



International Atomic Energy Agency

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### ANNUAL REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

The report made in 1975

1. Pursuant to the requirement in Article 14(a) of the Regulations of the United Nations Joint Staff Pension Fund [1] that the United Nations Joint Staff Pension Board present an annual report to the General Assembly of the United Nations and to the member organizations of the Fund, the United Nations has published the report presented by the Board in 1975 as Supplement No. 9 to the Official Records of the General Assembly: Thirtieth Session (A/10009).

2. The report has thus already been communicated to Governments. However, if any Member should require additional copies, the Secretariat is ready to obtain them.

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[1] Set forth in United Nations document JSPB/G.4/Rev.7.



**UNITED NATIONS JOINT STAFF PENSION FUND**

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**REPORT  
OF THE  
UNITED NATIONS  
JOINT STAFF PENSION BOARD**

**GENERAL ASSEMBLY**

**OFFICIAL RECORDS: THIRTIETH SESSION**

**SUPPLEMENT No. 9 (A/10009)**

**UNITED NATIONS**



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New York, 1975

#### **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.**

/Original: English/

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## I. INTRODUCTION

1. The United Nations Joint Staff Pension Fund was established in 1949, under Regulations adopted by resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their service with the United Nations. These Regulations, as amended at various times by the Assembly, provide for the admission of other organizations to the Fund and were subsequently accepted by the specialized agencies and the International Atomic Energy Agency. There are in consequence now eleven organizations, including the United Nations, which are members of the Fund.

2. Under the Regulations, the 11 member organizations jointly administer the Fund through the United Nations Joint Staff Pension Board, consisting of 21 members. One third of the members are elected by the General Assembly and the corresponding legislative bodies of the organizations, one third are nominated by the executive heads, and one third are elected by the participants. The Board reports annually to the General Assembly on the operation of the Fund and from time to time recommends amendments to the Regulations which govern, inter alia, the rates of contribution by the participants (7 per cent of their pensionable remuneration) and the organizations (14 per cent), the manner in which the assets of the Fund are invested, the conditions of eligibility for participation and the various benefits to which staff and their dependants may become entitled. Legislative authority to amend the Regulations, when necessary, is exercised by the General Assembly on behalf of all 11 organizations. Expenses incurred by the Board in the administration of the Fund - principally the cost of its central secretariat at United Nations Headquarters in New York and the management expenses for its investments - are met by the Fund.

3. The present report is submitted by the Board following its twentieth session, held in July 1975 at the headquarters of the International Telecommunication Union in Geneva. The report contains an account of the proceedings of that session and includes an interim report on the system for the adjustment of benefits in payment (annex V), and on various other matters submitted for consideration and approval by the General Assembly. It also includes financial statements and schedules (annex I), and statistics on the operation of the Fund for the year ended 31 December 1974 (annex II), together with the report of the Board of Auditors on the annual audit of the Fund (annex IV).

## II. MEMBER ORGANIZATIONS

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

Food and Agriculture Organization of the United Nations;  
Inter-Governmental Maritime Consultative Organization;  
Interim Commission for the International Trade Organization;  
International Atomic Energy Agency;  
International Civil Aviation Organization;  
International Labour Organisation;  
International Telecommunication Union;  
United Nations Educational, Scientific and Cultural Organization;  
World Health Organization;  
World Meteorological Organization.

## III. SUMMARY OF THE OPERATION OF THE FUND DURING THE YEAR ENDED 31 DECEMBER 1974

5. The number of participants in the Fund increased during the year from 38,089 to 39,451.

6. The principal of the Fund increased from \$821,044,178.36 on 31 December 1973 to \$918,392,713.47 on 31 December 1974 (see annex I).

7. The current income of the Fund from interest and dividends during the year, less investment management costs, was \$38,472,000. A summary of the investments as at 31 December 1974 and a comparison of their book and market values at that date are contained in annex I, schedules 2 and 3.

8. The Fund on 31 December 1974 was paying 2,890 retirement benefits, 2,087 deferred and early retirement benefits, 1,048 widows' and widowers' benefits, 1,897 children's benefits, 210 disability benefits and 23 secondary dependants' benefits. In the course of the year it also paid 3,385 lump-sum withdrawal and other settlements (see annex II).



#### IV. TWENTIETH SESSION OF THE BOARD

##### A. Membership and attendance

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

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>United Nations</u>		
Mr. G. J. McGough	Mr. S. Kuttner	General Assembly
Mr. R. Schmidt	Mr. S. Refshal	General Assembly
	Mr. H. Morris	General Assembly
	Miss K. Whalley	General Assembly
Mr. H. Debatin	Mr. W. H. Ziehl	Secretary-General
Mr. D. Miron	Mr. C. Timbrell	Secretary-General
Mr. A. J. Friedgut	Mr. A. A. Garcia	Participants
Mrs. P. K. Tsien	Mr. J. M. Wood	Participants
	Mr. A. Landau	Participants
	Mr. S. P. Padolecchia	Participants
<u>International Labour Organisation</u>		
Mr. H. S. Kirkaldy	Mr. P. Juhl-Christensen	Governing Body
	Mr. W. Yoffee	Governing Body
Mr. S. Grabe	Mr. G. Perrin	Participants
	Mr. J. J. Chevron	Participants
<u>Food and Agriculture Organization of the United Nations</u>		
Mr. N. Oliveti	Mrs. M. P. de Bellavita	Governing Body
	Mr. J. S. Khan	Governing Body
Mr. P. Montanaro	Miss A. Eid	Participants
	Mr. T. Rivetta	Participants
<u>United Nations Educational, Scientific and Cultural Organization</u>		
Miss N. Senecal	Mr. K. Ikebe	Governing Body
Mr. A. Chakour	Mr. P. Coeytaux	Executive Head

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>World Health Organization</u>		
Dr. A. Sauter	Dr. R. Valladares	Governing Body
Mr. W. W. Furth	Mr. B. Edwards	Executive Head
<u>International Civil Aviation Organization</u>		
Mr. N. Salathé	Mr. W. H. Collins	Executive Head
Mr. F. X. Byrne	Dr. M. Milde	Participants
<u>International Atomic Energy Agency</u>		
Mr. L. Alonso de Huarte	Mr. W. B. Lynch	Executive Head
Mr. R. Dudley	Mr. W. Price	Participants
<u>International Telecommunication Union</u>		
Mr. R. E. Butler	Mr. M. Bardoux	Executive Head
	Mr. R. Cook	Executive Head
	Mr. D. J. Musk	Executive Head
<u>World Meteorological Organization</u>		
Mr. R. M. Perry	Mr. J. M. Rubiato	Participants
<u>Inter-Governmental Maritime Consultative Organization</u>		
Mr. W. Ertel	Mr. W. P. Clappin	Governing Body

10. The following attended the session as observers for certain organizations:

<u>Observer</u>	<u>Organization</u>
Mr. N. MacCabe	ILO
Dr. J. Burton	WHO
Mr. F. H. Thomasson	FAO
Mr. W. Zyss	UNESCO
Mr. M. von Schenck	IAEA
Mr. C. Glinz	ITU
Mr. J. Tassin	ICITO
Mr. L. Goll	IMCO
Mr. M. Fellague	WMO
Mr. J. Rivet	FAFICS
Mr. J. Armstrong	CCAQ

11. Also present during the discussion of relevant items on the agenda were Mr. G. A. Murphy, Chairman of the Investments Committee, Mr. J. Guyot, The Honourable David Montagu, Mr. B. K. Nehru and Mr. Y. Oltramare, members of the Investments Committee, together with two ad hoc members Mr. J. Reimnitz and Mr. T. Shishido, and Mr. R. J. Myers, member of the Committee of Actuaries and Mr. F. Netter, Consultant to that Committee. The Board was assisted, additionally, by Mr. R. Leblond, representing George B. Buck, Consulting Actuaries, Inc. (Consulting Acturay to the Fund), Mr. G. Ashley Cooper, Actuary Consultant, Mr. J. J. Wilson, Consultant on real estate, Mr. H. Fowler, Chairman of the Board of the Fiduciary Trust Company of New York and Mr. G. P. Egbert, Jr., Senior Vice-President, First National City Bank, the Fund's investment advisers. Mr. A. C. Liveran and Mr. B. W. Pringle attended as Secretary and Deputy Secretary, respectively, of the Board.

12. The Board elected the following officers:

<u>Chairman:</u>	Mrs. P. K. Tsien (representative of the participants of the United Nations)
<u>First Vice-Chairman:</u>	Mr. R. Butler (representative of the Executive Head of the International Telecommunication Union)
<u>Second Vice-Chairman:</u>	Mr. H. S. Kirkaldy (representative of the Governing Body of the International Labour Office)
<u>Rapporteur:</u>	Mr. F. X. Byrne (representative of the participants of the International Civil Aviation Organization)

13. The group of members elected to the Board by the General Assembly and the corresponding legislative bodies of the other member organizations comprised the following nationalities: Argentina, Canada, Denmark, Germany (Federal Republic of), Italy, Japan, Liberia, Norway, Pakistan, Panama, Poland, Switzerland, United Kingdom of Great Britain and Northern Ireland, United States of America and Venezuela. The group nominated by the executive heads comprised the following nationalities: Australia, France, Germany (Federal Republic of), Israel, Lebanon, Spain, Switzerland, United Kingdom of Great Britain and Northern Ireland and United States of America. The group elected - directly or indirectly - by the participants in the various organizations comprised the following nationalities: China, Czechoslovakia, France, Ireland, Italy, Lebanon, South Africa, Spain, Sweden, United Kingdom of Great Britain and Northern Ireland and United States of America.

## B. Decisions and recommendations

### Adjustment of pensions

14. The main item on the agenda of the Board was the question of pension adjustment, on which preparatory studies had been carried out earlier in the year in furtherance of General Assembly resolution 3354 (XXIX) of 18 December 1974. The interim report on this subject, called for in section VI of that resolution, is contained in annex V to the present report.

