



SUMMARY RECORD OF THE 28th MEETING

Chairman: Mr. KUYAMA (Japan)

Chairman of the Advisory Committee on Administrative  
and Budgetary Questions: Mr. MSELLE

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The meeting was called to order at 10.50 a.m.

AGENDA ITEMS 109 AND 110: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 1984-1985 AND PROGRAMME PLANNING (continued) (A/38/3 (Part II), A/38/6, A/38/7, A/38/38)

First reading (continued)

Section 17. United Nations Industrial Development Organization (continued)

Section 18. United Nations Environment Programme (continued)

1. Mr. NAGGAGA (Uganda) said that when the two votes were taken at the 27th meeting on the transfer of five posts to the regular budget of UNDP and on the travel expenses of representatives from the least developed countries participating in meetings of UNIDO, the delegation of Uganda had, in fact, intended to vote in favour and not to abstain.

Section 21. Office of the United Nations High Commissioner for Refugees

2. Mr. PEDERSEN (Canada) said that the method of financing administrative posts was causing an increasingly severe problem owing to the expansion of UNHCR's programmes; that problem needed to be resolved during consideration of the current proposed programme budget. The General Assembly had decided, at its thirty-seventh session, that any proposals for the transfer of posts should be examined case by case on the basis of criteria approved by the Advisory Committee. He supported the recommendations of the Advisory Committee, which were in conformity with article 20 of the statute of UNHCR and which could further underscore the priorities laid down by the Secretary-General.

3. Mr. AMNEUS (Sweden) and Mr. HELLENBERG HUBAR (Netherlands) fully supported the recommendations of the Advisory Committee.

4. Mr. DITZ (Austria) said that his delegation had long been stressing the need to resolve the problem of the method of financing UNHCR's administrative expenses. It was not merely a question of conforming to article 20 of the statute of UNHCR, but also a question of being equipped with effective means of providing assistance to refugees. The recommendations of the Advisory Committee offered a number of practical solutions and he supported them entirely.

5. Mr. GIDLEY (United States of America) said that his country's voluntary contributions to UNHCR had amounted to \$122 million in 1982, or 43 per cent of the extrabudgetary financing, thereby clearly underlining the importance which the United States attached to the activities of that organization. The 3.9 per cent increase in UNHCR's resources was, however, almost entirely due to the transfer to the regular budget of 28 posts, that increase being partially offset by the proposal to finance from extrabudgetary resources 22 local-level posts for which provision had previously been made in the regular budget. Although the Advisory Committee had recommended a reduction in the number of posts provided for in the

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regular budget, the difference in cost between the Professional posts and the local-level posts remained considerable, and the net result of the operation would be a substantial increase in the regular budget of UNHCR. He therefore could not accept the proposed transfer and requested that a separate vote be taken on that question.

6. The measures to improve management, which had been announced by the Secretary-General, would result in a reduction in the number of posts provided for in the regular budget. It was therefore imperative that they be implemented as early as possible. He asked the representative of the Secretary-General to indicate to the Committee when a detailed report on that question would be available.

7. Mr. VISLYKH (Union of Soviet Socialist Republics) said that his Government was opposed in principle to the transfer of posts to the regular budget of UNHCR. If that measure was approved, the USSR would not participate in the financing of the posts in question. He requested a separate vote on that proposal and said that he would vote against it. If, however, the transfer was approved, he would vote against all the budgetary provisions under that section.

8. Mr. TAKASU (Japan) emphasized the complexity of the tasks relating to the international protection of refugees and the consequent need for adequate staff. None the less, every effort should be made to reduce administrative expenditure. With respect to the transfer of posts to the regular budget, he supported the recommendations of the Advisory Committee. The recommendation to restore 14 posts in the 1984-1985 budget was technically justified. The Secretary-General must, however, take concurrent measures to improve management; if, in accordance with the recommendations of the Administrative Management Service, it was possible to abolish posts, then that should be done without awaiting the performance report on the budget.

