

35. The Pension Board's observations on the request contained in section I, paragraph 9, of resolution 39/246, are set out in paragraphs 12-23 above.

1. Method of calculating the lump-sum commutation of benefits

36. Under the Regulations of the Fund (arts. 28 (f), 29 (c) and 30 (c)) a retired participant may commute into a lump-sum a portion (normally not more than one third) of the actuarial equivalent of his periodic benefit. The discount (interest) rate used in calculating the lump-sum is decided by the Board under the authority vested in it by article 11 of the Regulations. Prior to 1 January 1979 the rate was 3.25 per cent; it was raised to 4 per cent effective 1 January 1979, 4.5 per cent effective 1 January 1983 and 6.5 per cent effective 1 January 1985. On the occasion of each increase, the change was made prospectively; in other words, the new rate did not apply to prior periods of service. Consequently, the commutation of the periodic benefit of each retiring participant is based on a composite rate. The longer the portion of contributory service with low discount rates, the lower is the composite rate; conversely, the shorter the portion of contributory service with low discount rates, the higher does the composite rate become.

37. The Board's practice of using composite rates has resulted in a smooth transition each time the discount rate was changed. A major advantage of a smooth transition is that it makes it unnecessary for participants to choose their date of separation in such a way as to benefit from a change in the discount rate. Were they to do so, member organizations might be faced with disruptions to their programmes because of the sudden departure of large numbers of experienced staff.

38. The use of a uniform discount rate applicable to all service would result in decreases (or increases) in the amount of the lump-sum, from one day to the next, whenever a change was made. All the changes made in the discount rate since 1979 have been increases, because interest rates were rising world-wide. In the past couple of years, by contrast, there has been a steep drop in interest rates in the United States and many other market-economy countries, and many economists believe that the decline in interest rates will continue. Were this to happen, and if the Fund applied a uniform discount rate, pressures would develop for lowering the discount rate. In this connection it is also important to recall that the world has been experiencing a period of historically unusual interest-rate volatility. If the Fund applied the latest discount rate to all service, that rate would have to be adjusted constantly, up or down; a composite rate, in which changes are applied only prospectively, smoothes out the short-term variations and thus necessitates fewer changes in the rate.

39. As the Board pointed out in its report to the General Assembly at its thirty-ninth session, the Fund derives a benefit from the existence of the commutation provision in the Regulations, in that commuted lump-sum amounts, unlike periodic benefits, do not attract cost-of-living adjustment after award. For the Fund to make neither an actuarial gain nor an actuarial loss on the lump-sum commutations, the discount rate used should be equal to the real rate of return on investments assumed in the actuarial valuation. As was stated in paragraph 13, the real rate of return assumed in the "regular valuation" (6.5/9/6 basis) is 3 per cent a year. A discount rate in excess of 3 per cent will thus yield an actuarial gain to the Fund. The higher the rate, the greater the gain will be; on the other hand, an unreasonably high rate could result in fewer participants availing themselves of the commutation provision, and that would be actuarially disadvantageous to the Fund. 7/

40. As was indicated in paragraph 16 above, one reason why the actuarial balance of the Fund has improved has been the reflection in the assumptions for the valuation of the higher than previously assumed incidence of commutations. The consulting actuary estimates that if the commutation provision was eliminated, the actuarial imbalance would increase by 1.33 per cent of total pensionable remuneration.

41. In accordance with the request of the General Assembly, the method of calculating the lump-sum commutation of benefits was reviewed by the Committee of Actuaries.

42. The Committee of Actuaries informed the Board that, at first glance, the use of a uniform discount rate was appealing. It had the advantage of simplicity, both as regards administration and understanding on the part of the participants, and it would yield a small actuarial gain if the uniform rate was higher than the current composite rate. On the other hand, if the uniform rate yielded a lower lump-sum based on service before 1985, that would raise the question of violation of accrued rights. Furthermore, computers were easily handling the more complex composite rate. The Committee of Actuaries concluded that the disadvantages of using a uniform rate far outweighed the relatively small advantages. The Committee was inclined to the view that the discount rate should be only somewhat higher than the real interest rate assumed in the actuarial valuation. However, it recognized that it had been decided that the discount rate should be well above the real interest rate, so as to yield a substantial actuarial gain to the Fund. Within that concept the Committee believed that the present method of using composite discount rates should be continued. The 6.5 per cent discount rate applicable to future service should not be increased further towards the nominal interest rate of 9 per cent used in the regular valuation, because that would be inequitable to the participants who opted for a lump-sum commutation and thus lost cost-of-living adjustments on the commuted portion of their periodic benefits. The Committee further believed that, in order to be compatible with the adopted procedure, the 6.5 per cent rate applicable to future service should be continued until such time as the "gross" interest rate used in the regular valuation (currently 9 per cent) fell below 6.5 per cent.

43. In the light of the views of the Committee of Actuaries and of its own examination of the question, the Pension Board concluded that the continued use of a composite discount rate was fair and equitable, and in the interest of both the Fund and the participants; the introduction of a uniform discount rate could discourage participants from exercising the lump-sum commutation option, and would thus be detrimental to the actuarial situation of the Fund.

2. Imposition of a ceiling on the highest levels of pensions, and on the amount that may be paid to a participant by way of lump-sum commutation of part of his periodic benefit

44. The Board recalled that in its report to the General Assembly at its thirty-ninth session it had pointed out that the introduction of the lower levels of pensionable remuneration for senior officials effective 1 January 1985 would automatically entail a reduction in their pension benefits. "Capping" the level of those benefits below the amounts resulting from the application of the Regulations of the Fund would be arbitrary. Furthermore, given the small number of officials involved, and the fact that the majority of them served for relatively brief periods of time, the imposition of a ceiling on the highest levels of pension would have no impact on the actuarial situation of the Fund. 8/

45. In the further review of the question by the Board, it was noted that under national civil service pension schemes, pensions were earnings related and that there was thus a relationship between an official's standard of living before and after retirement. In the various pension schemes, including that of the United Nations, a pension benefit was determined on the basis of pensionable remuneration, rate of accumulation, and years of contributory service. Since 1 January 1985, officials at the level of Under-Secretary-General, Assistant Secretary-General and their equivalents - alone among United Nations staff - had a pensionable remuneration that was less than their gross base salaries ($115,700 as against $121,046 for an Under-Secretary-General, and $103,900 as against $107,089 for an Assistant Secretary-General); in other words, a portion of their gross base salary was already non-pensionable. The imposition of a ceiling on the maximum amount of benefit would further distort the relationship between income before and after retirement.

46. In the light of the views expressed in the Fifth Committee at the thirty-ninth session, the Board examined the pension benefits of officials at Under-Secretary-General, Assistant Secretary-General and D-2 levels. The Board noted that the maximum (i.e. after 35 years of contributory service) annual basic pensions payable under the Regulations to senior officials retiring in 1985 were equal to 65 per cent of their final average remuneration as at 31 December 1984. Those theoretical maxima were as follows:

	$
Under-Secretary-General	131 234 x 0.65 = 85 302
Assistant Secretary-General	116 449 x 0.65 = 75 692
D-2, top step	98 905 x 0.65 = 64 288

The maximum annual basic pensions payable under the Regulations to officials whose final average remuneration equalled the pensionable remuneration as at 1 January 1985 would be as follows: 9/

	$
Under-Secretary-General	115 700 x 0.65 = 75 205
Assistant Secretary-General	103 900 x 0.65 = 67 535
D-2, top step	92 400 x 0.65 = 60 060

47. Whereas a D-2, top step, participant would need 35 years of contributory service to become entitled to the maximum benefit ($64,288 or $60,060 as the case may be), a participant who retired at the level of Under-Secretary-General or Assistant Secretary-General would become entitled to a benefit of $64,288 (or $60,060) within a shorter period of time. The number of years of contributory service required to reach that entitlement is shown in the following table:

	Number of years of contributory service	
Level	Final average remuneration as at 31 December 1984	Pensionable remuneration as at 1 January 1985
USG	24.5 years	26.0 years
ASG	27.6 years	28.9 years

48. The effect of the imposition of such a ceiling on officials at the Under-Secretary-General and Assistant Secretary-General levels would depend on their age and length of service. For example, an official at the Under-Secretary-General level who was aged 55 and had 15 years of contributory service would not be affected at all. But if, at age 55, he had 24 years of service he would be only 6 months away from the moment when the ceiling became applicable to him; thereafter and until he reached age 60 and became entitled to an unreduced pension, he would have 4.5 years in which he would be contributing to the Fund without any increase in his benefit. Furthermore, several officials at the level of Under-Secretary-General, Assistant Secretary-General or their equivalent have already accrued entitlements in excess of a ceiling equal to the maximum benefit payable to a D-2, top step, participant. In general, the ceiling would not affect participants appointed directly to Under-Secretary-General or Assistant Secretary-General-level posts, after a career outside the United Nations system; the ones to be affected would be long-service international civil servants. The breakdown by years of contributory service of the 153 participants in the Fund with the rank of Under-Secretary-General, Assistant Secretary-General or their equivalent as at 31 December 1984 was as follows:

	Number of years' contributory service			
	Less than 6	6-less than 11	11-less than 16	16-less than 21
USG	16	11	10	3
ASG	47	21	10	8
Total	63	32	20	11

	Number of years' contributory service									
	21	22	23	24	25	26	27	28	29	30 and over
USG	1	1	0	0	2	0	0	0	0	2
ASG	1	0	1	0	3	2	1	2	1	10
Total	2	1	1	0	5	2	1	2	1	12

49. A further point to be borne in mind was that the imposition of a ceiling as defined in paragraph 47 above to participants already serving at the level of Under-Secretary-General, Assistant Secretary-General or their equivalent, would be tantamount to making non-pensionable the years of their future service in excess of those needed to reach the ceiling; that would be a material change in their conditions of employment, and would thus be of doubtful legality.

50. On the basis of its further analysis of the General Assembly's request, the Board concluded that it would not be desirable to impose a ceiling on the highest levels of pensions. Such a ceiling would be inconsistent with the principle that the Regulations of the Fund should be applied uniformly; furthermore, as was already recalled in paragraph 44 above, it would have no impact on the actuarial imbalance.

51. At the same time, the view was also expressed that the fact that the General Assembly had twice requested the Board to submit recommendations regarding the imposition of a ceiling on the highest levels of pension indicated that there were strongly held views in the Assembly in favour of such a ceiling for reasons that were not within the competence of a technical body such as the Pension Board. A response to the request would have to be such as to avoid the problem identified in paragraph 49 above; it also appeared undesirable to link the benefit entitlement of a participant at a given level to the entitlement of another official at a lower level of responsibility. Those two concerns would be met if the ceiling was expressed in terms of a maximum accumulation lower than the maxima in article 28 (b) and (c) of the Regulations, and if it applied only to participants who were not already serving at the level of Under-Secretary-General, Assistant Secretary-General or their equivalent. The Board concluded that a maximum accumulation of 60 per cent of final average remuneration would be reasonable; at present maximum accumulation equals 65 per cent for those who became participants in the Fund before 1 January 1983, and 66.25 per cent for all other participants. That result would be achieved if a new paragraph was inserted in article 28, after paragraph (c), to read as follows:

> "Notwithstanding the provisions of (b) and (c) above, and except for a participant at the level of Assistant Secretary-General, Under-Secretary-General or their equivalent level prior to 1 January 1986, the benefit payable at the standard annual rate to a participant at any one of those levels shall not exceed 60 per cent of the final average remuneration at the date of separation, calculated for that level in accordance with article 1 (h) (i) or (ii)."

52. The Board decided to recommend to the General Assembly, that should it disagree with the Board's conclusion in paragraph 50 above, the imposition of a ceiling on the highest levels of pension be effected by amending article 28 in the manner indicated in paragraph 51 above. Eight members of the Board disagreed with this recommendation.

53. As for limiting the amount that may be paid to a participant by way of lump-sum commutation of part of his periodic benefit, the Board recalled that the Fund derived a benefit from the existence of the commutation provision in the Regulations. The consulting actuary had informed the Board that if the commutation provision were eliminated, the actuarial imbalance would increase by 1.33 per cent of total pensionable remuneration based on the 31 December 1984 actuarial valuation. The Regulations already imposed a limit on the proportion of the periodic benefit that could be commuted by specifying that normally one could

commute not more than one third of the benefit. Any further limitation of the amount that could be taken out as a lump-sum would be actuarially disadvantageous to the Fund. The average amount of the lump-sums paid out in the first 11 months of 1984, during which period there were 268 retirements and early retirements, was $125,600. The Board also noted that the introduction effective 1 January 1985 of the 6.5 per cent discount rate and of the generally lower new scale of pensionable remuneration for the Professional and higher categories, and also the limitation on maximum accumulation for the most senior officials recommended in paragraph 51 above, would tend to reduce, over time, the amounts that would be paid out by way of partial commutation of periodic benefits. Therefore, as a technical body, the Pension Board was not in favour of any further limitation of the commutation option.

3. Review of the two-track pension adjustment system

54. At its thirty-ninth session the General Assembly approved recommendations of the Pension Board that were designed to limit the extent by which the local-currency equivalent of the "United States dollar track" could exceed the "local track". The limit was set at 20 per cent. In the opinion of the Board such a limit provided a fair balance between the entitlement to a full United States dollar-denominated benefit and the need to safeguard the purchasing power of the benefit in local currency terms. 10/

55. Reflecting views expressed in the debate in the Fifth Committee, the General Assembly, in section I, paragraph 8, of resolution 39/246, requested the Board "to re-examine the operation of the two-track pension adjustment system in countries where the adjusted United States dollar amount, when converted into local currency, yields a larger benefit in local currency units than the adjusted local currency amount and to report to the General Assembly at its fortieth session on further limiting the resultant excess benefits".