### Other matters

15. The Board also, as requested by the General Assembly in section V of resolution 3354 (XXIX), considered the possibility of including the members of the Joint Inspection Unit among those eligible to participate in the Fund, and its conclusions with respect thereto are to be found in paragraphs 53 to 58 below. The Board formulated, at the same time, recommendations for approval by the General Assembly on certain substantive aspects of the pension system, the most important of which relate to the removal of the remaining elements of differentiation in the entitlements of males and females under the Regulations of the Fund (see paras. 16 to 19), and to the maximum length of contributory service which may be credited for benefit purposes (see paras. 20 to 21). Other recommendations relate to the Emergency Fund established in 1973 (paras. 22 to 23) and the estimates of the Fund's administrative expenses for 1976 and supplementary estimates for 1975 (paras. 24 to 29). In addition, the Board dealt with a number of items of a broad management character - within its own authority under the Regulations of the Fund - which are described in paragraphs 30 to 52 below.

## C. Recommendations for action by the General Assembly

### (i) Entitlements of males and females under the Regulations of the Fund

16. In furtherance of the implementation of the principle of equal treatment of male and female staff which was endorsed by the General Assembly at its twenty-ninth session, and by the Board in its report to the General Assembly at its twenty-ninth session, 1/ the Board now proposes a further alignment of entitlements by an amendment of the Fund's Regulations in such manner as to provide benefits to widowers identical in all respects to those now payable to widows. The Board has been informed by its Consulting Actuary that the cost of this proposed change is approximately \$17.2 million as an actuarial lump sum or about 0.08 per cent of payroll.

17. In further application of the same principle, the Board decided to abolish all differences, depending on the sex of the participant, in the amounts payable under the present Regulations of the Fund which result from applying different actuarial factors to their calculation. In the implementation of this decision,

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1/ See Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 9 (A/9609).

which does not involve a change in the Regulations or Administrative Rules of the Fund, due regard will be had to the preservation of "acquired rights".

18. Finally, in order to complete the alignment of rights, the Board proposes to the General Assembly that the differences in entitlement to residual benefits which now exist under the Regulations also be removed, a change which can be accomplished without significant actuarial cost.

19. The texts of the necessary amendments to the Regulations to achieve these purposes (together with certain minor related changes), which the Board proposes should be introduced from 1 January 1976 without retroactive effect, are included in annex VII. Certain consequential changes which would be required in the Administrative Rules are reported in annex VIII.

(ii) Maximum length of contributory service

20. The Board, as it indicated in its report to the General Assembly for 1974, has for some years faced the problem that by 1 February 1976 a number of participants will have accumulated the maximum contributory service credit of 30 years (the earliest date from which this can be reckoned being 1 February 1946) after which further service - and contributions by both the participant and the employing organization - will give rise to no further entitlements beyond those resulting from increases in salary.

21. The Board believes that for a variety of reasons it would be desirable for some recognition to be given in the pension for this additional service, even though it may not at present be within the financial capacity of the Fund to do so for the full period or at the full rate of accumulation. The Board has considered the costs of various alternative methods therefore, and has reached the conclusion that extension of the maximum to 32 years as an interim measure, at a rate of accumulation of 1/100 of final average remuneration (instead of the standard 1/50) in respect of the last two years, is reasonable and justifiable at the present time. The cost of extension on this basis is approximately \$17.0 million in actuarial lump-sum terms (or about 0.08 per cent of payroll) which the Board is assured by its actuarial advisers will not materially affect the actuarial balance of the Fund as reflected in the current valuation, and which it accordingly recommends for approval by the Assembly. The Board would expect to review the question in 1977 and, in the event that the resources of the Fund then permit, submit more substantive proposals to deal with the matter. The necessary amendments to the Regulations of the Fund will be found in annex VII.

(iii) Emergency Fund

22. The Emergency Fund, it will be recalled, was originally established by the Board in 1973 from voluntary contributions by member organizations, staff organizations and private contributors for the broad purpose of alleviating individual hardships among pensioners. It was initially used to relieve the distress caused to small pensioners as a group by currency fluctuations and cost-of-living increases, but when compensatory action was taken by the General Assembly with respect to pension adjustment which to some extent alleviated these problems, the Fund reverted to its original purpose of providing aid in individual hardship cases where there was a proved need of relief due to illness, infirmity or other like cause.

23. On this basis the General Assembly authorized the Board in 1974, by resolution 3354 (XXIX), to supplement voluntary contributions to the Emergency Fund by an amount of up to \$100,000 for an experimental period of one year. During this period up to 31 July 1975 only nine payments totalling \$2,277 have been made, although a considerably greater number of requests have been received, which are pending settlement until further information, clarification or supporting evidence is submitted. It is anticipated that the picture for the remainder of the year will be somewhat different once action on these cases has been taken and more publicity given to the Emergency Fund and its purpose. In the light of the above, and because the Board feels there will be a continuing need for this kind of assistance in the future, it recommends that the experimental basis be continued for a further year and that the maximum authorization of \$100,000 be maintained.

(iv) Administrative expenses

24. The Regulations of the Fund provide, in article 15, that expenses incurred by the Board in the administration of the Fund - as distinct from those incurred by member organizations in local pension administration - shall be met by the Fund itself, and that estimates thereof shall be submitted annually to the General Assembly for approval. The Board submits, under this head, estimates of \$2,657,000 (net) for 1976 and supplementary estimates of \$206,300 (net) for 1975 (see annex III below). These expenses are a charge entirely on the Fund and do not involve the budget of the United Nations in any way or that of any other member organization.

25. Concerning the estimates, the Board wishes to observe in general that the guideline recommended by the actuaries and followed consistently for a number of years - of distinguishing between administrative costs, properly so-called, and investment costs, and of holding the former within 0.14 per cent of the total pensionable remuneration of the Fund's participants - has been maintained. The investment costs, which now include provision for investment staff in the United Nations Office of Financial Services, as well as for the contractual fees payable to the two financial institutions responsible for advisory and custodial services, are estimated to amount to \$1,687,700 out of the total chargeable to the Fund, and the balance of \$969,300, which represents administrative costs, is approximately 0.11 per cent of total pensionable remuneration anticipated for 1976.

26. The 1976 estimates show, at the same time, an over-all increase above the net appropriations for 1975 of \$544,600, the greater part of which is attributable to the need for additional staff required under temporary assistance for the dual pension adjustment system, as reported to the General Assembly in 1974, and to increased investment costs.

27. In so far as staffing is concerned, it will be noted that while no additions are proposed to the permanent establishment for 1976, the Board has maintained under temporary assistance for 1976 provision for the ten additional staff members which it informed the General Assembly in 1974 would be required to administer the dual pension adjustment system, and which are included in the supplementary estimates for 1975. These posts will continue to be required in 1976, when a determination can be made as to the extent to which they may

have to be incorporated into the permanent establishment, a decision depending upon the outcome of the current study on the adjustment of pensions. The Board also considers it desirable that the post of one of the Fund's computer programmers should be reclassified from the P-2 to the P-3 level. The reclassification reflects an increased level of skill and responsibility required from the incumbent as a result of the growth in scope of the Fund's operations, and in its opinion is justified by comparison with similar posts elsewhere. The additional P-5 post shown in annex III similarly results from a reclassification of the post initially provided at P-3 for the new Fund office in Geneva, which the Board has found cannot effectively be filled below the P-5 level. A breakdown of the permanent establishment, as proposed for 1976, is given in annex III, table 2, and reflects the reclassification of the two posts referred to above.

28. The greater part of the increase in the investment costs, referred to in paragraph 26 above, is in the fees payable to the two institutions now providing advisory and custodial services for the Fund's portfolio under the Secretary-General's over-all responsibility. These fees are linked, contractually, to the market value of the investments themselves and have been estimated by the Secretary-General to amount to \$1,450,000 for 1976, as against appropriations of \$1,200,000 for 1975. Increases have also been requested by the Secretary-General in the amount provided for Investments Committee travel, from \$27,000 in 1975 to \$33,000 in 1976, mainly because of the addition of two ad hoc members to this Committee, and in an amount of \$1,200 for communications services. Certain other items have also been raised slightly, as a result of higher costs.

29. In so far as the supplementary estimates of \$206,300 for 1975 are concerned (annex III, table 3), the principal items are an amount of \$117,900 for salaries and wages, \$6,000 for overtime and \$19,000 for common staff costs resulting from the increased work-load produced by the dual system for adjusting pensions introduced in 1975 (referred to in para. 27 above), an amount of approximately \$20,000 for the investment management staff, an additional \$10,000 for Investments Committee travel and communications, \$65,000 for supplementary actuarial services required in connexion with the thirteenth actuarial valuation as well as for consultations with an independent actuary on matters related to the adjustment of pensions, approximately \$8,000 for the enlarged Committee of Actuaries, and \$6,300 for printing costs related to the participants' annual statements and explanatory booklets.

#### D. Further action by the Board

30. The action taken by the Board within its own powers under the Regulations related principally to the annual review of the Fund's investment position and investment policy, consideration of the results of the actuarial valuation of the Fund as at 31 December 1974, the introduction of certain changes in the Administrative Rules, and consideration of the future membership of the Committee of Actuaries. The Board also examined and approved the financial statements, schedules and statistics annexed to the present report, and dealt with various points raised in the report of the Board of Auditors to the General Assembly on the accounts of the Fund for the year ended 31 December 1974 (see annex IV).

(i) Investments of the Fund

General

31. The Board's review of investment policy and of the returns currently being obtained from the portfolio was carried out on the basis of detailed reports furnished for the purpose by the Secretary-General, who, under the Regulations, is responsible, in consultation with the Investments Committee and in the light of observations and suggestions made by the Board, for the investment and management of the Fund's assets.

32. The Board noted from the information provided by the Secretary-General that the Fund's holdings at 31 March 1975 were 68 per cent in equities (common stocks, convertible bonds and real estate), 9 per cent in short-term, fixed-interest obligations, and 23 per cent in long-term, fixed-interest obligations (bonds), ratios which were about the same as they had been at 31 March 1974. The market value of the total Fund at 31 March 1975 was \$936 million while the book value <sup>2/</sup> was \$934 million. An examination in order to determine the countries in which moneys were invested showed that of \$849 million in long-term investments, \$312 million, or 37 per cent, had been placed outside the United States, or in United States dollar bonds the funds from which had been invested in countries outside the United States.