9. Regarding the High Commissioner's proposal to abolish the post of co-ordinator for South-East Asia before the end of the current biennium, he stressed the need to maintain that post since the situation of the refugees from Indo-China was still a cause of concern. Further, it was proposed in table 21.5 of the proposed programme budget to transfer to the regular budget a D-2 post for a regional representative. There was no corresponding reduction, however, in the number of D-2 posts financed from extrabudgetary funds. He would welcome clarification on that subject.

10. Mr. KAMAL (Pakistan) said that the proposal to include in the regular budget a number of posts previously financed from extrabudgetary funds was justified, since it would help rationalize the financing of the administrative costs of UNHCR. The proposals to transfer posts to the regular budget should of course be considered case by case, but it was essential for UNHCR to have adequate resources, both budgetary and extrabudgetary, to carry out its task. Therefore, his delegation fully endorsed the recommendations of the Advisory Committee.

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11. Mr. FONTAINE ORTIZ (Cuba), referring to paragraph 21.6 of the report of the Advisory Committee, and more specifically to the transfer of a post of Protection Officer in Peru, wished to know the reasons for that proposal and the exact situation of refugees in Peru.

12. Mr. RUEDAS (Under-Secretary-General for Administration and Management), speaking to clarify the management improvement measures, said that, when the proposed programme budget and the report of the Advisory Committee had been prepared, the Secretary-General had not as yet made a decision on the 50 or so recommendations made by the Administrative Management Service concerning the operation of UNHCR. That had now been done, and, in accordance with normal procedure, a detailed report would be submitted by the Administrative Management Service to the Advisory Committee at its forthcoming session. The question of phasing out 14 posts would therefore be considered in the context of the overall report on the question to be submitted to the General Assembly at its thirty-ninth session.

13. Currently, UNHCR considered that the phasing out of those posts, if not offset by a series of supplementary measures, would considerably weaken its supervisory capacity. It had therefore decided to postpone the phasing out. The question would, however, be reconsidered during 1984, as part of the overall management improvement programme, without waiting for the full report on the implementation of the programme.

14. Mr. RIZVI (Office of the United Nations High Commissioner for Refugees), replying to the representative of Japan, said that the post of co-ordinator for the South-East Asian region had been established in 1979 to cope with an acute crisis. Since the situation of refugees in that region of the world had improved somewhat in the interim, it would be reasonable to envisage phasing out that post in 1984. That decision was, moreover, fully in line with the consistent policy of the Office of the High Commissioner, which endeavoured to tailor the number of posts in the field to the needs of changing situations. Similarly, the Office of the High Commissioner hoped to be able to phase out, as soon as circumstances permitted, the 14 posts mentioned in the report of the Advisory Committee.

15. Replying to the representative of Cuba, he said that UNHCR maintained a regional office in Peru covering several countries. The post of Protection Officer, who technically had nothing to do with Peru, was necessary to cope with the increased protection needs in the region as a whole.

16. Mr. DUQUE (Secretary of the Committee) said that the UNHCR office in Peru was not a local office, as the Spanish version of paragraph 21.42 of the proposed programme budget implied, but a "field office".

17. Mr. TAKASU (Japan) said that he was still convinced of the need to maintain the post of co-ordinator for the South-East Asian region. He regretted that, as a general rule and in the case of section 21 in particular, the tables did not indicate whether the transfer of posts was related to a given programme.

18. Mrs. DORSET (Trinidad and Tobago) asked what exactly the representative of UNHCR had meant when he had said that the policy of UNHCR was "consistent".

19. Mr. RIZVI (Office of the United Nations High Commissioner for Refugees), replying to the comments made by the representative of Japan, said that, since he himself had occupied the post to be phased out for three years, he was in a good position to know that the situation in South-East Asia was no longer critical. The tables did not indicate the programme to which the posts were going to be transferred because of the need for the High Commissioner, given the small number of high-level posts that he had available, to make a careful assessment of the situation at the global level before taking a decision on the matter.