56. In its review of the two-track pension adjustment system, the Board recalled that a participant who becomes entitled to a periodic benefit starts out with a basic pension determined in accordance with the Regulations of the Fund; pursuant to those Regulations this basic pension is denominated in United States dollars. The two-track adjustment system was introduced in the 1970s in order to protect the purchasing power of the benefit after award at times when the United States dollar was weak. Unless a participant who is entitled to a pension benefit chooses to submit proof of residence in a particular country (other than the United States of America) - and there is no obligation for him to do so - his pension benefit, after award, is subject to adjustment on the basis of movements of the United States consumer price index. The benefit so adjusted constitutes the "norm". Under the two-track adjustment a beneficiary who opts for the protection of the local track can draw, over his life-time, from the Pension Fund more United States dollars than had he remained solely on the United States dollar track.

57. A participant who retires in a country other than the United States, and who considers submitting proof of residence so that the two-track system can be applied to him, is likely to attach importance to two factors:

(a) How many units of local currency will he get when he retires?

(b) How will the purchasing power of his benefit in (a) above be protected over time?

58. In accordance with paragraph 5 (b) (iii) of the Pension Adjustment System, the local-currency base amount is calculated by applying to the dollar amount "the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency of the country of residence". Such an average is higher than the spot rate when the dollar is dropping, and lower when the dollar is rising. In the latter situation, the local-currency base amount may therefore be less than the base amount (in dollars) calculated in accordance with the Regulations. In such cases a two-track system with a very low "cap" (and a fortiori with a 0 per cent cap) could produce a result that would be inconsistent with the Regulations, namely a local currency benefit that would be lower than the basic pension determined in accordance with the Regulations.

59. A further point to bear in mind is that at a particular point in time the margin by which one track exceeds the other will differ from individual to individual depending on his or her date of separation. The lower the "cap", the greater will the discrepancy between the two amounts become.

60. The Board also noted that despite the efforts made to explain the 20 per cent "cap" to beneficiaries who had been under the two-track system, and notwithstanding the explicit transitional arrangements approved by the General Assembly, which guarantee the dollar amount of the benefit as at 31 December 1984, the introduction of the "cap" had given rise to much anxiety and lack of understanding. The decisions that have been taken by retired participants based on the 20 per cent "cap" will not necessarily be valid if the "cap" is reduced. Any change in the "cap" would thus further exacerbate the existing difficulties.

61. On the basis of its further review of the operation of the two-track pension adjustment system, the Board has concluded that the 20 per cent "cap" will have to be monitored over the next few years before a decision can be taken on whether to recommend changes to the General Assembly. Such a delay would have no adverse financial implications for the Fund because:

(a) Beneficiaries who were in receipt of benefits as at 31 December 1984 are protected by transitional arrangements, approved by the General Assembly, that would not be affected by a lowering of the "cap";

(b) New beneficiaries are unlikely to opt for the two-track system as long as the United States dollar remains strong.

4. Compensatory or interim measures regarding participants whose pensionable remuneration was lowered as at 1 January 1985

62. In section II, paragraph 2, of resolution 39/246 the General Assembly approved, for implementation with effect from 1 January 1985, the scale of pensionable remuneration for the Professional and higher categories that had been recommended by ICSC. In its report to the Assembly at its thirty-ninth session the Board had concurred in the implementation of the scale and had agreed with the transitional arrangements recommended by the Commission. 11/ The transitional arrangements in question were described by the Commission as follows:

"[Staff members] in service prior to 1 January 1985 whose pensionable remuneration on 31 December 1984 is higher than the amount applicable as of 1 January 1985 would retain their pensionable remuneration as at

31 December 1984, until such time as it is overtaken by the new scale adjusted in the manner described below. For staff members receiving promotions or step increases after 1 January 1985, the pensionable remuneration amount determined in accordance with the new scale should be compared with the amount applicable as at 31 December 1984, and the higher of these two amounts should be used." 12/

63. The General Assembly did not approve the Commission's recommendation. Instead, in section II, paragraph 3, of resolution 39/246, it requested "the United Nations Joint Staff Pension Board to consider, taking into account, *inter alia*, the legal aspects of the question, any compensatory or interim measures regarding participants whose pensionable remuneration has been higher than it will be as of 1 January 1985, and to make appropriate recommendations to the General Assembly at its fortieth session, it being understood that such recommendations will also address the question of the equality of treatment of participants retiring on different dates, and that such measures as will be approved by the Assembly would, if necessary, be applicable with effect from 1 January 1985".

64. The Board was informed that section II, paragraph 3, of resolution 39/246 reflected two concerns: on the one hand, there was a desire to prevent the final average remuneration, especially of participants at the highest levels, from continuing to grow beyond the levels attained as at 31 December 1984; and, on the other, there was concern that participants who had contributed on the basis of higher scales before 1 January 1985 should not lose the benefit of those higher contributions.

65. "Final average remuneration" is defined in article 1 (*h*) (i) of the Regulations of the Fund as the average annual pensionable remuneration of a participant during the 36 completed calendar months of highest pensionable remuneration within the last 5 years of his or her contributory service. The following table shows the scales of pensionable remuneration in effect during the three years up to 31 December 1984, the resultant final average remuneration, and the scale effective 1 January 1985 for the top step of all grades in the Professional and higher categories.

Grade	October 1981 scale (9 months: January-September 1982)	October 1982 scale (24 months: October 1982-September 1984)	October 1984 scale (3 months: October-December 1984)	Final average remuneration as at 31 December 1984	1 January 1985 scale
	$	$	$	$	$
P-1	32 394	34 716	36 591	34 292	37 400
P-2	42 377	45 416	47 868	44 861	47 900
P-3	55 569	59 554	62 770	58 826	62 200
P-4	66 840	71 633	75 501	70 757	70 900
P-5	78 444	84 070	88 610	83 042	83 900
D-1	85 521	91 655	96 604	90 534	87 900
D-2	93 430	100 129	105 536	98 905	92 400
ASG	110 003	117 891	124 257	116 449	103 900
USG	123 969	132 858	140 032	131 234	115 700

66. The Board recalled that the recommendation made by ICSC, and agreed to by the Board in 1984 (see para. 62 above), was consistent with precedents, in that on the occasion when the scale of pensionable remuneration for the General Service category had been lowered because of the use of lower rates of staff assessment in calculating the gross salary scale, the higher scale had been maintained for staff in service until overtaken by the new scale, as adjusted because of subsequent cost-of-living or other changes. Furthermore, the transitional arrangements recommended by ICSC and agreed to by the Board were more advantageous to the Fund from the cash flow point of view, for they ensured that the Fund would continue to collect contributions on the basis of the (higher) October 1984 scale. By contrast, if the ICSC recommendations were not accepted, the contributions would be calculated on the basis of the generally lower 1 January 1985 scale, whereas benefits would continue until the end of 1986 to be based on the final average remuneration as at 31 December 1984. While it was agreed that there would be no measurable adverse actuarial implications, any reduction in the influx of funds was undesirable, particularly while the Fund was still experiencing an actuarial imbalance.

67. As for the legal aspects of the question, which the Board was required to take into account (see para. 63 above), the judgements of the administrative tribunals of the United Nations, the International Labour Organisation (ILO) and the World Bank did not provide a detailed and consistent definition of what constituted "acquired rights". On the other hand, the Board noted that it was the practice of the comparator civil service, when introducing major changes in the conditions of employment, to apply the new conditions to newly recruited staff, while employees already in service were given the option of retaining the earlier conditions.

68. For the foregoing reasons the Board concluded that the optimum solution would be for the General Assembly to approve the transitional measures that ICSC had recommended in 1984. That would require a consequential amendment of article 54 of the Regulations of the Fund, namely the addition of a new paragraph that would read as follows:

> "(c) Notwithstanding paragraph (b) above, in the case of participants in the Professional and higher categories who were participants as at 31 December 1984, the pensionable remuneration after that date shall not be less than the pensionable remuneration as at that date."

69. Bearing in mind the information provided to it on the motivation behind section II, paragraph 3, of resolution 39/246, the Board went on to consider what alternative recommendation it could make to the General Assembly if the latter remained unwilling to approve the transitional measures recommended by ICSC in 1984.

70. Since article 1 (h) (i), of the Regulations of the Fund states that "'final average remuneration' shall mean the average annual pensionable remuneration of a participant during ... the thirty-six completed calendar months of highest pensionable remuneration within the last five years of his contributory service", the final average remuneration of participants who had at least three years of contributory service as at 31 December 1984 and who retired between 1 January 1985 and 31 December 1986 could not be less than their final average remuneration as at 31 December 1984. If no compensatory or interim measures were introduced, officials retiring on or after 31 December 1986 could have a lower final average remuneration (and, hence, a lower benefit) than officials retiring earlier (all other factors being equal). That would clearly be inconsistent with the desire of

the Assembly, as expressed in section II, paragraph 3, of resolution 39/246, that the Board's recommendation should also address the question of the equality of treatment of participants retiring on different dates.

71. As was stated in paragraph 64 above, one of the concerns that had led to the inclusion of section II, paragraph 2, in the text that was subsequently adopted as resolution 39/246 was that participants who had contributed on the basis of higher scales should not lose the benefit of those higher contributions. As long as the final average remuneration of a participant does not decline he can be said to derive full benefit from his contributions to the Fund.

72. The points addressed in paragraphs 70 and 71 would be met if, as an interim measure, each participant would be guaranteed his final average remuneration as at the date of the introduction of the new, and generally lower, pensionable remuneration scale. However, as can be seen from the table in paragraph 65 above, this new scale, though lower than the scale for October 1984, and for grades P-4 and above also lower than the October 1982 scale, is higher than the October 1981 scale for all grades below D-2. This means that for all grades below D-2 the final average remuneration will increase beyond the levels as at 31 December 1984; the increase will continue for 9 months for grades P-4, P-5 and D-1, and for 33 months for grade P-3. In the case of those grades, therefore, it would be necessary to protect the final average remuneration level not as at 31 December 1984 but as at the date when the final average remuneration would begin to decline if no interim measures were taken.

73. Furthermore, an interim measure that sought to protect a participant's final average remuneration could be applied only to those who had a final average remuneration as defined in article 1 (h) (i) or (ii), of the Regulations by the time the new scale was introduced, i.e. those with at least 36 months of contributory service by 1 January 1985. 13/

74. Accordingly, the Board concluded that if the General Assembly did not approve the amendment to the Regulations in paragraph 68 above, it should be invited to approve an interim measure that would protect the final average remuneration of participants, which otherwise would be lowered following the introduction of the 1 January 1985 scale. That would call for the insertion in the Regulations of the Fund of a new provision, as follows:

> "Notwithstanding the provisions of article 1 (h), the final average remuneration of a participant in the Professional or higher categories who was in contributory service as at 31 December 1984 and had at least thirty-six completed calendar months of such service as at that date shall not be less than the highest final average remuneration to which he would have been entitled in accordance with article 1 (h) (i) or (ii), had he separated on 31 December 1984 or at any time between that date and his actual date of separation."

75. Eight Board members disagreed with the recommendation in paragraph 74 above and indicated that the only compensatory or interim measure acceptable to them was the recommendation made by ICSC and agreed to by the Board in 1984.

5. Review of the methodology for the determination of pensionable remuneration for the Professional and higher categories and for monitoring the level of that pensionable remuneration, and re-examination of the procedure for its adjustment in between comprehensive reviews

76. As requested by the General Assembly in section II, paragraphs 5 and 6, of resolution 39/246, the Board co-operated with ICSC in the consideration of these questions. The Board was apprised by the Chairman of the Commission of the reasons why the Commission had decided that it could not provide the General Assembly at its fortieth session with a comprehensive report on the question of the methodology for the determination of pensionable remuneration for the Professional and higher categories. Those reasons are summarized in paragraphs 17 to 22 of the Commission's report to the General Assembly at its fortieth session. 14/

77. The Board noted the Commission's intention to submit a report to the General Assembly at its forty-first session, irrespective of whether or not it addressed the issue of the methodology on the basis of information on the revised civil service retirement scheme applicable to United States Federal civil service employees. 15/ The Board has set up internal machinery for continued co-operation with ICSC; in the opinion of the Board the review to be carried out prior to the forty-first session of the General Assembly should cover not only the methodology recommended by ICSC in 1984 but also possible alternative approaches.

78. As for the procedure for the adjustment of the scale of pensionable remuneration for the Professional and higher categories in between comprehensive reviews, the Board is of the opinion that the adjustment procedure recommended by ICSC in paragraphs 51 to 53 of its report to the General Assembly at its thirty-ninth session 16/ is consistent with the methodology underlying the scale of pensionable remuneration that was introduced with effect from 1 January 1985. The draft amendment of article 54 (b) of the Regulations of the Fund, which was contained in annex IX to the Board's report to the General Assembly at its thirty-ninth session was, similarly, consistent with the methodology. 17/ In this connection the Board has noted that the Commission maintains the view expressed last year on continuation of the procedure for adjustment of pensionable remuneration between comprehensive reviews. 18/ In section II, operative paragraph 5, of resolution 39/246, the Assembly "suspend[ed] the operation of the adjustment procedure in article 54 (b) of the Regulations of the [Fund] and defer[red] until its fortieth session further consideration of the recommendation of the Pension Board regarding amendment of the said article".