33. Statistics presented to the Board indicated the cumulative annual rate of return on bond and stock investments (consisting of dividends and interest plus realized and unrealized capital gains and losses) over the 10 years ended 31 March 1975. Over that period, the United States equity component of the portfolio showed an average annual return of 3.50 per cent, and the equity section outside the United States a return of about 8.60 per cent. In the past year, United States equities had declined 11 per cent, principally as a result of the adverse market conditions in the first half of that year. Equity investments outside of the United States had, however, shown a gain of 11 per cent for the same year, nearly all of which was the result of upward revaluations of other currencies against the United States dollar. For the 10-year period, fixed-income securities showed a return of about 3.90 per cent. However, when measured on yield to maturity, that component of the Fund showed a further increase from 6.80 per cent a year ago to 7.30 per cent at 31 March 1975, a figure which was about 4.30 per cent 10 years ago. The improvement had been made possible due to higher interest rate levels and active management of the portfolio.

34. Although detailed investment data for long-term measurement could not be supplied by the Secretary-General for the quarter ended 30 June 1975, it was noted from preliminary figures that the upswing in the stock market which occurred in the quarter ended 31 March 1975 had continued over the ensuing three months. The United States equity portfolio had appreciated about 15 per cent during that quarter while the equity portfolio outside the United States, which had risen at a faster pace during the preceding quarter, rose only 4 per cent. The total Fund appreciated approximately 7 per cent during the second quarter. That gain of more than \$60 million, together with additional cash flow, carried the Fund beyond the \$1,000 million level by 30 June 1975.

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<sup>2/</sup> "Book value" represents total contributions received (net of payments to participants and expenses of the Fund) plus income earned from investments.



### Investment in real estate

35. The Fund's investments in real estate equity now amount to some \$35 million, or 3.5 per cent of the Fund. It is expected that the goal of these investments, which is real estate holdings of about \$50 million, or 5 per cent of the total assets of the Fund, can be achieved reasonably soon. During the past several years, real estate markets have encountered grave difficulties, but the downturn in prices that has occurred as a result of those difficulties seems likely to afford interesting investment opportunities at the present time, provided care is exercised in selection.

36. The Board was informed that commitments are intended to be limited to pooled equity funds for real estate such as those already held, and thus the establishment of institutional advisory arrangements, under consideration last year, had been postponed. If at a later date it were to be decided that the Fund should participate in property ownership in a more direct manner, such arrangements could then be established for the areas in which investments are to be located.

### Investment in developing countries

37. The Board recommended in 1974 that special attention should be paid to suitable investment opportunities in developing countries. The Board believes that such investments should, however, be made in the context of the standard investment objectives of the United Nations Joint Staff Pension Fund, which are broadly those of maximizing the assets of the Fund through their investment in securities which afford the best possible return compatible with the preservation of principal, and the freedom to liquidate such securities and to transfer the sales proceeds at will. The Board recognizes also, as does the Investments Committee that, in addition to quality and competitive investment return, the capacity of the markets to absorb substantial purchase or sale transactions is a requirement of pension fund investment.

38. The Fund's development-oriented portfolio is comprised at present principally of issues of securities of development banks. Such investments not only meet the qualitative criteria and income objectives of the Fund, but they also make capital available to those organizations best positioned and staffed to provide substantial and meaningful assistance to developing countries. At 30 June 1975 such holdings totalled over \$40 million, compared with under \$10 million at 30 June 1974. The Board hopes that it will be possible to increase substantially this type of investment in the near future.

39. The Board is gratified that the Secretary-General has in the past year been able to increase the investments of the Fund devoted to the development of developing countries. It has requested him, in consultation with the Investments Committee, to continue to examine all markets through which assistance may be given to developing countries and in which the Fund may invest in high quality securities with suitable investment return.

(ii) Actuarial valuation of the Fund  
as at 31 December 1974

40. An actuarial valuation, the primary purpose of which is to determine whether the present and future assets of the Fund will be adequate to meet its liabilities, is normally carried out every two years by the Consulting Actuary on the instructions of the Board, in accordance with article 12 of the Fund's Regulations.

41. The present valuation was prepared as at 31 December 1974, using both static and dynamic assumptions with respect to future economic conditions, as had been devised by the Committee of Actuaries and approved by the Board. The static basis consisted of assuming no future inflation, while the dynamic basis assumed that inflation would be present and would affect the rates of investment return, salary increases and cost-of-living adjustments to pensions. Two valuations were made on the static basis, using rates of investment return of  $4\frac{1}{4}$  per cent and  $4\frac{1}{2}$  per cent respectively. The other valuations were made on a partly dynamic and partly static basis which consisted of assuming that, for the next 10 years, the rate of investment return would be 9 per cent, the rates of salary increases would be 5 per cent over the rates assumed for the static basis, and that pensions would be adjusted upwards at the rate of  $\frac{1}{4}$  per cent per year; after the 10-year period, static conditions would once more be assumed, together with rates of return of  $4\frac{1}{4}$  per cent and  $4\frac{1}{2}$  per cent respectively. Two such valuations were made on the assumption that the number of participants in the Fund would remain constant, and two other valuations on the assumption that the number would increase at the rate of 3 per cent per year during the 10 years of the dynamic period.

42. The results obtained from these varying hypotheses were the subject of reports by both the Consulting Actuary and the Committee of Actuaries which were considered in detail by the Board. Of the six valuation bases, the Board decided on the recommendation of the Committee of Actuaries to adopt as the Regular Valuation that which assumed dynamic conditions and a 9 per cent interest rate for 10 years, static conditions and a  $4\frac{1}{4}$  per cent interest rate thereafter, and a 3 per cent per annum growth in the number of participants during the dynamic period. On this basis an imbalance, or excess of anticipated liabilities over assets, of some \$116.6 million (equivalent to .55 per cent of payroll) was revealed, due for the most part to higher than expected rates of increase of salary (and consequently pensionable remuneration) over the past two years. The Board was therefore obliged to consider in the first instance whether deficiency payments by the member organizations could be said to be required under the terms of article 27 (a) of the Fund's Regulations. 3/

43. While the imbalance noted above is significantly higher than that shown under the previous valuation (as at 30 September 1972), the Board believes that for a number of reasons advanced by the Committee of Actuaries in its report, the soundness of the Fund is nevertheless not seriously endangered. The Committee has

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3/ Article 27 (a) reads as follows:

"In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under these Regulations, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency."

pointed out, inter alia, that actuarial valuations, even though meticulously performed, cannot be expected to produce complete precision and that, for example, a very small increase in the assumed  $4\frac{1}{4}$  per cent static interest rate - to, say  $4\frac{2}{5}$  per cent - would result in an exact actuarial balance. The Committee has drawn attention also to the fact that the imbalance constitutes barely 2 per cent of the total liabilities of the Fund (approximately \$5,467 million), and has shown that if a different basis had been used for valuing the current assets of the Fund (by adjusting over a longer range the excess of market over cost values of the common stocks), or if a later valuation date than 31 December 1974 had been used, the imbalance might have been totally eliminated.

44. The Board therefore accepts the judgement of the Committee of Actuaries that "the actuarial status of the Fund is reasonably satisfactory and that its assets will very likely be sufficient to meet its liabilities over the long-range future". There is thus no present need for recourse to be had to the provisions of article 27 (a). The Board accepts, at the same time, the further advice of the Committee of Actuaries that no significant liberalization of benefits should be made unless some additional source of financing becomes available, and that any minor liberalization or necessary up-dating of the benefit provisions should be undertaken only with great caution and prudence.

45. Finally, with regard to the suggestion made by the Advisory Committee on Administrative and Budgetary Questions in 1973 that the rate of contributions to the Fund should be reviewed as future actuarial valuations were carried out, the Board considered the advice which it had requested the Committee of Actuaries to provide on this subject, and endorses the opinion of that body that "the present financing basis of a level total contribution rate of 21 per cent" should be continued "so as to assure the guarantee of the benefits promised and the stability of the contribution rates necessary to finance the system". The Board notes, in this connexion also, the further point made by the Committee of Actuaries in its 1975 report that, as a result of the refunding provisions of article 26 of the Fund's Regulations, the Fund in fact no longer receives on a net basis 21 per cent of payroll for the purpose of meeting benefit costs, as was the case when it was first established.

#### (iii) Amendments to the Administrative Rules

46. In addition to certain consequential amendments which would be required in conjunction with the changes proposed in the Regulations for the purpose of aligning the entitlements of male and female participants (see paras. 16 to 19 above), the Board decided, in pursuance of its powers under article 4 of the Fund's Regulations, to introduce a new Administrative Rule providing expressly for the practice of continuing the payment of children's benefits up to the end of the month in which the entitlement ceases because of either marriage or attainment of the age of 21. The necessity for the amendment arises out of observations by the Board of Auditors to the effect that the existing Regulations and Rules - unlike those which they superseded as from 1 January 1970 - do not so provide specifically.

47. The Board also introduced a new Administrative Rule defining what is meant by pensionable part-time service, in furtherance of a suggestion to this effect by the Advisory Committee on Administrative and Budgetary Questions in 1974, which was confirmed by the General Assembly in resolution 3354 (XXIX). The definition

was agreed upon by the member organizations participating in the Fund, and its introduction has brought into operation an amendment to the Fund's Regulations providing for pension coverage of part-time staff which was approved by the General Assembly under the same resolution, subject to the definition of the meaning of part-time service (see annex VIII).

48. In order to formalize the long-established practice of maintaining the confidentiality of the Fund's records, the Board also decided to embody this in a specific administrative rule. The texts of the above amendments are reported in annex VIII below.

