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REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

Twentieth report of the Advisory Committee on Administrative
and Budgetary Questions to the General Assembly at its
twenty-fourth session

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board^{1/} in which the Board proposes a draft resolution for adoption by the General Assembly, whereby the Assembly would:

(a) Change the rate of accumulation of benefits from 1/55 to 1/50 of the participant's final average remuneration, and make a change in the formula used for computing the maximum rate for a retirement benefit, the two changes to apply from 1 January 1970 both to pensions in payment and to future pensions;

(b) Extend until 31 December 1972 the system of adjustment of benefits in respect of cost-of-living changes;

(c) Amend the Regulations of the Fund; and

(d) Approve the administrative expenses of the Fund for 1970.

2. The Advisory Committee recalled that the United Nations Joint Staff Pension Fund,^{2/} in its present form, dates back to the third session of the General

1/ Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 9 (A/7609), annex IV.

2/ The present members of the Fund are the United Nations, FAO, IMCO, the Interim Commission for the International Trade Organization, IAEA, ICAO, the ILO, ITU, UNESCO, WHO and WMO.

Assembly when, by resolution 248 (III) of 7 December 1948, the Assembly adopted the first Regulations of the Fund. Under the Regulations, as originally adopted and as subsequently amended, the Board is invested with certain functions and powers. The functions and powers of the General Assembly are also clearly defined. The Advisory Committee bore this division of responsibilities in mind when it reviewed the report of the Board.

The rate of accumulation

3. As regards the Board's recommendation that, with effect from 1 January 1970, the rate of accumulation of benefits should be increased from 1/55 to 1/50 of the participant's final average remuneration, the Advisory Committee recalled that, when the Fund came into being, the rate was fixed at 1/60. Subsequently, by resolution 1201 (XII) of 13 December 1957 the General Assembly changed the rate to 1/55. Thus, the rate of accumulation has remained unaltered for twelve years.

4. During its consideration of the present recommendation, the Advisory Committee inquired into its possible financial implications for the United Nations. The Committee noted from the Board's report, and received assurances in the course of oral testimony by representatives of the Board and the Secretary-General, that the actuarial valuation of the Fund had indicated that its resources are such that the improvement in the rate of accumulation to 1/50 of final average remuneration is well within the capacity of the Fund, and that a reasonable margin might be expected to remain for other improvements which might be justified in the light of further experience. The Advisory Committee was informed that the valuation was carried out by the Fund's Consulting Actuary on the basis of a number of alternative assumptions as to future movements of salaries, interest rates and investment yields to determine the Fund's estimated actuarial resources in both inflationary and static economic conditions. The report on the results of that valuation was subsequently reviewed by the Committee of Actuaries, who submitted a unanimous opinion to the Board that the resources of the Fund are confidently expected to permit significant improvements in benefits. The Advisory Committee noted further that the Board's recommendation to the General Assembly to change the rate of accumulation from 1/55 to 1/50 of final average remuneration was a unanimous one.

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5. As regards minimum pensions, they are now computed by multiplying the years of the participant's contributory service, not exceeding ten, by \$150 or 1/30 of his final average remuneration, whichever is the smaller. The Board's recommendation is that the amount used in the computation be increased to \$180; the Board indicates in paragraph 24 of its report that such an increase is required to offset the effect of the increase in the cost-of-living on these pensions. The Board further recommends that the two changes be applied both to future pensions and to pensions in payment.

6. Article XXXI.2 of the current Regulations of the Fund provides that:

"Upon the receipt of the actuarial report, the Joint Staff Pension Board shall make proposals to the General Assembly of the United Nations, and to member organizations, for any action to be taken as a result thereof. Copies of the actuarial report and of any such proposals shall be forwarded to the Advisory Committee on Administrative and Budgetary Questions."

The Advisory Committee has refrained from duplicating the work done by the Board in reviewing the assumptions and conclusions of the actuarial report.

7. On the basis of the assurance in paragraph 24 of the Board's report that the costs of the proposed changes "are to be met in their entirety from the Fund's own resources" and that "no additional payments or contributions would be required from member Governments" and the further assurances provided in the course of oral testimony, the Advisory Committee has no objection to the recommendations contained in part I of the draft resolution in annex IV of the Board's report.

Adjustment of pensions in respect of cost-of-living changes

8. As regards the Board's recommendation that the present system (whereby pensions and annuities in payment are periodically adjusted to offset the gradual erosion of purchasing power attributable to increases in the cost of living) should be extended until 31 December 1972, the Advisory Committee recalled that this system was originally approved under the terms of General Assembly resolution 2122 (XX) of 21 December 1965; by resolution 2191 (XXI) of 15 December 1966, the Assembly continued the system until 31 December 1969.

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9. The Advisory Committee noted from paragraph 27 of the Board's report that the Committee of Actuaries has advised, in the light of the valuation results referred to earlier, that, even if the Assembly approved the changes in the rate of accumulation of benefits recommended in part I of the draft resolution in annex IV of the report of the Board, the resources of the Fund are expected to be adequate to continue the adjustment system for the indefinite future. The Board's recommendation is restricted, however, to a term of three years, that is, until 31 December 1972, before which the Board proposes to carry out another review and to submit further recommendations to the General Assembly. On the basis of the assurances provided to the Board by the Committee of Actuaries, Advisory Committee has no objection to the recommendation in part II of the draft resolution in annex IV of the Board's report.