79. It stands to reason that any adjustment system must be consistent with the methodology underlying the calculation of the pensionable remuneration scale that is to be adjusted through the application of that system. Consequently, before further consideration can be given to the recommendation made by the Pension Board in 1984, one must know whether the methodology employed by the Commission in 1984 is to be retained - for if the Commission, in co-operation with the Board, recommends a different methodology to the General Assembly at its forty-first session, it may be necessary for the Board to submit an amended text of article 54 (b). In those circumstances it would be premature for the General Assembly at its fortieth session to proceed with the further consideration of the Board's 1984 recommendation.

80. As is stated in paragraph 78 above, the operation of the adjustment procedure in article 54 (b) has been suspended by the General Assembly. The Board points out that a pension system that provides for the automatic adjustment of benefits in

payment for cost-of-living changes, also requires a provision for the automatic and appropriate adjustment of the pensionable remuneration scales in between comprehensive reviews; in a system that relied on ad hoc adjustments of those scales, pensionable remuneration would tend to lag behind cost-of-living changes and the inflow of additional contributions into the Fund would be correspondingly reduced. Furthermore, a situation where the scale of pensionable remuneration is held back while benefits in payment continue to be adjusted will lead to differences in the benefits of participants retiring on different dates: later retirees will get smaller benefits than those who had retired earlier and who, in the mean time, had benefited from cost-of-living adjustments.

81. At the same time the Board was aware that the Commission had decided to recommend to the General Assembly a range of 10 to 20 per cent for the net margin between United Nations and United States remuneration, and that approval of that recommendation by the Assembly would entail a freezing of the post adjustment classification of New York (and consequently also of other duty stations) in 1986; in the circumstances the Commission was recommending that until the next class of post adjustment was granted to New York, there should be no increase in the scale of pensionable remuneration for the Professional and higher categories. 19/

82. Bearing in mind the Commission's recommendations, on the one hand, and, on the other, the adverse effect of a freezing of pensionable remuneration scales on the pension system (see para. 80 above), the Board agreed that it could accept the continued suspension in 1986 of the operation of the adjustment procedure in article 54 (b) of the Regulations of the Fund. The suspension could apply to the adjustment of the scales of pensionable remuneration both for computing the final average remuneration (and, thus, for the calculation of benefits) and for establishing contributions to the Fund. In connection with the latter, the Board was informed by the consulting actuary that the suspension of the adjustment for two years (1985 and 1986) would have no measurable effect on the actuarial balance of the Fund, but that thereafter the effect would be noticeable, particularly on cash flow.

6. Composition of the Board

83. The size and composition of the United Nations Joint Staff Pension Board are laid down in article 5 of the Regulations of the Fund. In accordance with the provisions of that article the Board consists of 21 members, 6 of whom are appointed by the United Nations Staff Pension Committee and 15 by the staff pension committees of the other member organizations of the Fund. Of the 21 members, 7 are chosen by the General Assembly and by the bodies of the other member organizations corresponding to the General Assembly, 7 by the chief administrative officers of the member organizations, and 7 by "participants in service". Sessions of the Board are also attended by alternate members appointed by staff pension committees, and by observers (whose status is regulated by the rules of procedure).

84. Current representation of member organizations on the Board is as follows:

United Nations	6 members
FAO, WHO and UNESCO	2 members each
ILO, ICAO, IAEA, ITU, WMO, ICITO, IMO, WIPO and IFAD	1 member each

85. As can be seen from annex I, table 1, the member organizations vary greatly in size. The United Nations, including its related programmes (such as the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF)), accounts for more than half the total number of participants (28,147 out of 53,204 as at 31 December 1984). Of the three organizations represented by two members, the Food and Agriculture Organization of the United Nations (FAO) had 7,432 participants on 31 December 1984, the World Health Organization (WHO) - 5,801, and the United Nations Educational, Scientific and Cultural Organization (UNESCO) - 3,517. The size of the organizations represented by one member varied from 3,009 (the International Labour Organisation (ILO)) to 189 (the International Fund for Agricultural Development (IFAD)).

86. Over the years the Board repeatedly discussed the question of its composition - mostly in connection with the re-ordering of the seats of the member organizations other than the United Nations following the admission of new members. The last such discussion was held at the Board's thirty-third session in 1984 in connection with the arrangements to be made to accommodate the United Nations Industrial Development Organization (UNIDO) as a separate member organization of the Fund. In the course of those discussions the view was repeatedly expressed that a 21-member Board was too small to be truly representative; in this connection reference was made to the fact that in an organization that had only one member in the Board, six years must elapse between the end of the term of office of the member from one of the three constituent groups (representatives of the governing body, of the chief administrative officer and of the participants) and the beginning of the term of office of the next member from the same group. It was pointed out that such a situation had an adverse effect on the representative character of the Board.

87. In section IX of resolution 39/246 the Board was requested, when reviewing its composition, to take into account the views expressed in the Fifth Committee. The delegations that expressed views on this question were in favour of increasing the number of members of the Board nominated by governing bodies in general and the General Assembly in particular.

88. A further element in the discussion was a request by the Federation of Associations of Former International Civil Servants (FAFICS) for a formally recognized status on the Board for retired participants. Their number was increasing from year to year, and their situation was unique in that all decisions concerning pension benefits had a direct and immediate impact on their living conditions; they felt therefore that they should have a say in those decisions.

89. In the course of the discussion at the thirty-fourth session of the Board there was general agreement that the members of the Board should continue to be appointed by the staff pension committees. It was also felt that the tripartite composition of the Board had proved a source of strength and had contributed to the emergence of agreed recommendations on major issues.

90. In the discussion, the view was expressed that, even if the size of the Board were to be changed, the principle that each of the three groups have an equal number of members in the Board should be maintained. On the other hand, the view was also expressed that the tripartite composition of the Board did not necessarily require that all three groups have mathematically equal representation.

91. As for the size of the Board, one view was that it should remain at 21, even after UNIDO was admitted to membership in the Fund; and another that the size

should be increased to provide for the admission of UNIDO and to ensure full tripartite participation for the larger member organizations of the Fund.

92. The Board had before it a note by the Secretary, whose preliminary conclusions were that the number of members to which each organization would be entitled would be related to its size, as follows:

Member organization with fewer than 100 participants	No member
" " " 100-1,000 participants	1 member
" " " 1,001-5,000 participants	2 members
" " " more than 5,000 participants	3 members
The United Nations and its associated programmes	12 members

93. On that basis the Board, after the admission of UNIDO, would consist of 34 members, of whom 12 would be members of staff pension committees chosen by governing bodies (six of them by the General Assembly), and 11 each appointed by the chief administrative officers and elected by the participants. So as to give a voice to each constituent group in each member organization having at least 100 participants, the Secretary suggested that each organization entitled to 2 members be allowed to send also 1 representative, and if entitled to 1 member, 2 representatives; member organizations with fewer than 100 participants would send 1 representative each. The representatives would have the same rights as the members of the Board other than the right to vote. In the interest of reducing attendance the Secretary also suggested that each member be accompanied by only one alternate.

94. In the course of the discussion in the Board two proposals were made informally for enlarging the size of the Board, while retaining an equal representation of the three groups:

(a) A 33-member Board with 9 members for the United Nations; 3 each for FAO, WHO, ILO and UNESCO; two each for UNIDO and the International Atomic Energy Agency (IAEA); one each for the International Civil Aviation Organization (ICAO), the Interim Commission for the International Trade Organization (ICITO), the International Fund for Agricultural Development (IFAD), the International Maritime Organization (IMO), the International Telecommunication Union (ITU), the World Meteorological Organization (WMO) and the World Intellectual Property Organization (WIPO) and one to be shared by the International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM) and the European and Mediterranean Plant Protection Organization (EPPO). There would also be 45 observers representing governing bodies, participants, staff associations and other United Nations entities;

(b) A 36-member Board with 12 members for the United Nations; three each for FAO, WHO, UNESCO and ILO; and 12 for the other member organizations. Under this proposal, the organizations that had 90 per cent of the participants in the Fund would have two thirds of the members with the three groups equally represented, while the balance of one third would be allocated to the smaller organizations, which accounted for 10 per cent of the participants.

95. The Board concluded that it was not in a position to submit any firm recommendations to the General Assembly at its fortieth session, because of the preliminary nature of the discussions and the need to ascertain the views of the governing bodies of the Fund's member organizations. The Board therefore invited the latter to express their views on the question of the composition of the Board, taking into account, where possible, the views to be expressed in the Fifth Committee of the General Assembly at its fortieth session. In that way the views of all the parties concerned would be available to the Board at its thirty-fifth or thirty-sixth session, when the Board would be able to submit recommendations to the General Assembly (at the latter's forty-first or forty-second session, as the case may be).

96. The Board decided that in the mean time formal recognition to the status of FAFICS representatives as observers at Board sessions would be given through appropriate amendments to the rules of procedure of the Board.

D. Effect of re-entry into participation

97. Article 40 (c) of the Regulations of the Fund now provides that when a former participant, who is entitled to a retirement, early retirement or deferred retirement benefit, again becomes a participant and is subsequently again separated after less than five years of additional contributory service, his entitlement with respect to such additional service is only a withdrawal settlement under article 31 of the Regulations if he is less than 55 years old at such subsequent separation. However, if he is 55 years or older, he may choose either the withdrawal settlement or a retirement, early retirement or deferred retirement benefit, as the case may be, based on the length of the additional contributory service.

98. In the interest of the equality of treatment of all participants, the Board recommends that the option of taking a second deferred retirement benefit be extended also to participants who are under age 55 at the time of the second separation. 20/ While this option would be more costly to the Fund than the withdrawal settlement, a participant who avails himself of this option forfeits the right to restore his second period of participation if he again becomes a participant; the extra cost would thus be less than would have been the case otherwise. The consulting actuary informed the Board that reliable estimates of the actuarial costs to the Fund could not be provided as there was no information on the extent to which the option might be utilized.

99. Adoption of the Board's recommendation would entail the deletion of the phrase "If he is at least age 55 at such separation, and" from article 40 (c) (ii) of the Regulations.

E. Admission of the United Nations Industrial Development Organization to membership in the United Nations Joint Staff Pension Fund

100. Paragraphs (b) and (c) of article 3 of the Regulations of the Fund provide that:

> "(b) Membership in the Fund shall be open to the specialized agencies referred to in article 57, paragraph 2, of the Charter of the United Nations and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

(c) Admission to membership in the Fund shall be by decision of the General Assembly, upon the affirmative recommendation of the Board, after acceptance by the organization concerned of these Regulations and agreement reached with the Board as to the conditions which shall govern its admission."

101. On 13 December 1979 the General Assembly adopted resolution 34/96 on transitional arrangements relating to the establishment of UNIDO as a specialized agency, paragraphs 4 and 5 of which read as follows:

"The General Assembly

...

"4. Urges that all members of the staff of the United Nations assigned to the existing United Nations Industrial Development Organization should be offered appointments by the new agency that preserve their acquired rights and contractual status;

"5. Requests the United Nations Joint Staff Pension Board to arrange for the admission of the new agency to the Joint Staff Pension Fund, in accordance with article 3 of the Regulations of the Fund, on a date to be agreed upon between the Fund and the new agency, so as to enable persons appointed to its staff to participate in the Fund from the date of their appointment."

In paragraph 11 of the same resolution the General Assembly requested the Economic and Social Council "to arrange for the negotiation with the new agency of an agreement to constitute it as a specialized agency in accordance with Articles 57 and 63 of the Charter of the United Nations, to enter into such agreement subject to the approval of the General Assembly and to arrange for the provisional application of that agreement as appropriate".

102. UNIDO was initially established as an autonomous organization within the United Nations and its staff have had the status of staff of the United Nations. As such, they have been entitled to participation in the Fund under article 21 of the Regulations. The Constitution of UNIDO as a specialized agency entered into force on 21 June 1985 and the existing UNIDO will terminate on 31 December 1985.

103. The normal procedure for admission to membership in accordance with article 3 (c) of the Regulations (see para. 100 above) involves the following sequence of events:

1. Application by the organization concerned for membership in the Fund (including acceptance by the organization of the Regulations of the Fund);

2. Agreement between the Board and the organization as to the conditions governing admission;

3. Recommendation by the Board to the General Assembly that the organization be admitted to membership;

4. Decision of the General Assembly.

104. The first session of the Conference of UNIDO was held in August 1985 at the same time as the 1985 session of the Pension Board. The timing of the two sessions thus made it impossible for UNIDO to take the first step required to secure the

admission of the organization to membership in the Fund. In as much as the next regular session of the Board will not be held before 1986, postponement of action by the Board until then would have delayed the admission of UNIDO in a manner that would have resulted in the interruption of participation in the Fund by staff transferring from the United Nations to UNIDO.

105. In the circumstances, and bearing in mind the request addressed to it in paragraph 5 of General Assembly resolution 34/96, the Board decided to recommend to the General Assembly that UNIDO be admitted to membership in the Fund with effect from 1 January 1986, provided that UNIDO duly applied for membership as at that date, accepted the Regulations of the Fund and duly concluded with the Secretary, acting on behalf of the Board, the agreement governing the conditions of admission required under article 3 (c) of the Fund's Regulations.