(iv) Committee of Actuaries

49. In furtherance of the decision of the General Assembly at its twenty-ninth session to increase the membership of the Committee of Actuaries from three to five members, each representing one of the five geographical regions of the United Nations, the following appointments were made by the Secretary-General on the recommendation of the Standing Committee acting on behalf of the Board:

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

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

Mr. E. M. Chetyrkin (USSR) - Region III (Eastern European States)

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

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

50. The initial appointments of the above members are scheduled to expire at the end of 1975. The Board decided at the present session, however, to recommend to the Secretary-General their reappointment from 1 January 1976 for a further period of three years, during which it intends to examine methods by which the membership may be rotated, by means of staggered terms or otherwise, in such manner as to maintain appropriately the technical and representative character of the Committee.

(v) Financial statements of the Fund for the year ended  
31 December 1974 and the report of the Board of Auditors

51. The Board approved the financial statements for the year ended 31 December 1974 and noted the report of the United Nations Board of Auditors thereon. Comments were made on the various points made in the Auditors' report, in particular with respect to the question of taxes. It was agreed that the Office of Financial Services of the United Nations should pursue this matter with the Office of Legal Affairs with a view to finding a satisfactory solution.

52. In view of the continuing delays in the receipt of contributions by the Fund from member organizations, and consequent loss of income to which the Board of Auditors has drawn attention for the second time in 1975, the Board decided to make provision in its Administration Manual for these delays to be offset by corresponding delays in the refunds made to member organizations by the Fund under article 26.

E. Participation in the Fund of members of the Joint Inspection Unit

53. In response to the request contained in section V of General Assembly resolution 3354 (XXIX), the Board has examined the possibility of including the members of the Joint Inspection Unit among those eligible for participation in the United Nations Joint Staff Pension Fund, and has considered what, if any, amendments to the Regulations of the Fund would be necessary to achieve that purpose.

54. It has concluded that it would be possible to do so by amending article 21 of the Regulations, dealing with participation, and by introducing certain consequential changes in other articles.

55. The Board believes, however, that as the General Assembly will, at its thirty-first session in 1976, be reviewing the continuance of the Unit, it would be premature to submit now detailed texts of the required amendments, but that it might be of assistance to the Assembly if the Board indicated their substance and import.

56. It should be noted that article 21 of the Regulations limits participation in the Fund to those defined as "members of the staff" of the member organizations. The change required in that article in order to provide for the eligibility of the Inspectors who, by definition, are not staff members, would have to be such as to make eligible also all those other non-staff members rendering services to the organizations in a manner similar to that of the Inspectors, such as the Chairman of the Advisory Committee on Administrative and Budgetary Questions and the Chairman and Vice-Chairman of the International Civil Service Commission. This might be done by adding a provision to make eligible for participation all officials covered by the Conventions on the Privileges and Immunities of the United Nations and of the Specialized Agencies.

57. A further change in the same article of the Regulations, to abolish the age limit of 60 as a bar to entry into the Fund, would be required if all present and future Inspectors were to be made eligible irrespective of their age. The Board is intending (independently of the question of the Joint Inspection Unit) to consider at its next session the removal of the age limit for entry into the Fund for staff members.

58. The Board would also draw the attention of the General Assembly to the fact that if, on their becoming participants in the Fund, it were desired that the present members of the Joint Inspection Unit should be enabled to have the prior periods of service they have performed as Inspectors credited as contributory separate arrangements for meeting the actuarial costs thereof would have to be concluded with the Board. This would not, however, involve further changes in the Regulations. The amount payable to the Fund if such credit for prior service were to be given to all present Inspectors, calculated as at 31 December 1975, would be \$US 743,816.

## F. Standing Committee

59. The Board elected the following as members and alternate members of its Standing Committee which, under article 4 of the Regulations, acts on the Board's behalf when it is not in session:

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>United Nations (Group I)</u>		
Mr. G. J. McGough	Mr. S. Kuttner	General Assembly
	Mr. R. Schmidt	General Assembly
	Miss K. Whalley	General Assembly
Mr. H. Debatin	Mr. D. Miron	Secretary-General
	Mr. W. H. Ziehl	Secretary-General
	Mr. C. Timbrell	Secretary-General
Mr. A. J. Friedgut	Mrs. P. K. Tsien	Participants
	Mr. A. A. Garcia	Participants
<u>Specialized Agencies (Group II)</u>		
Mr. H. S. Kirkaldy (ILO)	Mr. P. Juhl-Christensen (ILO)	Governing Body
	Mr. W. Yoffee (ILO)	Governing Body
Mr. B. Edwards (WHO)	Mr. R. L. Munteanu (WHO)	Executive Head
	Mr. W. W. Furth (WHO)	Executive Head
Mr. L. Goll (IMCO)	Mr. W. Price (IAEA)	Participants
	Mr. C. Glinz (ITU)	Participants
	Mr. R. M. Perry (WMO)	Participants
<u>Specialized Agencies (Group III)</u>		
Mr. N. Oliveti (FAO)	Mrs. M. P. de Bellavita (FAO)	Governing Body
	Mr. J. S. Khan (FAO)	Governing Body
Mr. P. Coeytaux (UNESCO)	Mr. A. Chakour (UNESCO)	Executive Head
Mr. F. X. Byrne (ICAO)	Dr. M. Milde (ICAO)	Participants

ANNEX I

Financial statements and schedules for the year ended 31 December 1974

AUDIT OPINION

We have examined the following appended financial statements, numbered I to III, properly identified, and relevant schedule of the United Nations Joint Staff Pension Fund for the year ended 31 December 1974. 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 properly reflect the recorded financial transactions for the year, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 31 December 1974.

(Signed) Abdul HAMID  
Auditor General of Pakistan

(Signed) J. J. MACDONELL  
Auditor General of Canada

(Signed) J. E. ESCALLON O.  
Controller General of Colombia

25 June 1975

Annex I  
Statement I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1974  
with comparative figures as at 31 December 1973

		<u>1974</u>	<u>1973</u>
	\$	\$	\$
<u>Assets</u>			
Cash in banks		1 417 729.51	767 185.44
Contributions receivable from member organizations		10 500 875.64	7 224 354.89
Accounts receivable		205 508.27	182 887.98
Accrued income from investments		6 809 869.98	6 661 261.33
Receivable for securities sold		1 633 773.75	3 687 285.66
Investments (schedules 2 and 3)			
Bonds - at cost			
(market value - \$299 308 667.70)	324 992 336.56		
Convertible bonds - at cost			
(market value - \$ 23 912 877.00)	30 297 925.27		
Stocks - at cost			
(market value - \$452 715 233.19)	<u>545 650 613.86</u>	900 940 875.69	809 478 901.35
Prepaid benefits		1 936 055.15	1 473 844.02
		<u>923 444 687.99</u>	<u>829 475 720.67</u>
<u>Liabilities and principal of the Fund</u>			
Benefits payable		2 502 216.34	3 093 466.38
Held in trust		160 000.00	160 000.00
Payable for securities purchased		1 984 800.14	4 034 302.02
Other accounts payable		404 958.04	1 143 773.91
Principal of the Fund			
Pension Reserve	335 404 877.00		
Participants' Account	238 159 731.02		
Balancing Account	<u>344 828 105.45</u>	918 392 713.47	821 044 178.36
		<u>923 444 687.99</u>	<u>829 475 720.67</u>

Certified correct:

(Signed) Helmut DEBATIN  
Assistant Secretary-General (Controller)  
Office of Financial Services, United Nations  
(for cash balances and investments of the  
Fund only)

(Signed) Arthur C. LIVERAN  
Secretary  
United Nations Joint Staff Pension Board

15 May 1975



Annex I  
Statement II

Statement of source and application of funds for the year  
ended 31 December 1974 with comparative figures for the  
15 month period ended 31 December 1973

	<u>1974</u>	<u>1973</u>
	\$	\$
<u>Source of funds</u>		
Contributions by participants		
7 per cent of pensionable remuneration	43 289 111.43	45 588 628.10
Additional contributions with interest to validate prior non-contributory service	423 825.24	863 743.74 <sup>a/</sup>
Repayment of benefits with interest to restore prior contributory service	689 480.83	712 039.02
Voluntary deposits	28 673.30	43 983.37
14 per cent of pensionable remuneration with interest to make periods of leave without pay contributory service	118 053.64	81 933.84
	<u>44 549 144.44</u>	<u>47 290 328.07<sup>a/</sup></u>
Contributions by member organizations		
14 per cent of pensionable remuneration	86 578 222.86	91 177 256.20
Additional contributions with interest to make prior service contributory	554 749.39	1 438 323.45 <sup>a/</sup>
	<u>87 132 972.25</u>	<u>92 615 579.65<sup>a/</sup></u>
Contributions with interest received from non-member organizations for participants transferred under agreements	187 687.53	2 853.78
Excess of actuarial cost over regular contributions with interest	<u>3 364.24</u>	<u>-</u>
Investment income		
Interest earned	24 552 613.35	22 313 203.11
Dividends	14 947 446.93	16 306 666.69
Profit on sales of investments	3 355 959.86	30 266 828.50
Loss on sales of investments	(26 054 344.53)	(35 569 896.29)
	<u>16 801 675.61</u>	<u>33 316 802.01</u>
Totals	<u>148 674 844.07</u>	<u>173 225 563.51</u>

<sup>a/</sup> Adjusted, for purposes of comparison with 1974, to include interest in the amount of \$253,847.81.