Estimates of the administrative expenses of the Fund for 1970

10. Part IV of the draft resolution in annex IV of the report of the Board would have the General Assembly approve expenses totalling \$612,020 net (\$663,550 gross) for the administration of the Fund in 1970, "as estimated... in annex VII to the report".

11. The Committee recalled that in the past the expenses of the Fund were met in the first instance out of the regular budget of the United Nations and that the necessary explanatory text was included in the Secretary-General's budget estimates. This arrangement is being discontinued beginning with the United Nations budget for 1970, which includes only the United Nations' share of the costs in question (under section 12, chapter IX).^{3/} Considering that the estimate of administrative expenses of the Fund is now submitted as part of the report of the Board, the Advisory Committee is of the opinion that there is room for improvement in the presentation of the estimates as given in annex VII. In particular, the Committee would recommend that these estimates should include, for purposes of comparison, the corresponding appropriations and actual expenses for the preceding first and second years respectively; the manning table of the secretariat of the Fund, together with corresponding figures for the preceding two years, should also be included.

^{3/} Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 6 (A/7606); Supplement No. 8 (A/7608), para. 267.

12. Bearing in mind, however, the statement in paragraph 32 of the Board's report that the administrative costs remain within the guidelines of 0.14 per cent of the total pensionable remuneration of the Fund's participants, as recommended by the actuaries and followed by the Board in recent years, and that the investment costs are in accordance with the contractual arrangements between the Secretary-General and the financial institution responsible for the day-to-day management of the Fund's investments, the Advisory Committee has no objection to the estimates in the amount submitted by the Board.

Report of the Board of Auditors

13. The Advisory Committee has considered the report of the Board of Auditors to the General Assembly on the accounts of the Fund for the year ended 30 September 1968, which is contained in annex II to the Board's report. The Committee noted from paragraph 2 of that report that the Controller had informed the Board of Auditors that a study designed to improve the handling procedures, recording systems and safekeeping arrangements of the Fund's investments was under way and that the results would be submitted to the Board of Auditors later in 1969. The Advisory Committee understands that this report has not as yet been finalized.

14. As regards the observation in paragraph 4 of the report of the Board of Auditors concerning the earlier submission of the financial statements for audit and verification, the Advisory Committee has been informed that every effort is being made by the Secretary of the Joint Staff Pension Board to expedite the submission of the statements in question, but that, given the fact that the Board's financial year ends on 30 September, it is difficult to finalize and submit these statements much earlier than has been the case hitherto.

Investment policy

15. The Advisory Committee recalled that, at the 1285th meeting of the Fifth Committee, several representatives raised the question of the investment policy of the Fund. In paragraph 15 of its report, the Board indicates that it carried out a full examination of the investment policy; that, on the basis of the data

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submitted by the Secretary-General and an analysis presented by the Chairman of the Investments Committee, it is fully satisfied with the results being obtained in regard to investment yield; and that the Investments Committee had estimated that the combined yield for income and capital appreciation over approximately the next decade would be in the order of at least 8 per cent a year.

16. The Advisory Committee noted in this connexion that, in reaching their conclusions, the Board and the Secretary-General relied on the expertise and standing of the Investments Committee. Pursuant to article XXV of the current Regulations of the Fund "the investment of the assets of the Fund shall be decided upon by the Secretary-General of the United Nations, after consultation with an Investments Committee and after having heard any observation or suggestions by the Joint Staff Pension Board concerning the investments policy". The Advisory Committee's own role in the matter is limited to being consulted by the Secretary-General as regards the appointment of the six members of the Investments Committee. Article XXV provides that these members are "appointed by the Secretary-General after consultation with the Advisory Committee on Administrative and Budgetary Questions, subject to consequent confirmation by the General Assembly".

Revision of the Regulations of the Fund

17. The Advisory Committee has reviewed the revised Regulations of the United Nations Joint Staff Pension Fund which the Board has recommended to the General Assembly for adoption and has noted the "changes of substance" as contained in annex VI of the Board's report. The recommendation to the General Assembly has been made under the terms of article XXXVII of the current Regulations, which provides that the Board "may recommend to the General Assembly of the United Nations amendments to these Regulations. The General Assembly may, after the Joint Staff Pension Board has been consulted, amend these Regulations...".

18. The Advisory Committee noted from paragraph 28 of the Board's report that it is the Board's strong belief that it is necessary to systematize and clarify the Regulations for the benefit of the participants and those administering the Fund. To replace the current Regulations, which have been subject only to random

amendment over the years, the Board has proposed a complete revision, which includes clarifications and modifications of substance. In paragraph 29 of its report, the Board indicates that, due to the complete rearrangement in logical sequence and the considerable redrafting of the material, it is not practicable to show, for comparative purposes, the current and the revised provisions side by side.

19. The Advisory Committee noted that, unlike the present Regulations, the revised text does not provide for the transmission of copies of actuarial reports to the Committee. In the Committee's opinion, this provision should be preserved. Accordingly, the Committee recommends that article 12 (c) be amended by the addition, at the end of the article, of the phrase "which shall also be provided with a copy of the actuarial report".

20. Subject to the above recommendation, the Advisory Committee has no objection to the revised text as submitted.