106. The Board decided further that the question of the representation of UNIDO on the Pension Board would be considered in the overall context of the composition of the Board (see paras. 83-96 above).

F. Emergency Fund

107. The Emergency Fund, initially established by the Board in 1973 from voluntary contributions of member organizations, staff associations and individual contributors to alleviate the distress of recipients of small pensions caused by currency fluctuations and cost-of-living increases, has been used instead, since the introduction of the pension adjustment system in 1975, to relieve hardship by providing aid in individual cases of proven emergency due to illness, infirmity or similar causes.

108. Since then the General Assembly has authorized the Board to supplement voluntary contributions to the Emergency Fund by an amount of up to $100,000 a year. The bulk of the money spent has been used to assist in the payment of medical expenses, including hospitalization, and related expenses not reimbursable from other sources. In all cases involving claims for medical expenses not covered by the medical insurance schemes of the member organizations concerned, the advice of the medical consultant was obtained before any payment was made from the Emergency Fund. Payments have also been and are being made on a continuing basis to help meet the cost of at-home nursing or domestic help required by pensioners or their spouses because of illness and debility. In some instances payments were made to help cover funeral expenses. The total amount of payments made from 1975 to June 1985 is about $289,400. Expenditures in the calendar year 1984 amounted to $31,560 as against $20,900 in 1983.

109. The Board believes that there is a continuing need for the Emergency Fund. Accordingly it recommends that its authority to contribute up to $100,000 a year to the Emergency Fund be continued in 1986.

G. Financial statements of the Fund and report of the Board of Auditors

110. The Board examined and approved the financial statements of the Fund and related schedules for the year ended 31 December 1984 (annex II).

111. The Board took note of the report of the Board of Auditors (annex III). It noted with satisfaction that most of the recommendations made by the auditors in

their reports on the accounts for 1983 and 1984 had been acted upon and implemented to the extent possible.

112. Although the amount of outstanding tax refunds due to the Fund from a number of countries as at 31 December 1984 was lower than it had been as at 31 December 1983 ($1.9 million as against $2.2 million), it was still a substantial amount. The Board viewed the situation with concern and decided to draw it to the attention of the General Assembly.

H. Administrative expenses

1. Introduction

113. Article 15 of the Regulations of the Fund provides that:

"(a) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund.

(b) Biennial estimates of the expenses to be incurred under (a) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates.

(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization."

114. Pursuant to article 15 (b), the Board submits revised estimates for 1985 amounting to $7,614,100 (annex IV, table 1) and estimates of expenses for the biennium 1986-1987 in the amount of $16,995,700 (annex IV, tables 2 and 3). These expenses are a charge entirely on the Fund and do not in any way involve the budget of the United Nations or that of any other member organization of the Fund.

115. The 1986-1987 estimates of administrative costs (as distinct to investment costs) amount to approximately 0.16 per cent of the estimated 1986-1987 pensionable remuneration, and are thus above the 0.14 per cent limit laid down by the Pension Review Group in 1960. In its report to the General Assembly at its thirty-ninth session the Board had indicated that the corresponding percentage for 1985 had been 0.148. 21/ The estimates for 1983 and 1984 had been 0.121 and 0.133 respectively.

116. In reporting on this question in 1984 the Board had indicated that the increase in the percentage was attributable to the fact that while administrative costs had continued to rise, total pensionable remuneration had been virtually static. 22/ A comparison between the data in the actuarial valuations as at 31 December 1982 and 1984 shows that total pensionable remuneration for the Professional and higher categories was actually lower as at 1 January 1985 than it had been two years previously. The decline was attributable to the decrease in the number of participants in those categories and to the introduction of a generally lower scale of pensionable remuneration as at 1 January 1985. As for the General Service category, the increase in total pensionable remuneration over the two-year period was less than it would have been, had it not been for the strength of the United States dollar. The changes between 31 December 1982 and 31 December 1984 are summarized in the following table:

Category	Actuarial valuation as at 31 December 1984 Number	Total pensionable remuneration (in dollars)	31 December 1982 Number	Total pensionable remuneration (in dollars)	Increase/ (decrease) Number	Total pensionable remuneration (in dollars)
P and above	19 014	1 178 m	19 185	1 185 m	(171)	(7 m)
GS and other categories	34 190	589 m	31 781	545 m	2 409	44 m
Total	53 204	1 767 m	50 966	1 730 m	2 238	37 m

Because of developments as regards pensionable remuneration for the Professional and higher categories (see paras. 76-82 above) total pensionable remuneration is unlikely to increase very much over the next two years. By contrast, administrative costs have risen in recent years: the two main reasons have been the higher salaries for General Service staff in New York and the growing volume of actuarial work required in connection with requests by the General Assembly and the Board itself.

117. As foreshadowed in the Board's report to the General Assembly at its thirty-ninth session, 23/ the question of the appropriate level of administrative costs in relation to the current size of the Fund and the number of active and retired participants was considered by the Committee of Actuaries at its 1985 session. It was recalled in that connection that the 1960 Pension Review Group, which had laid down the 0.14 per cent limit, had foreseen that administrative costs would rise slowly to about 0.18 per cent. 24/ It was also noted that the number of retired participants and the ratio of retired to active participants had continued to increase (the total number of retired participants and their beneficiaries had risen from 19,178 as at 31 December 1982 to 22,170 as at 31 December 1984, i.e. by about 16 per cent; the increase over the three-year period 31 December 1981 to 31 December 1984 was nearly 28 per cent). On the basis of its examination of the question, the Committee of Actuaries advised the Pension Board that, while the developments summarized above and the growing complexity of the pension system could be held to justify an increase in the proportion of administrative costs to about 0.20 per cent of total pensionable remuneration, the limit for administrative expenses (other than investment costs) should be set for the time being at 0.18 per cent of total pensionable remuneration, as a spur to financial stringency and efficiency in the central secretariat.

118. The Board reserved its position on the question of the appropriate level of administrative costs as a percentage of total pensionable remuneration, and it requested the Secretary to consider ways in which the growth of administrative costs could be limited.

2. Revised estimates of expenses for 1985

119. The revised estimates for 1985, in the amount of $7,614,100, are $173,300 higher than the approved appropriations of $7,440,800. As can be seen from annex IV, table 1, administrative costs show an increase of $192,100 and investment costs a net decrease of $18,800.

120. The increased requirements for administrative costs relate in the main to established posts and related staff costs ($156,700) and to additional actuarial services ($30,000). The amount of $156,700 for the former objects of expenditure includes $149,900 for the re-costing of salaries and common staff costs at the revised 1985 rates. The 1985 estimates were originally based on the standard salary costs promulgated by the United Nations in 1983 for use in the 1984-1985 proposed programme budget. Staff-related costs have now been recalculated according to the January 1985 standard salary costs, which have been used by the United Nations in the preparation of the 1986-1987 proposed programme budget. The balance of $6,800 represents resource growth for 1985; it refers to the reclassification of the post of the Fund's cashier from the P-3 to the P-4 level, as determined by the Classification Section of the United Nations Office of Personnel Services, after it had reviewed the job content of the post.

121. The revised estimates for investment costs show a decrease of $100,000 in advisory and custodial fees, attributable to the lower than originally estimated market value of the Fund's investment portfolio to which those fees are contractually linked. This decrease has been largely offset, however, by additional requirements for established posts and related common staff costs in the amount of $85,600, which comprises $32,400 for the re-costing of the posts, using the January 1985 standard salary costs, and $53,200 in resource growth. The latter amount is a non-recurrent item related to the separation of an investment officer at the P-5 level and the recruitment of an officer at the P-3 level, using the 50 per cent delayed recruitment factor.

3. Estimates of expenses in 1986-1987

122. The estimates for 1986-1987, in the amount of $16,995,700, are the first biennial estimates of the Fund's administrative expenses. The sum total of the appropriations for 1984 and 1985, as initially approved, was $14,163,900. A detailed comparison of the approved appropriations for 1985 with those for both 1986 and 1987 is given in annex IV, table 2. The staffing table proposed for 1986-1987 is given in annex IV, table 3.

123. The total 1986-1987 estimates of $16,995,700 comprise $6,115,400 for administrative costs and $10,880,300 for investment costs.

124. The estimate of $6,115,400 for administrative costs reflects a negative resource growth for the biennium of $24,900 (at 1985 rates) attributable to lower requirements for the acquisition and rental of data-processing equipment. As can be seen from annex IV, table 3, the proposed staffing table is unchanged compared with 1985.

125. The estimate of $10,880,300 for investment costs includes $935,000 in resource growth, of which $900,000 relates to advisory and custodial fees and reflects the expected growth in the market value of the Fund's investment portfolio to which those fees are contractually linked.

126. The resource growth of $29,600 (at 1985 rates) for established posts and common staff costs is for one additional General Service post, which the Investment Management Section is seeking in order to strengthen assistance to investment officers in the areas of information collection, documentation and the maintenance of computerized data files.

127. The resource growth of $5,400 (at 1985 rates) for travel of staff is requested to enable the Investment Management Section staff to carry out more investment research in securities markets in various regions.

I. Actuarial and financial implications of the Board's recommendations

128. As was stated in paragraph 18 above, implementation of the Board's recommendation that the rate of contribution be raised by 0.75 per cent effective 1 January 1986 will reduce the actuarial imbalance as revealed by the valuation as at 31 December 1984 to 2.26 per cent of total pensionable remuneration.

129. The Board's acceptance of the continued suspension in 1986 of the operation of the adjustment procedure in article 54 (b) of the Regulations (see para. 82 above), and the alternative recommendations on limiting the maximum accumulation of participants at the level of Assistant Secretary-General, Under-Secretary-General or their equivalent levels (see paras. 50-52 above), and on the transitional or interim measures for participants in the Professional and higher categories (see paras. 68 and 74 above), if approved by the General Assembly, will have no measurable actuarial implications for the Fund. As was stated in paragraph 98 above, the actuarial implications of the proposed amendment of article 40 (c) (ii) cannot be estimated in advance, as there is no information on the extent to which the option may be utilized; however, they are likely to be extremely small.

130. As regards the financial implications of the Board's recommendations for the member organizations, the increase in the organizations' rate of contribution from 14.5 to 15 per cent (i.e. by 0.5 per cent) would cost all the member organizations taken together a total of approximately $8.8 million a year (based on total pensionable remuneration of $1,767.4 million as at 1 January 1985).

131. In paragraph 82 above it is stated that the Board has accepted the continued suspension in 1986 of the operation of the adjustment procedure in article 54 (b) of the Regulations of the Fund. If the adjustment procedure remains suspended in 1986, the amount of the organizations' contributions to the Fund will be less than would have been the case otherwise. Assuming an adjustment of 6 per cent (i.e. at the rate assumed in the "regular" actuarial valuation), and bearing in mind that the effective date of the adjustment would have been 1 April 1986, the savings to the member organizations, taken together, in 1986 will be of the order of $8 million.

132. The net additional cost in 1986 for all member organizations taken together would thus be approximately $800,000. The extra cost to the organizations in 1987, assuming a 6 per cent adjustment of the scales of pensionable remuneration for the year as a whole, would be of the order of $9.3 million. Thus, the extra cost of the increase in the rate of contribution, partly offset by savings attributable to the continued suspension in 1986 of the operation of the adjustment procedure in article 54 (b) of the Regulations, would be approximately $10.1 million for the biennium 1986-1987 for all the member organizations taken together.

133. In annex X below the Board submits a draft resolution to give effect to the various recommendations contained in this report.

Notes

1/ Official Records of the General Assembly, Thirty-eighth Session, Supplement No. 9 (A/38/9), paras. 12 et seq.

2/ Ibid., Thirty-ninth Session, Supplement No. 9 (A/39/9), paras. 94-97.

3/ Ibid., Thirty-eighth Session, Supplement No. 9 (A/38/9), para. 17.

4/ Ibid., para. 27; Thirty-ninth Session, Supplement No. 9 (A/39/9), para. 58.

5/ Ibid., Thirty-seventh Session, Supplement No. 9 (A/37/9), para. 21; Thirty-eighth Session, Supplement No. 9 (A/38/9), para. 29; Thirty-ninth Session, Supplement No. 9 (A/39/9), para. 58.

6/ The percentages in paragraphs 20 and 21 differ somewhat from those given in the table in paragraph 59 of the Board's report for 1984 (Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 9 (A/39/9)). The differences are attributable to the use of the 31 December 1984 data and assumptions, whereas the percentages in the report for 1984 were based on the data and assumptions used in the actuarial valuation as at 31 December 1982.

7/ Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 9 (A/39/9), paras. 17-19.

8/ Ibid., paras. 34-37.

9/ Participants who join the Fund after 31 December 1982 can have a maximum accumulation after 35 years of 66.25 per cent. However, that maximum is purely theoretical at this stage in time.

10/ Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 9 (A/39/9), para. 43.

11/ Ibid., para. 73.

12/ Ibid., Supplement No. 30 (A/39/30 and Corr.1 and 2), para. 47.

13/ To extend the protection to all participants in service on 31 December 1984 would produce aberrant results. For it would mean, for example, that an Under-Secretary-General with three years of contributory service at that level would have a final average remuneration floor of $131,234, whereas a colleague with one month of participation in the Fund would have a floor of $140,032.

14/ Official Records of the General Assembly, Fortieth Session, Supplement No. 30 (A/40/30).

15/ Ibid., para. 31.

16/ Ibid., Thirty-ninth Session, Supplement No. 30 (A/39/30 and Corr.1 and 2).