Annex I  
Statement II (continued)

	<u>1974</u>	<u>1973</u>
	\$	\$
<u>Application of funds</u>		
Payment of benefits		
Withdrawal settlements and full commutation of benefits	8 848 521.69	10 214 421.95
Retirement benefits	22 846 379.61	21 967 136.90
Early and deferred retirement benefits	7 235 933.02	7 715 802.53
Disability benefits	878 084.97	904 721.76
Death benefits (other than to children)	2 788 242.89	3 058 806.89
Children's benefits	1 255 561.44	1 392 140.96
	<u>43 852 723.62</u>	<u>45 253 030.99</u>
Contributions with interest remitted to non-member organizations for participants transferred under agreements	<u>429 446.33</u>	<u>380 771.06</u>
Contributions refunded to member organizations	<u>5 443 189.00</u>	<u>6 280 637.98</u>
Administrative expenses		
Administrative cost	573 404.66	622 196.53
Investment costs chargeable to gross income from investments	1 028 237.79	1 185 156.72
	<u>1 601 642.45</u>	<u>1 807 353.25</u>
Adjustments to prior year benefits (net)	( 692.44)	( 115 369.61)
Transferred to Principal of the Fund	<u>97 348 535.11</u>	<u>119 619 139.84</u>
Totals	<u><u>148 674 844.07</u></u>	<u><u>173 225 563.51</u></u>

Certified correct:

(Signed) Arthur C. LIVERAN  
Secretary  
of the United Nations Joint Staff Pension Board

15 May 1975

Annex I  
Statement III

Emergency Fund

Assets and liabilities as at 31 December 1974

<u>Assets</u>	\$
Cash in banks	4 847.23
	<u>          </u>
<u>Liabilities and balance</u>	
Due to Pension Fund	5 325.12
Balance	( 477.89)
	<u>          </u>
Total	4 847.23
	<u>          </u>

Source and application of funds for the year  
ended 31 December 1974

<u>Source of funds</u>	\$
Balance as at 31 December 1973	4 123.12
Contributions from	
Member organizations	10 494.98
Staff associations	19 350.94
Individual contributors	33.96
Interest	20.78
	<u>          </u>
	34 023.78
<u>Application of funds</u>	
Payments	34 501.67
	<u>          </u>
Balance	( 477.89)
	<u>          </u>

Certified correct:

(Signed) Arthur C. LIVERAN  
Secretary  
of the United Nations Joint Staff Pension Board

15 May 1975

Schedule of administrative expenses

	<u>Administrative costs</u>	<u>Investments costs</u>
	\$	\$
Established posts	374 058.86	129 714.58
Overtime and temporary assistance	104 103.13	434.45
Common staff costs	78 006.35	19 475.30
Custodial services and investment counsel		863 411.97
Consultants	29 048.48	16 637.87
Travel of staff	<u>15 664.90</u>	<u>656.35</u>
	600 881.72	1 030 330.52
Staff assessment	( <u>75 113.36</u> )	( <u>20 959.31</u> )
	525 768.36	1 009 371.21
Investments Committee		17 102.31
Committee of Actuaries	3 100.27	
External audit	9 603.35	
Staff computer services rendered by the United Nations	20 000.00	
Communications services	4 000.00	
Automatic typing system	7 486.49	
Hospitality	941.54	1 133.27
Miscellaneous charges	<u>2 504.65</u>	<u>631.00</u>
	<u>573 404.66</u>	<u>1 028 237.79</u>

Summary statements of investments as at 31 December 1974  
(000s omitted)

	<u>Balance 1 January 1974</u>		Profit or (loss) on sales	<u>Balance 31 December 1974</u>		Income 1974	Estimated yield on cost
	Par value	Cost		Par value	Cost		
United States dollar bond section	235 799	214 517	(7 568)	225 985	202 904	13 367	7.06
United States convertible bond section	22 351	23 854	(2 374)	17 341	18 092	1 058	4.19
Non-United States dollar bond section				12 123	10 942	422	9.48
Non-United States dollar convertible bond section	39 966	41 232	257	11 067	12 206	1 856	4.53
United States dollar stock section		349 652	(12 520)		415 904	10 641	2.77
Non-United States dollar stock section		124 509	(740)		129 746	4 306	3.38
Temporary investment (idle cash)	<u>55 715</u>	<u>55 715</u>	<u>247</u>	<u>110 878</u>	<u>111 147</u>	<u>7 850</u>	<u>8.68</u>
TOTAL PORTFOLIO		<u>809 479</u>	<u>(22 698)</u>		<u>900 941</u>	39 500	<u>4.38</u>
					Less Investment Cost:	<u>1 028</u>	
					Net Investment Income:	<u>38 472</u>	

Comparison of cost value and market value of investments  
as at 31 December 1973 and 31 December 1974

	31 December 1973				31 December 1974			
	Cost \$	Percentage of total	Market value \$	Percentage of market value to cost	Cost \$	Percentage of total	Market value \$	Percentage of market value to cost
United States dollar bond	214 517 205.01	26.5	193 830 121	90.4	202 903 516.68	22.5	176 392 667.70	86.9
United States convertible bond	23 854 087.34	2.9	23 352 260	97.9	18 092 277.37	2.0	14 189 650.00	78.4
United States dollar stock	349 651 868.84	43.2	402 532 934	115.1	415 904 253.05	46.2	334 828 782.19	80.5
Non-United States dollar bond					10 941 503.35	1.2	11 721 000.00	107.1
Non-United States dollar convertible bond	41 231 573.19	5.1	41 777 294	101.3	12 205 647.90	1.3	9 723 227.00	79.7
Non-United States dollar stock	124 509 166.97	15.4	141 685 206	113.8	129 746 360.81	14.4	117 886 451.00	90.9
Temporary investments (idle cash)	55 715 000.00	6.9	55 715 000	100.0	111 147 316.53	12.4	111 195 000.00	100.0
TOTAL PORTFOLIO	809 478 901.35	100.0	858 892 815	106.1	900 940 875.69	100.0	775 936 777.89	86.1

## ANNEX II

Statistics on the operation of the Fund for the year ended 31 December 1974Table 1Number of participants as at 31 December 1974

Member organi- zations	Participants as at 31 December 1973	New entrants	Transfers in	Total	Separations	Transfers out	Participants as at 31 December 1974
United Nations	17 343	2 834	96	20 274	1 935	64	18 275
ILO	2 961	481	28	3 469	374	44	3 051
FAO	6 053	712	31	6 797	699	37	6 061
UNESCO	3 719	487	20	4 226	522	31	3 673
WHO	4 852	645	14	5 510	413	17	5 080
ICAO	815	188	6	1 009	106	5	898
WMO	354	55	0	409	57	3	349
ICITO	213	34	1	248	18	1	229
IAEA	838	104	5	947	92	6	849
IMCO	136	43	6	185	21	3	161
ITU	805	102	5	912	86	1	825
	<u>38 089</u>	<u>5 685</u>	<u>212</u>	<u>43 986</u>	<u>4 323</u>	<u>212</u>	<u>39 451</u>

Table 2

Benefits awarded to participants or their beneficiaries  
during the year ended 31 December 1974

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer to other funds	Total
				under 5 years	over 5 years							
United Nations	160	46	80	1 378	210	195	29	8	12	1	6	2 125
ILO	39	9	41	256	21	14	5	0	1	1	1	388
FAO	71	24	100	422	58	55	8	4	5	0	7	754
UNESCO	57	13	55	360	32	54	5	0	2	0	2	580
WHO	41	19	24	248	56	64	8	3	5	1	3	472
ICAO	12	3	5	71	10	8	1	0	0	0	1	111
WMO	3	3	3	40	7	6	1	0	1	0	0	64
ICITO	3	0	1	14	0	0	0	0	0	0	0	18
IAEA	5	1	4	71	9	0	0	0	0	0	0	90
IMCO	1	0	2	17	1	0	0	0	0	0	0	21
ITU	7	2	8	60	8	5	0	1	0	0	0	91
<b>Totals</b>	<u>399</u>	<u>120</u>	<u>323</u>	<u>2 937</u>	<u>412</u>	<u>401</u>	<u>57</u>	<u>16</u>	<u>26</u>	<u>3</u>	<u>20</u>	<u>4 714</u>



Table 3

Analysis of periodic benefits as at 31 December 1974 -  
participants or their beneficiaries

Type of benefit	As at 31 December 1973	New	Changed to Survivor	Discontinued	As at 31 December 1974
Retirement	2 558	399	(42)	( 25)	2 890
Early and deferred retirement	1 716	443	(12)	( 60)	2 087
Disability	192	26	( 3)	( 5)	210
Widow and widower	952	58	57	( 19)	1 048
Child	1 714	401	-	(218)	1 897
Secondary dependant	23	3	-	( 3)	23
	_____	_____	_____	_____	_____
Totals	7 155	1 330	-	(330)	8 155
	=====	=====	=====	=====	=====

## ANNEX III

Estimate of administrative expensesTable 1Estimate of administrative expenses for 1976

(In US dollars)

Items of expenditure	1976 estimates	1975 appropriations	1974 expenses
Salaries and wages			
Established posts	591 000.00	523 700.00	374 058.86
Overtime	12 000.00	10 000.00	17 584.02
Temporary assistance	292 000.00	82 100.00	86 519.11
Common staff costs			
Established posts	127 000.00 <sup>a/</sup>	115 300.00	66 869.28
Temporary assistance	53 000.00	15 000.00	11 137.07
Investment costs			
Contractual investments	1 450 000.00	1 200 000.00	863 411.97
Salaries and wages			
Established posts	182 000.00	158 000.00	129 714.58
Overtime	2 000.00	800.00	434.45
Common staff costs	40 000.00	30 000.00	19 475.30
Investments Committee	33 000.00	18 000.00	17 102.31
Investment consultants	16 000.00	16 000.00	16 637.87
Travel of investment management staff	3 000.00	3 000.00	656.35
Investment reference services	1 000.00	1 000.00	631.00
Hospitality	1 500.00	1 500.00	1 133.27
Communication services	1 200.00	--	--
Actuarial services	34 000.00	45 000.00	29 048.48
Medical examinations and subscriptions	1 000.00	1 000.00	285.15
Travel of staff			
To meetings	8 500.00	13 000.00	10 180.25
On official business	5 000.00	4 000.00	2 198.28
On home leave	--	10 300.00	3 286.37
Committee of Actuaries	12 500.00	2 800.00	3 100.27
Cost of external audit	6 000.00	6 000.00	9 603.35
Computer services	20 000.00	20 000.00	20 000.00
Communications services	4 000.00	4 000.00	4 000.00
Hospitality	900.00	900.00	941.54
Miscellaneous supplies and services	2 400.00	1 200.00	9 705.99
	2 899 000.00	2 282 600.00	1 697 715.12
<u>Less: staff assessment</u>	<u>(242 000.00)</u>	<u>(170 200.00)</u>	<u>(96 072.67)</u>
<b>TOTAL</b>	<b><u>2 657 000.00</u></b>	<b><u>2 112 400.00</u></b>	<b><u>1 601 642.45</u></b>
Increase over 1975	<u>544 600.00</u>		

<sup>a/</sup> Includes travel of staff on home leave previously shown as a separate item.