20. Turning to the question raised by the representative of Trinidad and Tobago, he said that UNHCR's policy was consistent in that the High Commissioner had always endeavoured to base transfers of human and material resources on actual needs, in other words, to transfer them from regions where needs were less urgent to regions facing more serious crises.

21. The CHAIRMAN said that, if there was no objection, he would take it that the Committee endorsed the conclusions and recommendations of CPC contained in paragraphs 323 to 325 of its report (A/38/38 (Part II)), taking into account the clarifications provided by the Vice-Chairman of CPC concerning paragraph 324.

22. It was so decided.

23. The CHAIRMAN announced that, in accordance with the request of the representatives of the United States and the USSR, a separate vote would be taken on the recommendation of the Advisory Committee for the transfer to the regular budget of 15 Professional posts, costing \$2,231,600.

24. The recommendation of the Advisory Committee for the transfer of 15 Professional posts to the regular budget was approved by 70 votes to 10, with 9 abstentions.

25. Mr. MURRAY (United Kingdom), explaining his delegation's position after the vote, said that, despite its support for the activities of UNHCR, it had abstained from voting because of the considerable impact of the recommended transfer on the regular budget.

26. Mr. MAJOLI (Italy), explaining the position of his delegation after the vote, reaffirmed its support for UNHCR and said that it had abstained from voting out of respect for budgetary stringency.

27. Mrs. de HEDERVARY (Belgium), speaking in explanation of vote, said that the level of Belgium's voluntary contributions to the budget of UNHCR showed its attachment to the ideals of that body. Nevertheless, her delegation had not been able to vote in favour of the recommendation of the Advisory Committee since it could not approve the transfer of so many posts to the regular budget.

28. The CHAIRMAN said that the representative of the USSR had requested that the recommendation of the Advisory Committee for an appropriation in the amount of \$31,621,800 under section 21 for the biennium 1984-1985 should be put to a vote.

29. Mr. GIDLEY (United States of America), speaking in explanation of vote before the vote, said that, while his delegation fully supported the programmes of UNHCR, it felt obliged to vote against the recommendation of the Advisory Committee because it was totally opposed to the transfer to the regular budget of posts hitherto financed by voluntary contributions.

30. Mr. GARRIDO (Philippines), speaking in explanation of vote before the vote, said that his delegation approved the recommendation of the Advisory Committee because of its support for the activities of UNHCR. It was particularly grateful to UNHCR for the assistance it provided to the refugee processing centre in the Philippines.

31. The recommendation of the Advisory Committee for an appropriation in the amount of \$31,621,800 under section 21 for the biennium 1984-1985 was approved in first reading by 78 votes to 10, with 3 abstentions.

32. Mr. FONTAINE ORTIZ (Cuba), explaining the position of his delegation, said that it had always supported and would continue to support the activities of UNHCR in so far as they were limited to humanitarian assistance for refugees. However, since UNHCR had sometimes mixed political considerations with its activities, his delegation had abstained from voting.

33. The CHAIRMAN said that the Committee had completed its consideration in first reading of section 21 of the proposed programme budget for 1984-1985.

AGENDA ITEM 117: UNITED NATIONS COMMON SYSTEM: REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION (A/38/30; A/C.5/38/23)

34. Mr. AKWEI (Chairman of the International Civil Service Commission) said that the differences between the Commission's report (A/38/30) and previous reports were that it was shorter and that it included a section and an annex on the implementation and consideration by the organizations of the Commission's recommendations and decisions. It would be noticed that the Commission had made no recommendations on the basis for determining salaries of the Professional and higher categories, the reason being that the General Assembly, in its resolution 37/126, section II, paragraph 4, had requested it to do so at the thirty-ninth session.