17/ Ibid., Supplement No. 9 (A/39/9).

18/ Ibid., Fortieth Session, Supplement No. 30 (A/40/30), para. 42.

19/ Ibid., paras. 37-39.

20/ Such participants would naturally not be eligible for a retirement or early retirement benefit.

21/ Official Records of the General Assembly, Thirth-ninth Session, Supplement No. 9 (A/39/9), para. 129.

22/ Ibid.

23/ Ibid.

24/ Ibid., Fifteenth Session, Annexes, agenda item 63, document A/4427, para. 54.

ANNEX I

Statistics on the operations of the Fund for the year ended 31 December 1984

Table 1

Number of participants as at 31 December 1984

Member organization	Participants as at 31 December 1983	New entrants	Transfers in	Transfers out	Separations	Participants as at 31 December 1984
United Nations	27 596	3 083	85	(77)	(2 540)	28 147
ILO	3 055	399	15	(29)	(431)	3 009
FAO	7 258	966	32	(23)	(801)	7 432
UNESCO	3 590	258	12	(22)	(321)	3 517
WHO	5 698	625	17	(10)	(529)	5 801
ICAO	1 244	120	4	(9)	(177)	1 182
WMO	436	48	1	(3)	(62)	420
ICITO	328	34	2	(5)	(14)	345
IAEA	1 492	251	14	(8)	(155)	1 594
IMO	311	46	3	-	(45)	315
ITU	917	115	3	(2)	(102)	931
WIPO	291	16	1	(1)	(17)	290
IFAD	185	23	2	(2)	(19)	189
ICCROM	24	1	-	-	-	25
EPPO	7	-	-	-	-	7
Total	52 432	5 985	191	(191)	(5 213)	53 204

Table 2

Benefits awarded to participants or their beneficiaries during the year ended 31 December 1984

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child's benefit	Widow's and Widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
United Nations	305	174	108	1 470	278	354	23	11	24	-	135	2 882
ILO	56	46	28	248	29	26	2	2	3	1	13	454
FAO	123	89	47	458	57	113	9	2	10	1	3	912
UNESCO	61	44	18	144	29	48	3	2	2	-	16	367
WHO	105	89	23	216	57	157	12	-	5	-	20	684
ICAO	26	13	8	90	15	20	5	-	1	-	18	196
WMO	7	2	3	28	13	5	-	-	1	-	8	67
ICITO	3	2	-	7	1	1	-	1	-	-	-	15
IAEA	29	8	7	74	12	18	-	1	3	-	20	172
IMO	9	-	2	26	3	1	-	-	-	-	5	46
ITU	17	19	8	51	3	15	3	-	-	-	1	117
WIPO	2	1	1	9	1	3	-	-	-	-	3	20
IFAD	-	1	2	15	1	-	-	-	-	-	-	19
ICCROM	-	-	-	-	-	-	-	-	-	-	-	-
EPPO	-	-	-	-	-	-	-	-	-	-	-	-
Total	743	488	255	2 836	499	761	57	19	49	2	242	5 951

Table 3

Analysis of periodic benefits as at 31 December 1984

Participants or their beneficiaries

Type of benefit	Total as at 31 December 1983	New	Benefits discontinued, resulting in award of survivor's benefits	All other benefits discontinued	Total as at 31 December 1984
Retirement	7 001	746	(109)	(67)	7 571
Early retirement	2 784	488	(35)	(10)	3 227
Deferred retirement	4 281	255	(10)	(239)	4 287
Widow	2 317	56	159	(47)	2 485
Widower	85	3	7	(2)	93
Disability	454	49	(13)	(13)	477
Child	3 937	761	-	(499)	4 199
Secondary dependant	40	2	1	(4)	39
Total	20 899	2 360	-	(881)	22 378

ANNEX II

Audit opinion, financial statements and schedules for the year ended 31 December 1984

Audit opinion

We have examined the following appended financial statements, numbered I to III, properly identified, and relevant schedules of the United Nations Joint Staff Pension Fund for the financial period ended 31 December 1984. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended. The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period and the transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) R. T. NELSON
Auditor General of Ghana

(Signed) A. DEFOY
Senior President of the Court of Accounts of Belgium

(Signed) Francisco S. TANTUICO, Jr.
Chairman, Commission on Audit, the Philippines

17 June 1985

UNITED NATIONS JOINT STAFF PENSION FUND

Note on the financial statements for the year ended 31 December 1984

Summary of significant accounting policies

The following are some of the significant accounting policies of the United Nations Joint Staff Pension Fund.

1. Investments

Investments are recorded at cost. Interest income is recorded on an accrual basis; dividends are included in income on a cash basis; realized profits and losses are shown on a net basis. Refunds on foreign taxes withheld are recorded as income in the year in which they are received.

2. Contributions

Contributions received from participants, member organizations and other funds are recorded on an accrual basis.

Contributions refunded to member organizations are recorded on a cash basis.

3. Benefits

Payment of benefits, including withdrawal settlements, is recorded on an accrual basis.

4. Principal of the Fund

The principal of the Fund represents the active participants' contributions plus interests, together with the balance of equity of the Fund.

STATEMENT I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1984 with comparative figures as at 31 December 1983

(United States dollars)

		1984	1983
ASSETS			
Cash in banks			2 426 536
Contributions receivable from member organizations		22 824 211	17 639 541
Accounts receivable		260 264	243 975
Accrued income from investments		46 739 061	43 177 776
Receivable from investments sold		4 088 476	3 195 586
Investments (schedules 2, 3 and 4)			
Temporary investments - at cost (market value: 128,075,137)	128 612 754		
Bonds - at cost (market value: 1,310,145,873)	1 405 304 869		
Stocks and convertible bonds - at cost (market value: 1,897,305,183)	1 556 632 700		
Real estate and related securities - at cost (market value: 391,920,498)	346 297 971	3 436 848 294	3 048 895 871
Prepaid benefits		16 430 450	14 049 207
		3 527 190 756	3 129 628 492
LIABILITIES AND PRINCIPAL OF THE FUND			
Benefits payable		16 076 917	10 569 596
Held in trust		130 000	283 514
Payable for securities purchased		7 498 199	3 222 705
Other accounts payable		717 444	3 898
Bank overdraft		2 135 930	
Principal of the Fund		3 500 632 266	3 115 548 779
		3 527 190 756	3 129 628 492

CERTIFIED CORRECT

(Signed) J. Richard FORAN
Controller
United Nations

(for cash balances and investments of the Fund only)

(Signed) Anthony MANGO
Secretary
United Nations Joint Staff Pension Board

10 May 1985

STATEMENT II

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 31 December 1984 with the comparative figures for the year ended 31 December 1983

(United States dollars)

	1984	1983
SOURCE OF FUNDS		
Participants		
Contributions under article 25 (a)	124 241 176	119 647 486
Additional contributions with interest to make prior service contributory	644 676	1 103 735
Repayment of benefits with interest to restore prior contributory service	1 466 987	1 693 625
Voluntary deposits	1 503	1 567
Contributions with interest to make periods of leave without pay contributory	35 595	234 779
	126 389 937	122 681 192
Member organizations		
Contributions under article 25 (a)	248 482 352	239 294 972
Additional contributions with interest to make prior service contributory	2 175 486	2 642 029
	250 657 838	241 937 001
Amounts received from non-member organizations for participants transferred under agreements	79 094	360 413
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	346 571	248 724
Prior year Emergency Fund balance	79 083	44 393
Investment income		
Interest earned	137 052 437	131 902 616
Dividends	70 500 746	60 800 407
Real estate and related securities	24 611 884	14 448 424
Profit (net) on sales of investments	102 391 513	69 110 606
	334 556 580	276 262 053
TOTAL	712 109 103	641 533 776

STATEMENT II (concluded)

	1984	1983
APPLICATION OF FUNDS		
Payment of benefits		
Withdrawal settlements and full commutation of benefits	24 324 119	21 951 464
Retirement benefits	166 232 793	147 319 896
Early and deferred retirement benefits	93 716 196	76 232 415
Disability benefits	6 722 029	6 277 355
Death benefits (other than to children)	19 407 318	17 852 677
Children's benefits	5 011 256	4 887 017
Loss or gain on exchange	(867 671)	21 910
	314 546 040	274 542 734
Amounts remitted to non-member organizations and Governments for participants transferred under agreements	5 767 274	4 814 298
Contributions refunded to member organizations under article 26 of the Regulations as at 31 December 1982	546 460	4 378 818
Administrative expenses		
Administrative costs	2 422 986	2 123 740
Investment costs chargeable to gross income from investments	3 849 813	3 481 040
Emergency Fund	100 000	100 000
	6 372 799	5 704 780
Adjustments to prior year benefits (net)	(206 956)	(269 862)
Transferred to principal of the Fund	385 083 486	352 363 028
TOTAL	712 109 103	641 533 776

CERTIFIED CORRECT

(Signed) Anthony MANGO
Secretary
United Nations Joint Staff Pension Board

10 May 1985

STATEMENT III

Emergency Fund as at 31 December 1984

(United States dollars)

ASSETS AND BALANCE		
Assets		
Cash in banks		71
Due from Pension Fund		68 363
TOTAL		68 434
Balance		
TOTAL		68 434
SOURCE AND APPLICATION OF FUNDS		
Source of funds		
Contributions from Pension Fund		100 000
Application of funds		
Payments	31 570	
Miscellaneous charges and adjustments	(4)	31 566
TOTAL		68 434

CERTIFIED CORRECT

(Signed) Anthony MANGO
Secretary
United Nations Joint Staff Pension Board

10 May 1985

SCHEDULE 1

Schedule of administrative expenses

(United States dollars)

	Administrative costs	Investment costs
Established posts	1 405 287	351 363
Overtime and temporary assistance	57 234	10 684
Common staff costs	448 653	113 664
Custodial services and investment counsel	-	3 139 042
Actuarial consulting services	146 600	-
Consultants	20 275	19 600
Travel of staff	25 828	41 194
Investments Committee	-	94 126
Committee of Actuaries	14 660	-
Data-processing costs	195 505	34 606
External audit	8 800	-
Computer services rendered by the United Nations	20 000	-
Communications services	5 000	19 005
Hospitality	3 217	2 738
Miscellaneous charges	71 927	23 791
Total	2 422 986	3 849 813

SCHEDULE 2

Summary statement of investments as at 31 December 1984

(Thousands of United States dollars)

	Balances - at cost		1984 income		
	1 January 1984	31 December 1984	Profit or (loss) on sales	Dividends or interest	Total
Bonds (United States $)	679 763	666 488	(1 434)	75 705	74 271
Stocks and convertible bonds (United States $)	851 984	1 017 864	31 720	46 772	78 492
Bonds (Other currencies)	592 917	738 817	(14 454)	48 373	33 919
Stocks and convertible bonds (Other currencies)	556 323	538 768	89 761	23 729	113 490
Real estate and related securities (United States and other currencies)	264 486	346 298	4 856	24 612	29 468
Temporary investments (United States $)	102 342	112 911	-	10 456	10 456
Temporary investments (Other currencies)	1 081	15 702	(8 057)	2 498	(5 559)
Interest on bank deposits	-	-	-	20	20
Total portfolio	3 048 896	3 436 848	102 392	232 165	334 557

SCHEDULE 3

Comparison of cost value and market value of investments as at 31 December 1983 and 31 December 1984

(Thousands of United States dollars)

	31 December 1983			31 December 1984		
	Cost	Percentage of total	Market value	Cost	Percentage of total	Market value
Bonds (United States $)	679 763	22.3	674 867	666 488	19.4	684 311
Stocks and convertible bonds (United States $)	851 984	27.9	1 117 978	1 017 864	29.6	1 254 527
Bonds (Other currencies)	592 917	19.4	536 958	738 817	21.5	625 835
Stocks and convertible bonds (Other currencies)	556 323	18.3	793 828	538 768	15.7	642 779
Real estate and related securities (United States and other currencies)	264 486	8.7	292 600	346 298	10.1	391 920
Temporary investments (United States $)	102 342	3.4	102 579	112 911	3.3	113 530
Temporary investments (Other currencies)	1 081	-	1 081	15 702	0.4	14 545
Total portfolio	3 048 896	100.0	3 519 891	3 436 848	100.0	3 727 447

SCHEDULE 4

Summary of outstanding tax refunds as at 31 December 1984

Source	Local currency	Exchange rate in effect as at 31 December 1984	Equivalent in United States dollars
Germany, Federal Republic of	DM 277 000.00	3.1405	88 203
Malaysia	$M 1 221 284.09	2.4225	504 142
Mexico	$Mex 40 331 685.33	224.0000	180 052
	$US 116 937.00	1.0000	116 937
Singapore	$S 638 095.00	2.1740	293 512
Switzerland	Sw F 469.150.77	2.5900	181 139
United Kingdom of Great Britain and Northern Ireland	£ 124 296.43	0.8595	144 615
Philippines	p 768 750.00	19.8800	38 669
Papua New Guinea	K 9 079.25	0.9240	9 826
Spain	Ptas 49 915 901.53	173.3500	287 949
Netherlands	f. 345 965.60	3.5500	97 455
	Total amount outstanding		1 942 499

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 1984

Introduction

1. In accordance with article 14 of the Regulations of the United Nations Joint Staff Pension Fund (UNJSPF), the Board of Auditors has audited the accounts of the Fund for the year ended 31 December 1984.