Table 2  
Manning table for 1976

Category and level		1976	1975	1974
<u>Director and Principal Officer</u>				
Director	(D-2)	1	1	1
Principal Officer	(D-1)	1	1	1
<u>Professional</u>				
Senior Officer	(P-5)	3	2	2
First Officer	(P-4)	3	3	3
Second Officer	(P-3)	5	5	3
Associate Officer	(P-2)	5	6	4
Assistant Officer	(P-1)	-	-	-
<u>General Service</u>				
Principal level	(G-5)	7	7	4
Senior level	(G-4)	13	13	12
Intermediate level	(G-3)	13	13	12
TOTAL		51 <sup>a/</sup>	51 <sup>a/</sup>	42 <sup>b/</sup>

a/ Includes three Professional and five General Service posts for investment management provided to the United Nations Office of Financial Services.

b/ Includes three Professional and four General Service posts for investment management provided to the United Nations Office of Financial Services.

Table 3  
Supplementary estimates for 1975 as compared  
with the appropriations a/

Description	1975 appropriations	Revised estimate	Net increase or (decrease)
Salaries and wages			
Established posts	524 000.00	508 000.00	(16 000.00)
Overtime	10 000.00	16 000.00	6 000.00
Temporary assistance	82 100.00	200 000.00	117 900.00
Common staff costs			
Established posts	115 000.00	111 000.00	( 4 000.00)
Temporary assistance	15 000.00	34 000.00	19 000.00
Investment costs			
Salaries and wages			
Established posts	158 000.00	174 000.00	16 000.00
Overtime	800.00	2 000.00	1 200.00
Common staff costs	30 000.00	33 000.00	3 000.00
Investments Committee	18 000.00	27 000.00	9 000.00
Communications	-	1 200.00	1 200.00
Actuarial services	45 000.00	110 000.00	65 000.00
Travel of staff			
To meetings	13 000.00	14 500.00	1 500.00
Committee of Actuaries	2 800.00	11 000.00	8 200.00
Miscellaneous			
Supplies and services	1 200.00	7 500.00	6 300.00
TOTAL	<u>1 014 900.00</u>	<u>1 249 200.00</u>	234 300.00
Less: Staff assessment adjustment			(28 000.00)
Total net increase			<u>206 300.00</u>

a/ Limited to items in respect of which additional appropriations are requested.

## ANNEX IV

### REPORT OF THE BOARD OF AUDITORS

1. The Board of Auditors, established under General Assembly resolution 74 (I), is required, under article 14 of the Regulations and Rules of the United Nations Joint Staff Pension Fund approved by the General Assembly in resolution 2524 (XXIV), to audit the accounts of the United Nations Joint Staff Pension Fund in a manner agreed between the Board of Auditors and the United Nations Joint Staff Pension Board. In terms of the agreement dated 16 July 1974 between the Board of Auditors and the United Nations Joint Staff Pension Board, audit is to be carried out in accordance with the standardized financial regulations and additional terms of reference relating to external audit approved by the Administrative Committee on Co-ordination at its fifty-third session held on 26 and 27 April 1971.

#### Financial statements submitted for the year ended 1974

2. The Secretary of the United Nations Joint Staff Pension Board submitted for audit the following three financial statements of the Pension Fund as at 31 December 1974, together with three related schedules:

Statement I	Assets and liabilities
Statement II	Source and application of funds
Statement III	Emergency Fund statement.

#### Scope of Audit

3. The scope of audit of the Board of Auditors is enunciated in the Financial Regulations, which state that:

"The audit shall be conducted in conformity with generally accepted common auditing standards and, subject to any special directions of the General Assembly, in accordance with the additional terms of reference set out in the annex to the present Regulations.

"The Board of Auditors may make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the Organization.

"The Board of Auditors shall be completely independent and solely responsible for the conduct of the audit.

"The Advisory Committee on Administrative and Budgetary Questions may request the Board of Auditors to perform certain specific examinations and issue separate reports on the results."

4. Paragraph 1 of the annex to the Financial Regulations referred to above requires that:

"The Board of Auditors shall perform jointly and severally such audit of the accounts of the United Nations including all trust funds and special accounts, as it deems necessary in order to satisfy itself:

(a) That the financial statements are in accord with the books and records of the Organization;

(b) That the financial transactions reflected in the statements have been in accordance with the Rules and Regulations, the budgetary provisions and other applicable directives;

(c) That the securities and moneys on deposit and on hand have been verified by certificate received direct from the Organization's depositories or by actual count;

(d) That the internal controls, including the internal audit, are adequate in the light of the extent of reliance placed thereon;

(e) That procedures satisfactory to the Board of Auditors have been applied to the recording of all assets, liabilities, surpluses and deficits."

5. The Board's examination was carried out in accordance with the above provisions and included a general review of the accounting procedures, systems of internal financial controls and such tests of the accounting records and other supporting evidence as it considered necessary in the circumstances.

6. The Board's examination of the accounts and financial statements was carried out in New York.

#### Audit observations and recommendations

##### General

7. The principal of the Fund increased from \$821,044,178 as at 31 December 1973 to \$918,392,713 as at 31 December 1974.

8. The investment income of the Fund during the year ended 31 December 1974 was \$16,801,676 as compared to \$33,316,802 during the period of 15 months ended 31 December 1973 (proportionate for 12 months \$26,653,442). The income consisted of:

	<u>12 months</u> <u>ended 31 December</u> <u>1974</u> \$	<u>15 months</u> <u>ended 31 December</u> <u>1973</u> \$
Interest earned	24,552,613	22,313,203
Dividends	14,947,447	16,306,666
Profits on sales of investments	3,355,960	30,266,829
	<hr/> 42,856,020	<hr/> 68,886,698
<u>Less:</u> loss on sales of investments	26,054,344	35,569,896
	<hr/> 16,801,676	<hr/> 33,316,802

9. The total investments of the Fund at cost amounted to \$900,940,876 on 31 December 1974 as compared to \$809,478,901 as at 31 December 1973. The market value of the investments amounted to \$775,936,778 (86.1 per cent of cost) on 31 December 1974 as against \$858,892,815 (106.1 per cent of cost) on 31 December 1973.

10. Investments in non-US dollars have decreased from 20.5 per cent as at 31 December 1973 to 16.9 per cent as at 31 December 1974.

#### Recovery of loss of interest on short-term investments

11. In paragraphs 12 to 15 of the Audit report on the accounts for the period ended 31 December 1973, it was pointed out that the method adopted by the adviser for working out daily cash balances was defective, resulting in considerable losses of potential income to the Fund. On the Board's suggestion, a thorough examination of the investible cash balances was made by the Administration with a view to recovering all losses of income to which the adviser had agreed in principle. The Board is glad to note that an amount of \$73,143.85 has been recovered in instalments - \$30,000 having been credited in 1974 and the balance of \$43,143.85 in 1975.

12. The controls set up in the Treasury since December 1973 to verify investible cash balances were reviewed generally and found satisfactory.

#### Accounting of contributions to the United Nations Joint Staff Pension Fund received from member organizations

13. As a result of the action taken on the recommendation made by the Board in paragraph 20 of the last year's Audit report, another sum of \$14,705 was recovered from a bank which had been late in reporting on the receipt of contributions.

14. It was noticed that a copy of advice issued by member organizations to their bankers was now being received in the Treasury, but the actual dates on which the banks transferred funds to the adviser were still not available. An independent check could not therefore be exercised as to timely accounting of the receipt of contributions.

15. As a result of tests carried out this year, it was noticed that in 24 cases there was a considerable gap between the dates of advices by member organizations and the dates on which the contributions were accounted for by the adviser. Although the dates of actual remittance were not available, the fact that in these cases receipt was shown after the 10th of the month pointed to the need for verification. These delays could either be on the part of the bankers of member organizations or due to procedural snags. In any case, the Pension Fund was the loser, as moneys were utilized for short-term investments only from the day they were shown to have been received.

16. It was stated by Administration that a procedure had been set up to verify the recording of contributions by reference to the advices of the bank through which all contributions are routed to the adviser. In one of the cases noted in the 1974 audit, a sum of \$4,082 was recovered in February 1975.

17. While the internal control procedures have been established in the Treasury to verify the timely accounting for contributions, the Board believes that a direct intimation of the date of transfer of funds from the bankers of the member organizations would further enhance the effectiveness of these controls. The Board suggests that in the cases referred to in paragraph 15 the dates of actual remittance by the bankers of the member organizations be obtained and the delays investigated further.

#### Short-term investments

18. In view of the conditions prevailing in the money market for several years, management of short-term investments has received considerable attention with significant additions to the income of the Fund. The available cash balance is invested in: (a) short-term investments of 1 to 4 days, and (b) time deposits of 1 to 3 months.

19. An analysis of the short-term investments made by one adviser during 1974 revealed that investments on a 1 to 4 days basis ranged between \$14 million to \$52.5 million. The amounts represent the net available balance after meeting all obligations relating to payments for purchases of all categories of securities and transfer of funds, including those for payment of pension benefits.

20. The fact that at no time during the year was the investment in category (a), on a 1 to 4 day basis, less than \$14 million indicates that a larger share of the investment reserve could be put in time deposits earning a higher rate of interest. It may be added that on the basis of average rates of interest during the year, an addition of say, \$10 million in time deposits would have earned an additional income of \$110,000 in one year.

21. The Board recognizes that a suitable reserve should be readily available in day to day investments to take advantage of unanticipated buying opportunities, should they suddenly occur in the market. It is, however, noted that in their successive meetings held on 26 February, 6 May and 22 July 1974 the Investment Committee had continuously recommended that the cash which would accumulate over the next several months should, for the most part, be placed in short-term investments, pending more settled conditions in the equity markets both in and outside the United States. A relatively larger amount in time deposits would have been in line with this policy.