35. In section I of its resolution 37/126, the General Assembly had approved the Commission's recommendations concerning the first phase of the special index for pensioners. He drew attention to the Commission's recommendations (paras. 7-16) for the second phase of the exercise, as defined in paragraph 7, which were based on the examination undertaken by the Advisory Committee on Post Adjustment Questions (ACPAQ). As indicated in paragraph 16, the Commission had noted that a special index for pensioners which would include national taxes on pensions paid by

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retirees from the United Nations system would either result in additional financial implications for the Member States or would further reduce benefits granted to retirees under the Washington formula; the Commission had agreed to maintain the current procedure and had decided in favour of the first of the two proposals in paragraph 15. The Pension Fund would not be able to use the special index for pensioners, if it was approved, until it had been put in final form, probably in 1984. In the mean time, the continued use of the post adjustment indices would not create serious anomalies within the system, since a comparison involving four countries had shown that they were very close to the indices constructed for pensioners.

36. In chapter III, which dealt with conditions of service of the Professional and higher categories, the Commission reported on the evolution of the margin between the remuneration of the United States federal civil service and that of the United Nations system over the period from 1 October 1982 to 20 September 1983 and invited the General Assembly to take note of the margin figures provided.

37. All issues relating to the methodology for a comparison of total compensation based on non-expatriate benefits had been resolved. The Commission was therefore seeking guidance from the General Assembly concerning its future work on the comparison of total compensation including expatriate benefits in order to complete the exercise.

38. The operation of the post adjustment system was being reviewed at the resumed session of ACPAQ, and the Commission would subsequently consider the latter's recommendations concerning cost-of-living surveys conducted at six major duty stations (Montreal, New York, Paris, Rome, Vienna and Washington) and would report to the General Assembly in due course.

39. The rental subsidy scheme had been extended with effect from 1 April 1983 to duty stations not previously covered by the scheme. It applied to a specific group of staff members, namely, those newly assigned to one of the headquarters duty stations for a limited period of time. The scheme formed part of the post adjustment system and, as indicated in paragraph 45 of the report, would have no additional financial implications, but rather the reverse.

40. The language incentive introduced in the United Nations Secretariat solely for staff from P-1 to D-1 in posts subject to geographical distribution had been reviewed by the Commission as a common system issue. The organizations collectively had expressed the view that linguistic knowledge should be considered at the time of recruitment and improved, if necessary, through language training rather than through the introduction of accelerated increments as currently applied in the Secretariat (para. 54).

41. As part of its review of conditions of service of the General Service and related categories (chap. IV), the Commission had examined the non-resident's allowance for expatriate General Service staff (paras. 55-64). The Commission had decided to change the basis for the non-resident's allowance with effect from

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1 September 1983 and had concluded that it should be granted only at those duty stations where the required skills could not be obtained locally. Since the allowance was currently pensionable, the Joint Staff Pension Board would be required to review that aspect of the allowance further with a view to amending article 54 of the Pension Fund regulations.

42. The Commission's conclusions concerning the general principles of staff assessment, including the relationship between staff assessment and the Tax Equalization Fund, appeared in paragraph 59 of its report and the general review of staff assessment for the equitable treatment of all staff at all duty stations in paragraph 74.

43. The surveys of best prevailing conditions of employment carried out in Paris and Montreal had been aided by the new general methodology adopted by the Commission and reported to the General Assembly at its thirty-seventh session. The results of the surveys and recommended new salary scales (annexes II and III) had been communicated to the executive heads of UNESCO and ICAO.

44. At the request of the General Assembly, the Commission had again reviewed the education grant and had recommended that the grant should be set at a level of 75 per cent of the cost of a child's attendance at an educational institution up to \$6,000 per year, so that the maximum grant would be \$4,500 (para. 83).

45. The Commission had also decided that the currently used universal eligibility criteria and the methods used for the determination of the amount of the secondary dependant's allowance for staff in the Professional and higher categories as well as those in the General Service and related categories should remain in effect.

46. With regard to the request concerning health insurance made by the General Assembly in its resolution 37/126, the Commission was of the view that health insurance was a common system issue affecting staff of all organizations; it considered that the relationship of health care benefit costs to net pay should be examined at various duty stations. Where costs were very high, the Commission had proposed to executive heads a solution which it considered to be equitable (paras. 106 and 107).

47. In response to General Assembly resolutions 34/165 and 35/214, the Commission had also examined the possibility of establishing a cost-effective contributory system of death grant benefits and had recommended that the present non-contributory scheme should continue, as it provided benefits in the most cost-efficient manner.