2. The examination was made in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Our examination was conducted at the secretariat of the Pension Board and the Office of Financial Services of the United Nations in New York.

3. During the year under review, the Board of Auditors continued its practice of reporting the results of specific audits and issuing management letters containing detailed observations and recommendations to the Administration. This practice has helped greatly in maintaining a continuing dialogue with the Administration.

4. The following are the most significant matters arising from our examination. We have discussed these matters with the Administration, whose responses are incorporated in this report where appropriate. The Board has noted with appreciation the speed with which the Administration has dealt with the matters brought to its attention and the efforts it has made to improve financial management and control systems. Our recommendations are intended to assist the Administration in seeking and implementing further improvements in these systems.

Summary of findings

5. Our analysis of the investments and related accounts disclosed a number of financial transactions that were awaiting final settlement at the time of the Fund's regular year-end closing. However, these transactions were cleared prior to the completion of the audit on 15 May 1985 and the adjustments have been reflected in the 1984 accounts. Our findings disclosed a net understatement of $5,033,474.28 in the investments, income and other related accounts. We also noted the absence of an audit trail to indicate that the basis used by the custodian in the computation of the billed custodial fees was verified against independent sources of information.

6. Our review of the contributions and benefit entitlements accounts and the related systems revealed that the ending balance of the participants' account was $224,949.89 higher than the corresponding balance in the participants' master record. We observed that overpayments or underpayments of pension payroll benefits occurred with regularity in 1984 for a particular group of new pension entitlements determined under the two-track system of calculating benefit entitlements. An erroneous refund of $17,183.67 was made to a member organization due to a misapplication of the rules of the Fund. Our analysis of the benefits payable

account disclosed 193 periodic benefit liabilities, with a combined balance of $283,320.23, that have been outstanding for more than three years, and an amount of $20,289.30 for deferred retirement that has been outstanding since the end of 1980.

7. The reconciliation statements for the three principal bank accounts disclosed that cheques and drafts issued in 1981, 1982 and 1983, with an aggregate balance of $157,706.44, continued to be shown as reconciling items. We likewise observed that the reconciliation and closure of the pension benefits accounts and the withdrawal settlement account were completed only by mid-April 1985.

8. Our examination of the accounts of the Emergency Fund revealed that the annual appropriation is recorded only at year-end rather than at the start of the year when the authorization is received and the unexpended balance of the appropriation is not closed at the end of the year.

Investment accounts

Real estate account

9. Our analysis of the real estate investment account disclosed a total understatement of $5,766,812.31 in two investments as at year-end. This amount represents the unrecorded reinvestment of income for 1983 and for the first three quarters of 1984.

10. Although the oversight was subsequently rectified by the custodian in 1985, we nevertheless recommended that adjustments be made in the year-end accounts. We also recommended that discrepancies requiring settlement, especially those involving material amounts, should be followed up more closely so that settlement is made within a reasonable period of time. The Administration accepted our findings and recommendations and informed us that, although a discrepancy letter was sent in May 1984 and several discussions were held with the custodian, the differences were not finally settled until after the year-end closing. However, the adjustments have been reflected in the 1984 accounts.

Sale of rights

11. During the year under audit, we noted 17 cases where the proceeds from the sale of stock rights were taken up by the custodian as gain on sale of investments rather than as a reduction in the recorded cost of the investment. Although most of these cases had already been corrected, there still remained six uncorrected errors amounting to $741,423.38 at the end of the year.

12. We recommended and the Administration agreed that adjustments should be made to the 1984 accounts. Although discrepancy letters were sent to the custodian in 1984, the differences were not cleared until the following year. The Administration further assured us that starting in 1985 a procedure would be instituted so that definite errors would be immediately adjusted in the books of the Fund and the custodian had been asked to do the same in its records.

Other adjustments

13. Our examination also disclosed that a sale of stock was erroneously costed at $253,860.94 rather than at $293,517.44, a difference of $39,656.50. In our review of interest income, we noted a transaction involving $69,131.93 that was recorded

twice. Our analysis of the liability account for securities purchased disclosed that the year-end balance included an amount of $44,921.11, representing the reinvested income on the real estate investment account, that was erroneously credited to the liability account and an amount of $71,952.67 that was the balance of the estimated expenses for the sale of the World Intellectual Property Organization (WIPO) investments.

14. The Administration accepted our findings and agreed to make the necessary adjustments. In addition, the Administration informed us that since the settlement of the sale of the WIPO investments had been finalized in September and no additional expenditures were foreseen, it had decided to eliminate the reserve.

Custodial fees

15. Our review of the procedures for the calculation of custodial fees, which uses the market value of securities as the base figure, disclosed that the computation is based on information sourced from the custodian. For this reason, we suggested that market information should be obtained from independent sources and used for test-checking the correctness of the base figures. The Administration informed us that, although no files were maintained on the market value of securities, this did not mean that independent evaluations were not undertaken. However, our examination disclosed the absence of an audit trail to indicate that the procedure was done.

16. We recommended and the Administration agreed that an evidence that the procedure was performed should be indicated on the supporting document to the payment voucher to enable the approving officer to verify it. The Administration likewise informed us that historical prices for equities would form part of a computerized price charting system that was now in the final stages of development.

Contributions and benefit entitlements

17. Our examination of the participants' account revealed that the year-end balance in the accounts was $224,949.89 higher than the total balance of the participants' master record. Further review disclosed that $200,000 of the difference was due to the failure of the computer application programme that processes participants' accounts to accept amounts over $99,999.99. Although unable to identify the specific transactions that gave rise to the balance of the difference, we were nevertheless able to localize the differences as being due to an error in the beginning balance, differences in the recording of receipts and differences in the recording of payments.

18. We recommended that in the future the reconciliation of the balances should be completed before the preparation of the year-end financial statements. Periodic reconciliation during the year not only facilitates the work and localizes errors but also avoids adding to the usually heavy workload at year-end. Likewise, we recommended that the computer programme be modified and that the participants' accounts be analysed so that the reasons for the unreconciled difference can be identified and the records adjusted.

19. The Administration informed us that some of the sources of the difference have already been identified and the rest were going through the search process. The Administration assured us that in 1985 the reconciliation would be undertaken on time to ensure that adjustments were reflected in the year-end accounts.

Benefits entitlements under the two-track system

20. In our review of pension benefit calculations and payments, we observed that overpayments or underpayments occurred with regularity for a group of new pension entitlements determined under the two-track system. Our analysis disclosed that these errors occurred when five conditions were present, including the change in the operational exchange rates between the time of benefits calculation and the time of payment.

21. Although the payroll system automatically detects and corrects these incorrect payments when processing the next quarter's payroll, these errors could have been avoided had the system provided for an update of the initial payroll data set just prior to its merger with the existing payroll. In addition, the man-hours spent in verifying complaints from beneficiaries with reduced benefits and in preparing communications to explain the adjustments could have been put to better use. The Administration informed us that the introduction of a different payment procedure in 1985, from the beginning to the end of the month, would go a long way in minimizing the recurrence of incorrect payments.

Refunds to member organizations

22. Our review of 1984 refunds made to member organizations disclosed a refund of $17,183.67 on account of separations prior to 31 December 1982, which could have been avoided had the applicable rules of the Fund been properly applied. We also observed that this error passed undetected through the Fund's audit and review process, a critical control feature because errors that pass beyond this process cannot be detected by the computer validation routine.

23. We recommended and the Administration agreed on the need for extra care in performing the review due to the absence of compensating controls.

Benefits payable account

24. Our analysis of the benefits payable account disclosed that the year-end balance included $283,320.23 of 193 periodic benefit liabilities that have been outstanding for more than three years and a deferred retirement liability of $20,289.30 that has remained outstanding since the close of 1980. The schedule of benefits payable generated at the end of each operating year does not include information on either the age of the outstanding item or the dates when these items were set up. Proper implementation of the provisions of article 46 (c) of the Regulations and Rules of the Fund on the forfeiture of benefits requires an analysis and review of this account, which can be greatly facilitated by the preparation of an aging schedule.

25. We recommended that long-outstanding items be reviewed and settled in accordance with the provision of article 46 (c), that a periodic review of outstanding items be instituted, as recommended by the internal auditors, and that a computer programme that can generate an aging schedule be developed. The Administration assured us that all deficiencies brought to its attention would be cleared immediately and that the computer programme would be requested.

Reconciliation of accounts

Bank accounts

26. Our review of the bank reconciliation statements for the three principal payment accounts disclosed outstanding cheques and drafts, amounting to $157,706.44, that were issued in 1981, 1982 and 1983.

27. We recommended the periodic review of outstanding items, the cancellation of stale cheques and drafts, together with the recognition of the cancelled items as payables, properly supported by a subsidiary ledger. The Administration informed us that it had started to investigate these items and was setting up procedures for their follow-up and disposition. Likewise, the Administration was considering a new liability account for the cancelled items and the possibility of a mechanized application to generate a schedule that could facilitate its work, including the reversion to the Fund's principal of the forfeited benefits.

Pension benefit accounts

28. The reconciliation of the pension benefit accounts was completed only in mid-April 1985. The reconciliation work, which involves a high volume of transactions, is done manually by one person although the records being reconciled have long been computer-generated. In addition, accounts supervisors failed to review the monthly reconciliation. We likewise observed that the computerized payments system for retirement benefits implemented late in 1984 failed to consider the requirements of reconciliation.

29. When these matters and the related recommendations were brought to its attention, the Administration informed us that the work volume and established priorities had resulted in the delays observed by us and that the computer programme modification had been made.

Withdrawal settlement account

30. Our review disclosed the failure to undertake the required monthly reconciliation of the withdrawal settlement account. Initial reconciliation work was undertaken only in mid-year and almost half of the work was done in 1985.

31. We recommended and the Administration agreed that doing the work on a regular basis would facilitate the work and help alleviate the year-end workload.

Emergency Fund

32. Present accounting procedures for the Emergency Fund provide for the recording of the annual appropriation only at year-end rather than at the start of the year when the authorization is received. We also observed that the unexpended balance of this fund is not reverted to the Pension Fund, considering that the appropriation is valid for only one year. Accordingly, we recommended and the Administration agreed that the appropriation be recorded at the start of the year and the balance of the fund be reverted to the Pension Fund at year-end.

Comments on matters dealt with in the 1983 report of the Board of Auditors

33. We observed that the Administration has taken satisfactory action on matters raised in the 1983 report, a/ except with respect to the formalization in writing of the service agreements with the bank and the consulting actuaries, although discussions were held with the parties concerned.

Acknowledgement

34. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Secretary of the United Nations Joint Staff Pension Board and the Assistant Secretary-General for Financial Services, their officers and members of their staff.

(Signed) R. T. NELSON
Auditor General of Ghana

(Signed) A. DEFOY
Senior President of the Court
of Accounts of Belgium

(Signed) FRANCISCO S. TANTUICO, Jr.
Chairman, Commission on Audit,
Philippines

Notes

a/ Official Records of the General Assembly, Thirty-ninth Session, Supplement No. 9 (A/39/9).

ANNEX IV

Administrative expenses

Table 1

Revised budget estimates for 1985

(Thousands of United States dollars)

Object of expenditure	Appropriations for 1985	Increase or (decrease)	Revised appropriations requested for 1985
A. ADMINISTRATIVE COSTS			
Established posts	1 604.2	78.3	1 682.5
Common staff costs	539.4	78.4	617.8
Temporary assistance	25.0	2.0	27.0
Common staff costs	8.5	1.5	10.0
Overtime	50.1	-	50.1
Travel of staff	44.4	-	44.4
Actuarial consulting services	190.0	30.0	220.0
Consultants	15.8	-	15.8
Committee of Actuaries	31.6	-	31.6
Data-processing costs			
Services rendered by United Nations	20.0	-	20.0
Rental and maintenance of equipment	81.2	-	81.2
Acquisition and maintenance of equipment	44.7	-	44.7
Contractual services	19.6	-	19.6
Supplies and materials	28.4	-	28.4
External audit	8.8	1.9 a/	10.7
Communications services	5.0	-	5.0
Hospitality	4.6	-	4.6
Miscellaneous supplies and services	12.6	-	12.6
Total administrative costs	2 733.9	192.1	2 926.0

Table 1 (continued)

Object of expenditure	Appropriations for 1985	Increase or (decrease)	Revised appropriations requested for 1985
B. INVESTMENT COSTS			
Established posts	422.5	75.3 b/	497.8
Common staff costs	143.8	10.3 b/	154.1
Temporary assistance	8.0	1.0	9.0
Common staff costs	2.7	0.6	3.3
Overtime	6.0	(1.0)	5.0
Travel of staff	42.2	-	42.2
Advisory and custodial fees	3 800.0	(100.0)	3 700.0
Investment consultants	50.0	-	50.0
Investments Committee	140.0	(5.0)	135.0
Investment reference services	21.0	-	21.0
Communications services	31.5	-	31.5
Data-processing	21.0	-	21.0
Hospitality	4.6	-	4.6
Miscellaneous supplies and services	3.1	-	3.1
Training	10.5	-	10.5
Total investment costs	4 706.9	(18.8)	4 688.1
GRAND TOTAL	7 440.8	173.3	7 614.1

a/ Non-recurrent item representing additional costs (net) from 1980 to 1984 not previously charged to the Fund.

b/ Includes non-recurrent items relating to termination indemnity paid to an officer at the P-5 level and the subsequent recruitment of a replacement at a lower level (P-3).