22. The Board suggests that in the light of the facts stated above the position be reviewed in consultation with the advisers and the Investment Committee. The Administration indicated that with the change in market conditions in 1975 the Fund's posture with regard to holding of cash reserves had changed considerably; nevertheless it agreed that should the establishment of such large reserves be undertaken in the future it would ask the advice of the Investment Committee, more specifically as to proportions of such reserves which might be placed in various maturities.

#### Sale and purchase of bonds

23. Prior to November 1972, the guidelines given by the Investment Committee for the purchase and sale of bonds suggested that any loss on the sale of a bond should be made up from income on a new purchase within five years. In its meeting held on 21 November 1972, the Investment Committee reviewed the position and advised that in order to have a more flexible approach to the management of the bond investment, transactions outside of the said criterion might also be effected provided the transaction resulted in a long-term improvement in either income potential or capital value without substantially altering the over-all quality mix of the bond holdings.

24. The adviser now makes purchases and sales of bonds as and when a suitable opportunity arises without consulting the Treasury in each case. There is only a spot check in the Treasury to verify whether the guidelines recommended by the Investment Committee for the purchase and sale of bonds were being observed.

25. It was suggested that in future a more systematic and regular test check be carried out in the Treasury. The Administration agreed with the suggestion and an appropriate monitoring procedure has been established for verification of the transactions in bonds.

#### Delay in receipt of monthly contributions to the Joint Staff Pension Fund

26. In paragraphs 22 to 25 of the Audit report on the accounts for the period ended 1973 comments were made on delay in receipt of contributions to the Pension Fund from member organizations. In response, the Secretary of the United Nations Joint Staff Pension Board requested all member organizations to ensure remittances in United States federal funds by due dates.

27. A review of the position in 1974 revealed considerable improvement, particularly in the latter half of the year. As against 66 cases in 1973, contributions in 1974 were received after the prescribed dates in 43 cases. The delay in receipt of contributions ranged from 1 to 53 days. The loss of additional income to the Fund on this account was approximately \$90,000, out of which \$77,000 could be attributed to the United Nations alone.

28. The delay by the United Nations in remitting its contributions was stated to be due to unsatisfactory flow of regular contributions from Member Governments.

29. The Secretary of the United Nations Joint Staff Pension Board intends to submit a proposal to the Pension Board for adoption of a rule to the effect that in refunding contributions to member organizations under article 26 of the

Regulations any loss caused by delays in the transmittal of their contributions to the Fund would be taken into account as appropriate, or alternatively that interest be charged.

#### Refund of taxes collected on dividends

30. Dividends earned on the investments of the United Nations Joint Staff Pension Fund in all countries except the United States of America are paid after deducting taxes levied by the Governments of the countries concerned. Refund of the taxes is claimed afterwards.

31. The dividends received are recorded on a net basis only. Refund of taxes is treated as a new item of dividend income. The Treasury does not maintain a control account to record the amounts of taxes deducted from dividends and the corresponding refunds received against each item. In the absence of this record the amount of refunds due to the Joint Staff Pension Fund could not be determined accurately.

32. On the basis of information available from the adviser the outstanding amount of taxes withheld from dividends as at 31 December 1974 was approximately \$444,000.

33. The Board considers that the amounts involved in the tax refunds are sufficiently significant to warrant the setting up of appropriate internal controls, and disclosure in the financial statements.

34. The Administration has agreed to establish in the Treasury controls to record the amounts of taxes deducted from dividends and the corresponding refund received against each withholding and proposes to indicate the amount of refunds due in a foot-note to the financial statements effective from 1975.

#### Follow-up on recommendations made in previous years

35. As indicated in the preceding paragraphs, the Board appreciates the follow-up action taken by Administration on its earlier recommendations. The items dealt with in the succeeding paragraphs need to be pursued further and expeditious action is needed to finalize them.

#### Payment of direct taxes on the purchase sales of stocks

36. The problem of obtaining exemption from the taxes levied on sales and transfers of stock by the United States of America and other countries is of long standing and was referred to by the Board in 1972. Since the stock transfer tax is a direct tax assessed against the person (organization) intended to pay it, the assets of UNJSPF which are held in the name of the United Nations should be exempt from the payment of this as well as all other direct taxes under section 7 of the Convention on the Privileges and Immunities of the United Nations a/ which provides that the United Nations, its assets, income and other property shall be exempt from all direct taxes.

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a/ General Assembly resolution 22 A (I).

37. In 1973 and 1974, the amount of such taxes paid the United States of America was approximately \$105,000 and \$28,000 respectively. The amount of similar taxes paid in other countries is not readily available.

38. The Board recommends that effective steps be taken on a priority basis to obtain exemptions from Governments concerned.

#### Annual accounts

39. The need for specifying a date by which the accounts should be transmitted to the Board of Auditors was commented upon in the Audit reports for each of the years 1970 to 1974. In 1974, the Pension Board stated that a specific date could not then be set for the transmission of the annual accounts owing to change in the Fund's financial year to the period 1 January to 31 December.

40. The accounts and financial statements for the year ended 31 December 1974 were submitted to the Board on 15 May 1975. We hope that a specific date can now be fixed in the light of the experience gained this year. This would help both Administration and External Audit to plan their work relating to finalization of accounts and Audit report, in a more systematic way.

#### Acknowledgement

41. The Board of Auditors records its appreciation for the co-operation and assistance extended by the Secretary of the Joint Staff Pension Board, his staff and the Secretariat of the United Nations.

(Signed) Abdul HAMID  
Auditor General of Pakistan

(Signed) J. J. MACDONELL  
Auditor General of Canada

(Signed) J. E. ESCALLON O.  
Controller General of Colombia

25 June 1975

## ANNEX V

### ADJUSTMENT OF PENSIONS

#### Interim report

#### Introduction

1. The General Assembly in 1974 endorsed, in resolution 3354 (XXIX), the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions with respect to the proposals submitted by the Board for the introduction of a revised system for the adjustment of pensions in payment. The recommendations as framed in the Committee's report (A/9879) were as follows:

"19. In the light of the foregoing considerations, the Advisory Committee has reservations about the Board's proposals. Had the Board complied more strictly with the request contained in resolution 3100 (XXVIII), a/ we might not now be faced with a scheme which appears to be born of expediency. The Committee is particularly concerned that it has not proved possible to devise a unified system. The dual system advocated by the Board not only faces pensioners with a difficult choice, the outcome of which depends on unpredictable events, but brings in its train administrative complications.

"20. Accordingly, the Advisory Committee recommends that the General Assembly should request the Board to resume its consideration of the question with a view to establishing a unified and durable scheme which would meet as logically and equitably as possible the interests of all pensioners and which could be financed without adding to the current or potential financial liability of the membership.

"21. At the same time, the Committee recognizes that the cost of the scheme proposed by the Board is relatively small in actuarial terms and that it is favoured by the participants. Pending the outcome of these further studies, and in the absence of a better alternative, the Advisory Committee would not therefore press its objections to the introduction of the Board's proposal provided the major inconsistency described in paragraph 17 b/ above is overcome. This could be achieved by prescribing that no beneficiaries who opt for the CPI system will receive more than they would have done had their date of separation been 1 January 1975. The Advisory Committee suggests that the General Assembly may wish to proceed accordingly.

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a/ For the study of selective systems of adjustment.

b/ The Board's proposals would have permitted existing pensioners, in certain circumstances to have their pensions adjusted to higher levels in local currency than if those pensions had commenced on 1 January 1975.

"22. The existing scheme of pension adjustment is due for review in 1976 and any adaptation of that scheme which may be approved now should be reviewed at the same time. The Board will no doubt bear this in mind when re-examining the matter and submitting proposals for a unified scheme to replace these transitional arrangements. Full account should also be taken of the actuarial review of the Pension Fund which is due to be completed in 1975."

2. In adopting the Board's proposals as amended by the Advisory Committee, the General Assembly requested the Board to "commence the review of the existing scheme of pension adjustment early in 1975 and ... (to) make an interim report thereon to the General Assembly at its thirtieth session."

3. Consequently, the Board is currently reviewing the various aspects of adjusting pensions with a view to making concrete proposals next year for a new scheme which could replace the present arrangements. In accordance with the General Assembly's request, the Board is now submitting an interim report indicating the present status of its deliberations.

#### Background of the present scheme

4. The present "dual" arrangement, under which pensioners and retiring staff are given a choice between two methods by which their pensions may be adjusted, is the latest of several attempts made by the Board since 1971 to deal with the effects on pensions of the economic uncertainties of recent years. There are two major sources of the problems which have arisen:

(a) The state of flux in the monetary system, starting with the decline, in 1971, in the exchange rate of the United States dollar, which is the accounting base of the Fund, against a number of national currencies;

(b) Rates of inflation which have been abnormally high and have varied greatly between countries.

The result has been continuing uncertainty and concern for many pensioners and officials approaching retirement age.

5. Several measures have been adopted with a view to coping with these problems. In 1972 ad hoc supplementary adjustments were made so that the rate at which compensation for the erosion in purchasing power was speeded up. In 1973, when it became apparent that the economic fluctuations were continuing and the supplementary payments were, in many cases, inadequate, a new system was introduced from 1 January 1974. This system provided adjustments - still at equal rates for everyone regardless of residence - which were made at three-monthly intervals, according to the movement (provided it was not less than 3 per cent) of the weighted average of the post adjustment indices at the main duty stations. At the same time a single supplementary adjustment for previous losses was also granted.

6. The above system, known as the weighted average of post adjustments (or WAPA) system, had the desirable characteristic, previously lacking, of speedy reaction to both fluctuations in exchange rates against the dollar and cost-of-living movements. However, because it continued to operate on the basis of worldwide averages it was

shown to be inadequate. It produced both under and over compensation, particularly the former with the further depreciation of the dollar against many currencies, to degrees which came to exceed acceptable limits in several countries. For this reason, a new optional alternative referred to as the CPI system - based on national currency payments adjusted according to changes in the Consumer Price Index (CPI) of the country of residence - was incorporated into the scheme with effect from 1 January 1975.