48. The Commission had devoted considerable attention to conditions of service in the field, and in particular to questions of health and security (chap. VI). It was concerned that efficient arrangements should be made by the organizations to ensure financing of medical dispensaries where needed and for evacuation of staff on medical grounds. The Commission had decided to approve reimbursement by the organizations of the cost of basic medical examinations for accompanying family



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members of staff assigned to countries where the majority of duty stations were classified as having adverse health conditions, up to a limit of \$150 per staff member within a two-year period. It had also requested its secretariat to obtain for it information on the differences in medical schemes affecting General Service staff in the field. In another area, the Commission had agreed to the reimbursement of pre-departure expenses for staff departing from non-headquarters duty stations where hotels were used up to a specified maximum. Its future work programme on field conditions could be found in chapter VI of its report.

49. Continuing progress in the introduction of job classification standards was reported in chapter VII. In 1983, the Commission had promulgated standards for civil engineers and for purchasing and contracting specialists. The development of classification standards for the General Service and related categories in New York had been completed when the three standards for various types of manual work had been integrated into one comprehensive "trades and crafts" standard.

50. The classification exercise was now well on its way, and it was hoped that the new system would come into effect in conjunction with the new pay scales that would be established in the forthcoming salary survey in New York in early 1984. With regard to the General Service and related categories in Addis Ababa, for which the United Nations was acting as the lead agency, the Commission hoped to review draft standards at its nineteenth session.

51. Recalling the provisions of paragraph 2 of section IV of resolution 37/126, he stated that the organizations had taken various initiatives to develop an integrated approach to the management of human resources and to develop a common approach to skills inventories on an inter-organizational basis. In addition, the ICSC secretariat had successfully organized an inter-agency symposium in New York on human resources planning for staff in the General Service and related categories. Representatives of both management and staff from the organizations with headquarters in North America had addressed various problems, such as the lack of opportunities for advancement, the difficulties of progressing from the General Service to the Professional category and specific constraints on career development in small field offices. A similar symposium for organizations with headquarters in Europe would be held in early 1984. ICSC would consider the recommendations of both symposia at its nineteenth session.

52. Work had also continued on the elimination of discrepancies in the designation and conditions of the various types of employment, and some recommendations had been formulated in the report, which also contained a detailed work programme covering topics relating to recruitment policy (competitive examinations, implementation of the principle of geographical distribution, recruitment of women, etc.).

53. With regard to retirement policy, all ICSC had recommended to the General Assembly in 1982 was not to take any decision on deferment of the mandatory age of separation from 60 to 62 until it had been able to consider the question itself in the broader context of the overall retirement policy. It had done that at its

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eighteenth session, on the basis of a study prepared by its secretariat and the views of management and staff. The majority of its members had felt that there were no compelling arguments from the viewpoint of personnel policy for raising the retirement age, which might not be compatible with the efforts being made by many organizations to achieve an equitable geographical distribution of their staff and might impede career development. Finally, all ICSC had decided not to recommend any change at the present stage. It was, nevertheless, understood that executive heads would continue to use their discretionary authority liberally to decide whether a staff member whose services were required might continue to work beyond age 60. The report also contained a number of guidelines prepared for the organizations of the common system.

54. After considering, with the full co-operation of the organizations concerned, the implementation of its decisions and recommendations, ICSC noted that most of them were being followed, except in a small number of areas (chap. IX and annex IV). In chapter X, devoted to other business, the Commission had communicated its decision to invite the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System to participate in its work on the same basis as FICSA, as long as the Co-ordinating Committee continued to meet the criteria set by the Commission.

55. ICSC proposed the complementary pension scheme proposed by the ILO (paras. 185-188) for a number of reasons, primarily because such a measure would be contrary to the principle of "equal pay for equal work" inherent in the Noblemaire principle, and because it would benefit one group of staff members and would adversely affect the United Nations/United States comparison of total compensation. The position of ICSC had been communicated to the Director-General of the ILO and to the Secretary-General in his capacity as Chairman of ACC, and the attention of the ILO Governing Body would also be drawn to its conclusions. The United Nations Joint Staff Pension Board had also opposed that scheme.