Table 2

UNJSPF budget estimates for the biennium 1986-1987

(Thousands of United States dollars)

Object of expenditure	Approved appropriations for 1985	Estimated additional requirements: Revaluation of 1985 resource base (at revised 1985 rates)	1986 Resource growth (at 1985 rates)	Inflation in 1986	1986 estimates	1987 Resource growth (at 1985 rates)	Inflation in 1987	1987 estimates	1986-1987 estimates
A. ADMINISTRATIVE COSTS									
Established posts	1 604.2	78.3	-	76.6	1 759.1	-	82.6	1 841.7	3 600.8
Common staff costs	539.4	78.4	-	28.2	646.0	-	29.0	675.0	1 321.0
Temporary assistance	25.0	2.0	-	1.3	28.3	-	1.5	29.8	58.1
Common staff costs	8.5	1.5	-	0.5	10.5	-	0.5	11.0	21.5
Overtime	50.1	-	-	2.5	52.6	-	2.6	55.2	107.8
Travel of staff	44.4	-	-	2.2	46.6	-	2.3	48.9	95.5
Actuarial consulting services	190.0	30.0	(84.0)	7.0	143.0	87.0	12.0	242.0	385.0
Consultants	15.8	-	-	0.8	16.6	-	0.8	17.4	34.0
Committee of Actuaries	31.6	-	-	1.6	33.2	-	1.7	34.9	68.1
Data-processing costs									
Services rendered by United Nations	20.0	-	-	-	20.0	-	-	20.0	40.0
Rental and maintenance of equipment	81.2	-	(6.2)	3.7	78.7	-	3.9	82.6	161.3
Acquisition of equipment	44.7	-	(21.5) a/	1.1	24.3	(3.3)	1.1	22.1	46.4
Contractual services	19.6	-	-	1.0	20.6	-	1.0	21.6	42.2
Supplies and materials	28.4	-	3.1	1.6	33.1	-	1.7	34.8	67.9
External audit	8.8	-	-	0.4	9.2	-	0.5	9.7	18.9
Communications services	5.0	-	-	-	5.0	-	-	5.0	10.0
Hospitality	4.6	-	-	0.2	4.8	-	0.2	5.0	9.8
Miscellaneous supplies and services	12.6	-	-	0.6	13.2	-	0.7	13.9	27.1
Total administrative costs	2 733.9	190.2	(108.6)	129.3	2 944.8	83.7	142.1	3 170.6	6 115.4

Table 2 (continued)

Object of expenditure	Approved appropriations for 1985	Estimated additional requirements								
		Revaluation of 1985 resource base (at revised 1985 rates)	1986 Resource growth (at 1985 rates)	Inflation in 1986	1986 estimates	1987 Resource growth (at 1985 rates)	Inflation in 1987	1987 estimates	1986-1987 estimates
B. INVESTMENT COSTS									
Established posts	422.5	14.5 b/	21.6	20.6	479.2	-	22.9	502.1	981.3
Common staff costs	143.8	17.9 b/	8.0	8.0	177.7	-	8.1	185.8	363.5
Temporary assistance	8.0	1.0	-	0.4	9.4	-	0.5	9.9	19.3
Common staff costs	2.7	0.6	-	0.2	3.5	-	0.2	3.7	7.2
Overtime	6.0	(1.0)	-	0.2	5.2	-	0.3	5.5	10.7
Travel of staff	42.2	-	5.4	2.4	50.0	-	2.5	52.5	102.5
Advisory and custodial fees	3 800.0	(100.0)	500.0	-	4 200.0	400.0	-	4 600.0	8 800.0
Investment consultants	50.0	-	-	2.5	52.5	-	2.6	55.1	107.6
Investments Committee	140.0	(5.0)	-	6.7	141.7	-	7.1	148.8	290.5
Investment reference services	21.0	-	-	1.1	22.1	-	1.1	23.2	45.3
Communications services	31.5	-	-	1.6	33.1	-	1.7	34.8	67.9
Data-processing	21.0	-	-	1.1	22.1	-	1.1	23.2	45.3
Hospitality	4.6	-	-	0.2	4.8	-	0.2	5.0	9.8
Miscellaneous supplies and services	3.1	-	-	0.2	3.3	-	0.2	3.5	6.8
Training	10.5	-	-	0.5	11.0	-	0.6	11.6	22.6
Total investment costs	4 706.9	(72.0)	535.0	45.7	5 215.6	400.0	49.1	5 664.7	10 880.3
GRAND TOTAL	7 440.8	118.2	426.4	175.0	8 160.4	483.7	191.2	8 835.3	16 995.7

a/ Includes non-recurrent item concerning the purchase of one video display unit costing $3,200 (plus 1986 inflation of $100) for the Geneva office.

b/ Excludes non-recurrent items relating to termination indemnity paid to an officer at the P-5 level.

Table 3

Staffing table for the biennium 1986-1987

Secretariat of the Pension Fund

Established posts	1985	1986-1987
Professional category and above		
D-2	1	1
D-1	1	1
P-5	4	4
P-4	5 a/	5
P-3	11	11
P-2/1	4	4
Total	26	26
General Service category		
Principal level	18	18
Other levels	43	43
Total	61	61
GRAND TOTAL	87	87

Investment management staff

Established posts	1985	1986-1987
Professional category and above		
D-1	1	1
P-5	1	1
P-4	2	2
P-3	2	2
Total	6	6
General Service category		
Principal level	1	1
Other levels	6	7
Total	7	8
GRAND TOTAL	13	14

a/ Includes one post reclassified from P-3 to P-4 as from 1 April 1985.

ANNEX V

Member organizations of the Fund

The member organizations of the Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

Interim Commission for the International Trade Organization (ICITO)

International Atomic Energy Agency (IAEA)

International Centre for the Study of the Preservation and the Restoration of Cultural Property (ICCROM)

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunication Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

ANNEX VI

Membership of the Board and attendance at its thirty-fourth session

1. The following members and alternates were accredited by the staff pension committees of the member organizations of the Fund in accordance with the rules of procedure:

Members	Alternates	Representing
United Nations		
Mr. J. Holborn (Federal Republic of Germany)	Mr. E. Anon Noceti (Uruguay)	General Assembly
Mr. Y. Takasu (Japan)	Mr. S. Kuttner (United States of America)	General Assembly
	Mr. M. Majoli (Italy) a/	General Assembly
	Mr. M. Okeyo (Kenya)	General Assembly
Mr. J. R. Foran (Canada)	Mr. P. Szasz (United States of America)	Secretary-General
Mr. L. P. Nègre (Mali)	Mr. R. Gieri (United States of America)	Secretary-General
	Mr. M. de la Mota (Spain)	Secretary-General
	Mr. A. Miller (Australia)	Secretary-General
Ms. S. Johnston (United States of America)	Mr. G. Fulcheri (Italy)	Participants
Mr. B. Hillis (Canada)	Mr. S. Zampetti (Italy)	Participants
	Mr. A. Tholle (Denmark)	Participants
International Labour Organisation		
Mr. W. Yoffee (United States of America)	Mr. J. Mainwaring (Canada)	Governing body
World Health Organization		
Mr. W. Furth (United States of America)	Dr. D. Barmes (Australia)	Executive head
	Mr. H. Crockett (Canada)	Executive head
	Dr. S. E. Holck (United States of America)	Executive head
	Mr. J. Morgan (Australia)	Executive head
	Mr. R. L. Munteanu (Romania)	Executive head
Dr. A. Vessereau (France)	Mr. R. L. Rai (India)	Participants
	Mr. V. Bambinelli (United States of America)	Participants
	Mrs. M. Mellòni (France)	Participants
	Mr. D. Payne (United Kingdom of Great Britain and Northern Ireland)	Participants
	Mr. H. Schmidtkunz (Federal Republic of Germany)	Participants

Members	Alternates	Representing
Food and Agriculture Organization of the United Nations		
Mr. M. Metelits (United States of America)		Governing body
Mr. M. Bel Hadj Amor (Tunisia)		Executive head
United Nations Educational, Scientific and Cultural Organization		
Mr. G. F. Saddler (United States of America)	Mr. G. de Leiris (United States of America)	Executive head
Mr. A. McLurg (United Kingdom of Great Britain and Northern Ireland)	Mrs. Y. D'Silva (France)	Participants
International Civil Aviation Organization		
Mr. A. R. Minot (Canada)	Mr. R. Pouliot (Canada)	Participants
International Atomic Energy Agency		
Mr. D. Goethel (Federal Republic of Germany)		Executive head
World Meteorological Organization		
Mr. J. K. Murithi (Kenya)		Executive head
International Maritime Organization		
Mr. F. Frere Van Tongerlooy (Belgium)		Participants
International Telecommunication Union		
Mr. P. A. Gagné (Canada)		Governing body
Interim Commission for the International Trade Organization/General Agreement on Tariffs and Trade		
Mrs. E. Michaud (France)	Mr. G. A. Stunzi (Switzerland)	Governing body

Members	Alternates	Representing
World Intellectual Property Organization		
Mr. G. Frammery (France)		Participants
International Fund for Agricultural Development		
Dr. Y. Hamdi (Egypt)		Governing body

2. Also present during the discussion of relevant items on the agenda were Mr. B. K. Nehru, Chairman of the Investments Committee, Mr. A. Faria, Mr. J. Guyot, Mr. G. Johnston, Mr. M. Matsukawa, The Honourable David Montagu, Mr. Y. Oltramare, Mr. E. N. Omaboe and Professor S. Raczkowski, members of the Investments Committee, and Mr. A. Abdullatif and Mr. J. Reimnitz, ad hoc members of the Investments Committee, and Mr. R. J. Myers, Rapporteur of the Committee of Actuaries. The Board was assisted, in addition, by Mrs. M. H. Adams, representing George B. Buck Consulting Actuaries, Inc. (consulting actuary to the Board), Mr. L. Thomas, Vice-Chairman, Fiduciary Trust Company of New York, and Mr. R. Wade, Chief Investment Officer, Citicorp, the Fund's investment advisers. Mr. A. Mango and Mr. S. K. Chow attended as Secretary and Deputy Secretary, respectively, of the Board.

3. The following attended the session of the Board as observers for member organizations or other bodies, or as secretaries of staff pension committees:

Observer	Secretary	Staff Pension Committee
Mr. Aamir Ali b/ (Alt. Mr. N. MacCabe) Mr. E. Ryser	Mr. A. Busca	ILO
Professor J. J. A. Reid	Mr. J. Duriez Mrs. R. Wiedmer	WHO
Mr. A. Marcucci c/	Mr. W. M. Solar	FAO
Mr. G. V. Rao	Mr. M. Hachim-Saberi	UNESCO
Mr. A. Zerhouni (Alt. Mr. J. P. Ghuysen) Mr. S. E. Jayasekera d/ (Alt. Mr. S. Miyazaki)	Mr. D. E. Gerdes	ICAO
Mr. J. A. Lozada, Jr. Mr. W. Price	Mr. P. Uhl	IAEA
	Mr. E. Renlund	WMO
Mr. P. Anders (Alt. Mr. T. Souamy) Mr. D. Aitken	Mr. P. Rohmee	IMO

Observer	Secretary	Staff Pension Committee
Mr. M. Bardoux (Alt. Mr. J. P. Baré) Mr. J. Balfroid	Mr. E. Augsburger	ITU
Mr. C. Lambert	Mr. H. Glanzmann	ICITO
	Mr. Cl. Kindler	WIPO
	Mrs. M. Brocklesby	IFAD

4. Certain other bodies or organizations were represented during the whole or part of the session as follows:

Organization	Representative
International Civil Service Commission (ICSC)	His Excellency Mr. R. Akwei Mr. P. Ranadive
Consultative Committee on Administrative Questions (CCAQ)	Mr. J. Tassin
Federation of Associations of Former International Civil Servants (FAFICS)	Mrs. M. Bruce Mr. A. Chakour Mr. S. Grabe Mr. P. Montanaro Ms. I. Poulsen Mrs. P. K. Tsien
Federation of International Civil Servants' Associations (FICSA)	Mr. W. Zyss Ms. H. T. Perret-Nguyen
Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA)	Mr. R. El Housami
International Bank for Reconstruction and Development (IBRD)	Mr. R. A. Hamamo

Notes

a/ Second Vice-Chairman.

b/ Chairman.

c/ First Vice-Chairman.

d/ Rapporteur.