56. The CHAIRMAN, recalling the provisions of subparagraph 3 (b) of General Assembly resolution 35/213, said that he had received a communication from Mr. Alistair McClurg, President of the Federation of International Civil Servants' Associations, requesting that a representative of the Federation should be invited to introduce document A/C.5/38/23. He had also received a communication from Mr. George Irving, Co-ordinator of the Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System, who requested a hearing by the Fifth Committee under agenda item 112. In that regard, he had been informed that, in view of the new developments which had taken place since the adoption of resolution 35/213, the Administrative Committee on Co-ordination and its subsidiary body, the Consultative Committee on Administrative Questions and the International Civil Service Commission had authorized the Co-ordinating Committee to be heard on the same terms as FICSA.

57. If there were no objections, he would take it that the Fifth Committee invited the representative of FICSA to make an oral statement to introduce its comments contained in document A/C.5/38/23.

58. It was so decided.

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59. The CHAIRMAN suggested that, before deciding whether or not to invite the representative of the Co-ordinating Committee to make an oral statement, the Fifth Committee should ask him to introduce in writing, through the Secretary-General, his comments on the ICSC report, in accordance with the provisions of paragraph 2 of resolution 35/213. If there were no objections, he would take it that the Committee agreed to adopt that procedure.

60. It was so decided.

AGENDA ITEM 118: UNITED NATIONS PENSION SYSTEM: REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (A/38/9 and Addendum; A/38/547; A/C.5/38/19)

61. Mr. SAUTER (Chairman of the United Nations Joint Staff Pension Board), introducing the report of the Board and the addendum thereto, recalled that, in resolution 37/131, the General Assembly had approved a number of economy measures recommended by the Board. As a result of those measures, the actuarial imbalance had been reduced from 6.82 per cent of pensionable remuneration on 31 December 1980 to 4.79 per cent on 31 December 1982, a reduction of 2.03 per cent. The imbalance would otherwise have increased to 8.41 per cent, an increase of 1.59 per cent, 0.5 per cent being due to the adjustment of the demographic assumptions to take account of the increased longevity of women, 0.85 per cent to accumulated interest on the deficit emerging from the 1980 valuation and 0.24 per cent to the development of the Fund's situation between the two valuations. In that regard, he pointed out that, if account was taken of the increased longevity of men, the imbalance would increase by 0.9 per cent. Any delay in rectifying the existing imbalance would automatically entail an increase in that imbalance. If the assumptions and valuation base were too optimistic, the following valuation would bring out an unfavourable development.

62. The valuation base used by the Consulting Actuary and approved by the Committee of Actuaries and the Board envisaged a rate of inflation in salaries of 6.5 per cent a year, a rate of return on investments of 9 per cent a year and a rate of inflation for pensions of 6 per cent a year. The rate of return (adjusted for inflation) was thus 3 per cent, a figure higher than the average for the past 23 years, which was 1.3 per cent. In spite of the gap between the hypothesis used and the real rates registered, the Board had decided not to change the valuation base, in view of the excellent results obtained during the past budgetary period. However, in view of that circumstance and the factors set forth above, he recommended that the rate of contribution should be increased gradually from 21 per cent to 24 per cent, by four increases of 0.75 per cent each (0.50 per cent to be borne by the organizations and 0.25 by the participants), envisaged for 1 January 1984, 1986, 1988 and 1990.

63. The Board noted with satisfaction that the Advisory Committee on Administrative and Budgetary Questions had recognized the soundness of that recommendation and had said that it was certain that the Board would not fail to make the necessary proposals at a later stage. The increase envisaged for 1 January 1984 would take the form of an obligation of \$8.6 million a year for all the organizations (approximately \$2 million a year on the United Nations regular budget) and \$4.3 million a year for participants (para. 28).

(Mr. Sauter)

64. With regard to the age of statutory separation and age of retirement, the Board had renewed the recommendation which it had made to the General Assembly in 1982 that the mandatory age of separation should be raised to 62. In accordance with General Assembly resolution 37/131, it had studied the question of the financial obligations of pensioners to their spouses or former spouses (paras. 51-56); without prejudice to the comments which he would make at the thirty-ninth session, he stressed that, from his point of view, the question came within

the competence of national jurisdictions and should so remain. However, in implementation of resolution 37/131, the Board had taken up the question of the elimination of the possibility of excluding or preventing staff members from participation in the Fund and had reached the conclusion that article 21 of the Rules and Regulations of the Fund should be retained in its present form, including the provisions relating to exclusion.

65. Referring to paragraphs 62 to 64 of the Board's report, he explained why the Board had not been able to support the proposal of the Director-General of the International Labour Organisation for the establishment of a complementary pension scheme: in his view, nothing should be done which might impede the efforts to improve the actuarial situation of the Board.

66. The Board also recommended that in 1984 the General Assembly should authorize it to supplement the voluntary contributions to the Emergency Fund by a sum of \$100,000. In respect of the administrative expenses of the Fund, it should be noted that the Advisory Committee had supported the Board's recommendations on the subject, as set forth in paragraphs 74 to 93 of its report.

67. The addendum to the report contained recommendations of a technical nature on the implementation of the economy measures approved in 1983 to improve the actuarial balance of the Fund. The Standing Committee had reached the conclusion that the Regulations of the Fund should be amended so as to make it clear that no individual should have more than five years of contributory service during which the rate of accumulation was 1.5 per cent of pensionable remuneration, and a further five years during which the rate was 1.75 per cent, irrespective of whether such periods of contributory service were continuous or not. That amendment should have no actuarial implications.

68. Paragraph 7 of the addendum was concerned with transitional measures for participants who had separated from the organization after 1 January 1978 and had re-entered the Fund after 1 January 1983. Section (b) of the addendum analysed the situation of staff members, for the most part technical co-operation experts, whose membership of the Fund tended to be interrupted fairly frequently. The economy measures would have a disproportionately adverse effect on that group of staff members. The Board had therefore made a recommendation on that subject in paragraph 12.

69. The Standing Committee also recommended that the General Assembly should take note of the procedure proposed in section (c) of the addendum. That recommendation, as was explained in paragraph 16, had been motivated by the fact

(Mr. Sauter)

that before 1 January 1983 the deferred benefit had been subject to the system of cost-of-living adjustment regardless of the age of participants. It was therefore possible that participants might have chosen a deferred benefit in the expectation that cost-of-living adjustments would work to their advantage. The procedure recommended had been designed to ensure that no losses will be involved for the Fund.

70. Mr. FORAN (Controller), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (A/C.5/38/19), said that the Secretary-General attached high importance to the fiduciary responsibilities entrusted to him, and that the participants of the Fund and Member States were according increasing attention to that question. In recent years, the need to improve communication with the various parties involved regarding investment performance had become especially apparent.

71. Special efforts had been made at the beginning of the year to place the relationship between investment performance and the actuarial status of the Fund in its proper perspective, since it was believed in some quarters that the actuarial deficit could be eliminated or reduced simply by increasing the investment return. As indicated in paragraph 3 of the report, the investment return for the year ending 31 March 1983 had reached the unprecedented level of 27 per cent. However, it depended essentially on market conditions, although in recent years it had been somewhat better than the indices. There was no guarantee that the performance would be repeated in 1984. Indeed, experience demonstrated that over time the investment return on the Fund's investments compared well with the market indices. It would be premature to assume that the performance in real terms would be better during the forthcoming decade than in the previous one.

72. The exceptional rise in the value of markets in which the Fund had invested should be seen in the context of the wide variations in investment returns in the past. In paragraph 6 of his report, the Secretary-General stressed that judicious investment strategy must have a long-term orientation, and that a middle course must be steered between conservatism and speculation in order to achieve the prime objective of preserving the capital of the Fund at the secondary goal of enhancing the investment return. In the short term, investment returns were highly variable from year to year. That was because they were measured not only in terms of dividends and interests, which were reasonably stable, but also in terms of realized capital gains and losses and fluctuations in market values. It was wrong to confuse "total return" with "income return", as many people did, since "income return" did not account for fluctuations in market values.