Membership of the Standing Committee

The Board appointed the following members and alternate members of the Standing Committee, under rule B.1 of the rules of procedure, from among the members and alternate members of the Board and of staff pension committees:

Members	Alternates	Representing
United Nations (Group I)		
Mr. M. Majoli	Mr. E. Anon Noceti	General Assembly
	Mr. J. Holborn	General Assembly
	Mr. S. Kuttner	General Assembly
	Mr. M. Okeyo	General Assembly
	Mr. Y. Takasu	General Assembly
Mr. J. R. Foran	Mr. L. P. Nègre	Secretary-General
	Mr. P. Szasz	Secretary-General
	Mr. R. Gieri	Secretary-General
	Mr. V. Elissejev	Secretary-General
	Mr. M. de la Mota	Secretary-General
Ms. S. Johnston	Mr. B. Hillis	Participants
	Mr. G. Fulcheri	Participants
	Mr. S. Zampetti	Participants
	Mr. A. Tholle	Participants
Specialized agencies (Group II)		
Mr. J. A. Lozada, Jr. (IAEA)	Mr. E. Biskup (WMO)	Governing body
	Mr. P. A. Gagné (ITU)	Governing body
	Mr. P. Anders (IMO)	Governing body
Mr. Aamir Ali (ILO)	Mr. N. MacCabe (ILO)	Executive head
	Mr. F. Von Mutius (ILO)	Executive head
Dr. A. Vessereau (WHO)	Mr. V. Bambinelli (WHO)	Participants
	Mr. D. Payne (WHO)	Participants
	Mr. R. L. Rai (WHO)	Participants
	Mrs. M. Melloni (WHO)	Participants
	Mr. H. Schmidtkunz (WHO)	Participants
Specialized agencies (Group III)		
Dr. Y. Hamdi (IFAD)	Mrs. E. Michaud (ICITO/GATT)	Governing body
	Mr. E. Biskup (WIPO)	Governing body
	Mr. A. Zerhouni (ICAO)	Governing body
Mr. M. Bel Hadj Amor (FAO)	Mrs. M. G. Iuri (FAO)	Executive head
	Mr. V. E. Orebi (FAO)	Executive head
	Mr. G. Eberle (FAO)	Executive head
	Mr. T. Kubo (FAO)	Executive head
	Mrs. T. Rothe (FAO)	Executive head
Mr. A. McLurg (UNESCO)	Mrs. Y. D'Silva (UNESCO)	Participants

ANNEX VIII

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. O. Ogunshola (Nigeria) - Region I (African States)

Mr. K. Takeuchi (Japan) - Region II (Asian States)

Mr. E. M. Chetyrkin (Union of Soviet Socialist Republics) - Region III (Eastern European States)

Dr. G. Arroba (Ecuador) - Region IV (Latin American States)

Mr. R. J. Myers (United States of America) - Region V (Western European and other States)

ANNEX IX

Recommendations to the General Assembly for the amendment of the regulations of the United Nations Joint Staff Pension Fund

Existing text	Proposed text	Comments
Article 25 **Contributions**	**Article 25** **Contributions**	
(a) Contributions by the participant and by the employing member organization shall be payable to the Fund concurrently with the accrual of contributory service under article 22 (a) at the percentage rates of pensionable remuneration specified below:	(a) Contributions by the participant and by the employing member organization shall be payable to the Fund concurrently with the accrual of contributory service under article 22 (a) at the percentage rates of pensionable remuneration specified below:	To give effect to the increase in the rate of contribution to a total of 22.5 per cent of pensionable remuneration with effect from 1 January 1986.

Existing text:

A For periods of contributory service	B Participant (percentage)	C Employing member organization (percentage)
Before 1984 ..	7.00	14.00
As from 1984 .	7.25	14.50

Proposed text:

A For periods of contributory service	B Participant (percentage)	C Employing member organization (percentage)
Before 1984	7.00	14.00
In 1984 and 1985	7.25	14.50
As from 1986 ...	7.50	15.00

Existing text	Proposed text	Comments
Article 28 **Retirement benefit**	**Article 28** **Retirement benefit**	
(a) A retirement benefit shall be payable to a participant whose age on separation is 60 years or more and whose contributory service was five years or longer.	(a) No change.	
(b) The benefit shall, subject to (d) and (e) below, in respect of a period or periods of participation commencing on or after 1 January 1983, be payable at the standard rate obtained by multiplying:	(b) The benefit shall, subject to (d), (e) and (f) below, in respect of a period or periods of participation commencing on or after 1 January 1983, be payable at the standard rate obtained by multiplying:	Reflecting in the cross-references to paragraphs the addition of new paragraph (d).

Existing text	Proposed text	Comments
(i) The first five years of the participant's contributory service, by 1.5 per cent of his final average remuneration,	Remainder of (b) no change.	
(ii) The next five years of his contributory service by 1.75 per cent of his final average remuneration, and		
(iii) The years of his contributory service in excess of 10, but not exceeding 25, by 2 per cent of his final average remuneration.		
However, in respect of a participant with a prior period of contributory service of five years or longer ending between 1 January 1978 and 31 December 1982, the standard annual rate specified above shall be calculated by taking into account as periods of contributory service for the purpose of subparagraphs (i), (ii) and (iii) above the period of contributory service before 1 January 1983.		
(c) The benefit shall, subject to (d) and (e) below, in respect of any period of participation commencing prior to 1 January 1983, be payable at the standard annual rate obtained by multiplying:	(c) The benefit shall, subject to (d), (e) and (f) below, in respect of any period of participation commencing prior to 1 January 1983, be payable at the standard annual rate obtained by multiplying:	Reflecting in the cross-references to paragraphs the addition of new paragraph (d).
(i) The first 30 years of the participant's contributory service, by 2 per cent of his final average remuneration, and	Remainder of (c) no change.	
(ii) The years of his contributory service in excess of 30, but not exceeding five, by 1 per cent of his final average remuneration.		

Existing text	Proposed text	Comments
	(d) Notwithstanding the provisions of (b) and (c) above, and except for a participant at the level of Assistant Secretary-General, Under-Secretary-General or their equivalent level prior to 1 January 1986, the benefit payable at the standard annual rate to a participant at any one of those levels shall not exceed 60 per cent of the final average remuneration at the date of separation, calculated for that level in accordance with article 1 (h) (i) or (ii).	To impose a ceiling on the benefits to which a participant at the Assistant Secretary-General, Under-Secretary-General or equivalent level will become entitled - in case the General Assembly disagrees with the Board's recommendation that no ceiling be imposed on the highest levels of pensions.
(d) The benefit shall however be payable at the minimum annual rate which is obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of 180 dollars or 1/30 of his final average remuneration, if the benefit so calculated would be greater than the amount under (b) or (c) above.	(e) Text of old (d).	Renumbering of old paragraphs (d), (e), (f) and (g) and of cross-references to paragraphs consequential to the addition of new paragraph (d).
(e) The annual rate of the benefit shall nevertheless not be less, when no other benefit is payable on the account of the participant under these Regulations, than the smaller of 300 dollars or the final average remuneration of the participant.	(f) Text of old (e).	
(f) A benefit payable at the standard annual rate may be commuted by the participant into a lump sum: (i) If the rate is 300 dollars or more, to the extent of one third of its actuarial equivalent or the amount of his own contributions, whichever is greater, or (ii) If the rate is less than 300 dollars, to the extent of its full actuarial equivalent; if a participant is married, the prospective benefit payable to his spouse may also be commuted at the standard annual rate of such benefit.	(g) Text of old (f).	

Existing text	Proposed text	Comments
(g) A benefit payable at the minimum annual rate or at the rate under (e) above may be commuted into a lump sum as in (f) above, if the participant elects to receive it instead at the standard annual rate.	(h) A benefit payable at the minimum annual rate or at the rate under (f) above may be commuted into a lump sum as in (g) above, if the participant elects to receive it instead at the standard annual rate.	
Article 40	**Article 40**	
Effect of re-entry into participation	**Effect of re-entry into participation**	
(a) If a former participant who is entitled to a retirement, early retirement or deferred retirement benefit under these Regulations again becomes a participant, entitlement to such benefit or to a benefit derived therefrom shall be suspended and no payment shall be made until he dies or is again separated.	(a) No change.	
(b) Such a participant who again becomes a participant and is again separated after at least five years of additional contributory service shall also be entitled, at the time of such subsequent separation, in respect of such service and subject to paragraph (d) below, to a retirement, early retirement or deferred retirement benefit, or a withdrawal settlement under article 28, 29, 30 or 31, as the case may be.	(b) No change.	
(c) Such a participant, who again becomes a participant and is again separated after less than five years of additional contributory service, shall, in respect of such service, become entitled to:	(c) No change except as indicated in (ii) below.	

Existing text	Proposed text	Comments
(i) A withdrawal settlement under article 31; or		
(ii) If he is at least age 55 at such separation, and subject to (d) below, a retirement, early retirement or deferred retirement benefit, as the case may be, under article 28, 29 or 30, based on the length of such additional contributory service; provided, however, that such benefit may not be commuted into a lump sum, in whole or in part, and shall not be subject to any minimum provisions.	(ii) Subject to (d) below, a retirement, early retirement or deferred retirement benefit, as the case may be, under article 28, 29 or 30, based on the length of such additional contributory service; provided, however, that such benefit may not be commuted into a lump sum, in whole or in part, and shall not be subject to any minimum provisions.	To permit a participant under age 55 at the time of the second (or subsequent) separation after less than five years of additional contributory service to become entitled to an additional deferred retirement benefit.
(d) Payment of benefits under (b) or (c) (ii) above shall commence on the date of the resumption or commencement, as the case may be, of payment of benefits suspended under (a) above. In no event shall the total benefits payable to or on account of a former participant in respect of separate periods of contributory service exceed the benefits which would have been payable had his participation in the Fund been continuous.	(d) No change.	
Article 54	**Article 54**	
Pensionable remuneration	Pensionable remuneration	
(a) In the case of participants in the General Service and other locally recruited categories, pensionable remuneration shall be the equivalent in dollars of the sum of:	(a) No change.	
(i) The participant's gross salary,		
(ii) Any language allowance payable to him, and		

Existing text	Proposed text	Comments
(iii) In the case of a participant who became entitled to a pensionable non-resident's allowance prior to 1 September 1983, and for as long as he continues to be entitled thereto, the amount of such allowance.		
(b) In the case of participants in the Professional and higher categories, the pensionable remuneration effective 1 January 1985 shall be that set out in the appendix hereto. a/	(b) No change.	
	[(c) Notwithstanding (b) above, in the case of participants in the Professional and higher categories who were participants on 31 December 1984, the pensionable remuneration after that date shall not be less than the pensionable remuneration on that date.]	To give effect to the transitional measures recommended by ICSC and endorsed by the Pension Board in 1984.
	or	
	[Supplementary Article C Interim measure for final average remuneration Notwithstanding the provisions of article 1 (h), the final average remuneration of a participant in the Professional or higher categories who was in contributory service on 31 December 1984 and had at least 36 completed calendar months of such service as of that date shall not be less than the highest final average remuneration to which he would have been entitled in accordance with article 1 (h) (i) or (ii) had he separated on 31 December 1984 or at any time between that date and his actual date of separation.]	To give a "floor" protection to the final average remuneration of participants who had at least three years of contributory service as at 31 December 1984 (should the General Assembly decline to approve the transitional measures recommended by ICSC).

a/ This sentence replaces the first sentence of the existing article 54 (b). The operation of the remaining provisions of that article is suspended pursuant to paragraph 5 of section II of General Assembly resolution 39/246.

ANNEX X

Draft resolution proposed for adoption by the General Assembly

Report of the United Nations Joint Staff Pension Fund

The General Assembly,

Recalling its resolution 39/246 of 18 December 1984,

Having considered the report of the United Nations Joint Staff Pension Board for 1985 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, 1/ chapter II of the report of the International Civil Service Commission 2/ and the related report of the Advisory Committee on Administrative and Budgetary Questions, 2/

Welcoming the improvement in the actuarial situation of the Fund as revealed by the valuation as at 31 December 1984,

I

AMENDMENTS TO THE REGULATIONS OF THE UNITED NATIONS JOINT STAFF PENSION FUND

1. *Decides* that, with effect from 1 January 1986, the rate of contribution shall be raised from 21.75 to 22.5 per cent of pensionable remuneration, of which the employing member organization shall pay 15 per cent and the participant 7.5 per cent;

2. *Amends*, with effect from 1 January 1986, the Regulations of the United Nations Joint Staff Pension Fund as set forth in the annex to the present resolution, without retroactive effect, except that [article 54, paragraph (*c*)] [supplementary article C] of the said Regulations shall be applicable with effect from 1 January 1985, pursuant to section II, paragraph 3, of resolution 39/246;

3. *Defers* until its forty-first session further consideration of the recommendation of the Pension Board regarding amendment of article 54 (*b*) of the Regulations of the United Nations Joint Staff Pension Fund contained in the Board's report for 1984 3/ and in the mean time extends the suspension of the operation of the adjustment procedure in the said article.

1/ *Official Records of the General Assembly, Fortieth Session, Supplement No. 9* (A/40/9).

2/ *Ibid.*, *Supplement No. 30* (A/40/30).

3/ *Ibid.*, *Thirty-ninth Session, Supplement No. 9* (A/39/9).

II

COMPOSITION OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Invites the competent organs of the member organizations of the United Nations Joint Staff Pension Fund to review the size and composition of the United Nations Joint Staff Pension Board, taking into account, where practicable, the views expressed in the Fifth Committee at the fortieth session, and to submit their conclusions to the General Assembly, through the United Nations Joint Staff Pension Board, in time to enable the Assembly to take a decision in the matter not later than at its forty-second session.

III

ADMISSION OF THE UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION TO MEMBERSHIP IN THE UNITED NATIONS JOINT STAFF PENSION FUND

Recalling its resolution 34/96 of 13 December 1979 on transitional arrangements relating to the establishment of the United Nations Industrial Development Organization as a specialized agency,

Decides that the United Nations Industrial Developement Organization shall be admitted to membership in the Fund with effect from 1 January 1986, in accordance with article 3 (*c*) of the Regulations of the Fund.

IV

EMERGENCY FUND

Authorizes the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund, for a further period of one year, by an amount not exceeding $100,000.

V

ADMINISTRATIVE EXPENSES

Approves expenses, chargeable directly to the United Nations Joint Staff Pension Fund, totalling $16,995,700 (net) for the biennium 1986-1987 and additional expenses of $173,300 (net) for 1985 for the administration of the Fund.

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