73. Over the 23-year period for which data was available, the inflation-adjusted return or real return had been about 1.3 per cent a year, which was clearly less than the assumed rate of return of 3 per cent which had been used in the most recent actuarial valuation of the Fund. In recent years that had created the expectation that a return of 3 per cent was a reasonable target against which the actual investment performance of the Fund should be measured. In reality, the real rate of return had been about 2.1 per cent over the past five years, 7.1 per cent over the past three years and just over 23 per cent in 1983.

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(Mr. Foran)

74. In paragraphs 8 to 11 of his report, the Secretary-General described the diversification of the portfolio of the Fund by type of investments, industry groups, geographical area and currency. Detailed statistics were provided in the annex.

75. Section III of the report was concerned with the implementation of General Assembly resolutions. Paragraph 13 referred to the difficulties experienced in the reinvestment of transnational holdings, particularly since there was no clear or officially accepted definition of a "transnational" corporation. The objective of increasing development-related investments had been met since the value of such investments had increased by 15 per cent as of 30 June 1983 as compared with the previous year; their value at cost currently amounted to \$US 554 million. Efforts continued to be made to locate investments in Africa. The investments in that continent had increased from \$27.6 million on 30 June 1982 to \$50.2 million on 30 June 1983. A special mission had been sent to Africa and had obtained a considerable volume of information on the current situation. It was proposed that a follow-up mission would be sent in 1984. It had been determined that investments in regional development institutions were an effective means of increasing development-related investments.

76. He wished to make a few general observations on the investment decision-making process. A review had recently been undertaken on the question and the results had been reported to the Board. The broad conclusion had been that as long as the investments provided returns which were comparable with or better than market indices, there was no reason to make any drastic change in management procedures. The objective of investments was to secure the pension entitlements of the staff and preserve the Fund's capital by avoiding both risk and undue conservatism.

77. As to the actuarial imbalance, attention should be focused on the items of contributions and benefits. False hope should not be engendered that the investment return could simply or automatically solve the actuarial problems. Moreover, the investment return could not be measured against unrealistic targets. The Fund's investment return had compared well with the major market indices. Any attempt to dramatically increase the investment return carried the risk of aggravating the situation rather than improving it. Lastly, in a more general sense, efforts must be made to improve communication with all the parties associated with the Fund, in terms that were readily understood by all and did not give rise to unrealistic expectations of unfounded fears.

78. Mr. MSELLE (Chairman of the Advisory Committee on Administrative and budgetary Questions) stated that he wished to draw attention to the fact that, in paragraph 6 of its report (A/38/547), the Committee recommended a modification to the draft resolution concerning amendments to the Pension Fund's regulations as proposed by the Board in annex B to the addendum to its report (A/38/9). The Advisory Committee had considered the increase in the total rate of contribution proposed by the Board in paragraph 27 of its report; the increase was to be implemented gradually, with the first increase of 0.75 per cent taking effect on 1 January 1984 and the other increases, also of 0.75 per cent being made on 1 January 1986,

(Mr. Mselle)

1 January 1988 and 1 January 1990. However, the Advisory Committee, in recommending approval of the first increase on 1 January 1984, believed that the General Assembly should have an opportunity, at its fortieth session, to delay or rescind the further increases, and it was in that sense that it had modified the draft resolution proposed by the Pension Board.

79. There were two drafting corrections to be made in the English text of operative paragraph 2 of the draft resolution proposed by the Advisory Committee in paragraph 6 of its report. Firstly, the word "recession" in the third line should be replaced by the word "rescission". Secondly, the article "the" should be inserted before "further increases", since the Advisory Committee did not envisage any increases other than those proposed by the Pension Board.

The meeting rose at 1 p.m.