7. Consequently, participants may now choose between:

(a) The WAPA system, which denominates the pension in United States dollars and adjusts it according to an index which reflects the average worldwide movements in exchange rates and cost of living;

(b) The CPI system, which denominates the pension at the date of retirement in the currency of the country of residence and adjusts it thereafter according to the movement of consumer prices in that country. The exchange rate used is the average of the United Nations operational rates over the last 12 months prior to retirement.

A choice of WAPA upon retirement may later be changed to CPI; a CPI choice, once made, may not be changed back to WAPA. c/

#### Experience under the present scheme

8. The new WAPA/CPI scheme has been in effect only since 1 January 1975 and a considerable portion of this period has been absorbed in the preparation of the administrative machinery (including notification to retired participants, provision of estimates, etc.). Existing pensioners on 1 January 1975 have a full year in which to make their choice and those who retire after that date have six months, so many pensioners have not yet made their elections. Experience to date is, therefore, limited and inconclusive.

9. Of 5,347 pensioners who separated before 1 January 1975, 927 had by 31 August 1975 elected the CPI system while 1,678 had chosen WAPA. The remaining 2,742 had not yet exercised a choice and hence continue to be paid under the WAPA system. d/ Of pensioners who have separated since 1 January 1975, 45 have chosen CPI and 267 have chosen WAPA. Appendices 1 and 2 attached show details of the elections. Of a total of 5,444 pensioners on 31 August 1975, 972 had elected to receive payment based on the CPI system, while 4,472 were under the WAPA system.

10. As appendices 1 and 2 show, the majority of the actual elections of the CPI system have been from those countries where, in recent years, the local currency has appreciated against the United States dollar.

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c/ Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 9 (A/9609), para. 39.

d/ Ibid., annex V, para. 17.

11. As will be seen from appendix 3, the Secretary had received (by 31 August 1975) 1,985 requests for comparative estimates of benefits under the two systems, which may indicate a degree of uncertainty among pensioners facing this choice. Replies have been sent to 821 of those requests.

#### Major subjects for study

12. In its review of the present scheme and study of possible future schemes, the Board has found it useful to consider the various issues under the following four main subject headings:

- The advantage and disadvantages of the WAPA/CPI scheme;
- The adjustment of the pension in payment;
- The determination of the initial pension;
- Costs and financing.

#### Advantages and disadvantages of the WAPA/CPI scheme

13. The Board feels it necessary to emphasize that the question of pension adjustment in an international environment is far more complex than it is in any national civil service retirement system, which is limited to one currency, one country and one set of economic factors, including inflationary trends and tax structure.

14. Advantages offered by the WAPA/CPI scheme are:

(a) The CPI option provides the pensioner with protection against future cost-of-living increases and adverse currency movements in the country of his residence;

(b) "Acquired rights" are protected;

(c) The WAPA system provides a "fall-back" arrangement enabling payment to pensioners to be continued pending their exercise of the option.

15. Disadvantages of the present scheme are:

(a) Participants retiring on different dates with the same Final Average Remuneration in dollars get different amounts of pension in local currency under the CPI system, as the result of the computation of their initial pension in accordance with different rates of exchange;

(b) The scheme does not compensate existing pensioners in full for the losses suffered due to devaluation of the dollar;

(c) The duality of the scheme presents some pensioners with a difficult choice and creates administrative complications resulting in payment delays;

(d) The WAPA system over-compensates some beneficiaries and under-compensates others.

#### Adjustment of the pension in payment

16. The Board is conscious of the magnitude of the task of developing a pension adjustment scheme capable of compensating effectively for both currency changes and inflationary movements. What it involves is the introduction of a measure of stability into a scheme of pensions applied universally under conditions of continuing currency instability and widely differing rates of inflation.

17. Appendix 4 illustrates the changes in the cost of living in the countries where payments are being made to 20 or more beneficiaries. The exchange rates (against the United States dollar) for these same countries are given in appendix 5. The combined effect of changes in the cost of living and exchange rates is shown in the form of indices in appendix 6, which also gives a comparable index for the WAPA system (and its predecessor before 1 January 1974). Appendix 6 thus indicates, in an approximate manner, the areas where the WAPA system is at substantial variance with the trends reflected in currency and cost-of-living movements. It does not reflect, however, the actual method used for determining CPI benefits in the case of participants who retired before 1 January 1975.

18. The Board is considering first the problems posed by variations in exchange rates as applied to a pension expressed in United States dollars. A reduction in benefits caused by exchange rate changes appears to the pensioner to be totally without justification, since his cost of living will not have decreased. Moreover, his counterparts in the country of his residence who are still active staff members will be compensated by their employing organizations for the loss in purchasing power, while pensioners of the national Government will not have suffered such a loss. There are three other important aspects of this problem, namely:

(a) By its very nature, the effect is "selective", that is to say, one currency may change its exchange rate against the dollar, while another remains stable or changes to a different degree.

(b) Variations in exchange rates can occur suddenly, or can move slowly over time in a period of floating exchange rates.

(c) These variations, especially those that are abrupt, apply both to the initial pension immediately upon entitlement and to the amount of periodic benefit being received by a long-standing pensioner or beneficiary.

19. The Board must therefore consider whether variations in exchange rates are such as to make some kind of selective system necessary, or whether some form of "global" or "universal" system can be devised to allow for those fluctuations. If, as indicated earlier, protection of the retired participant against fluctuations in exchange rates is essential, the local currency element inherent in the present selective (CPI) system, or some close equivalent, must be incorporated in it.

20. The other major question relating to adjustment of pensions in payment, is



how cost-of-living increases should be measured. Of the possibilities previously discussed, the Consumer Price Index produced by the National Government was made the basis of the CPI system despite the practical problems raised by the fact that the indices are frequently not available when required. The Board is now considering alternative approaches to the solution of those problems as well as the basic question of how a unified scheme can provide equitable treatment for pensioners in widely differing economic conditions.

21. One feature that will probably be required, if a consolidated scheme is to be proposed, is some form of "fall-back" arrangement such as the WAPA system now provides, as mentioned in paragraph 14 above. Experience to date has shown that an arrangement of this type is probably essential in conjunction with any selective scheme based on residence, since without it benefit payments cannot be made until proof of residence and other documentation has been furnished.

22. A further important issue is that of "acquired rights" of existing pensioners and beneficiaries, if a new and different adjustment scheme is adopted. This concern was one of the principal reasons why the dual WAPA/CPI scheme was proposed in 1974. The issue is related to that of any special procedures which may be needed to provide a transition from the present scheme to any new adjustment scheme.

23. Yet another point which has been noted for possible consideration is whether, and if so how, the level of pensions in payment could be adjusted in proportion to the movement of remuneration of serving staff.

#### Determination of the initial pension

24. The present WAPA/CPI system includes a dual method for computation of the initial pension and therefore this part of the system must be examined in the development of any new scheme. The determination of the initial pension is of great importance, especially the manner in which it will be converted into the currency of the country of residence if a local currency guarantee is given as under the present CPI system. If conversion is made from a dollar benefit at an exchange rate when the dollar is low, it will give, for all future years, a smaller pension than if the conversion were made at an exchange rate based on a more valuable dollar.

25. The present CPI system attempts to solve this problem by using the average exchange rate over the 12 months prior to the date of separation. This smoothes out short-term fluctuations, but does not allow for long-term variations in currency parities.

26. In a durable system, account will need to be taken of continuing instability and variations in both directions in the value of the United States dollar. This might be done, for example, by the following methods which are being studied:

(a) Final average remuneration (FAR) could be computed in the local currency of the country of residence of the pensioner;

(b) The exchange rate could be averaged over a period longer than 12 months, for example 3 or 5 years.

27. A fundamental difficulty lies in the fact that however long or short the averaging period, there would remain differences in the pensions of two participants with identical careers who separated on different dates. The Board is, therefore, not excluding other more basic approaches to the determination of the initial pension in local currency.

28. One such approach would follow the concept of the post adjustment system. In the same way that post adjustments are used (for Professional and higher categories of staff members) to equalize salaries, taking into account differences in cost of living and exchange rates, so might a similar device be used to equalize pensions. Alternatively, if it were felt that the post adjustment index was inappropriate to the situation of pensioners, then a similar indexing approach might be based on the actual costs of baskets of goods and services relevant to a pensioner, comparing one country with another.

29. To allow for differences between countries in purchasing power would introduce a new basic element into the concepts of the Fund's benefit system, and one which demands careful analysis. At this stage, there are differences of opinion within the Board on various aspects of such a step, including the role the participant's contributions should play in establishing his (initial) pension.

30. The Board has examined and found unsatisfactory various proposals which would vary the initial pension according to earnings at the participant's last duty station since this would under-compensate those working in low-cost areas (such as many developing countries) who retire to high-cost areas, and correspondingly over-compensate those working in high-cost areas who retire to low-cost areas.

31. There are anomalies in some areas as regards the relative levels of pensions of General Service and Professional staff. These relate essentially to the base from which the pension is determined. In the case of the former category, essentially all remuneration is pensionable while for the latter group, a significant element, namely, part of the post adjustment, is not pensionable. The extent to which the post adjustment element of compensation is included in pensionable remuneration varies from time to time, for example on 1 July 1975, pensionable remuneration increased from 105 per cent to 120 per cent of gross salary. Nevertheless, because of the 3-year averaging of remuneration in the pension formula and because the amount included is variable over time, a truly durable and equitable scheme must allow for this feature of the United Nations salary system. The Board is conscious of the fact that the salary system is currently under review by the competent bodies. Arrangements have been made for it to be kept fully informed of any action of the International Civil Service Commission in this connexion which may be relevant.

32. The Board has also considered the fact that income taxes, and the amount by which they vary between countries, have a significant bearing on spendable income and, hence, on the purchasing power of pensions. An adjustment system might therefore need to allow for differences in taxation levels. There would, however, be major practical problems and difficulties in ensuring equitable treatment and at this stage the Board is unable to indicate whether and how all the questions in this complex area could be resolved otherwise than by the equitable determination of gross (i.e. before-tax) pensions.

33. The Board will bear in mind the fact that whatever new method is proposed for

determination of the initial pension it must allow appropriately for the manner in which final average remuneration is determined.

#### Costs and financing

34. Since the Board is not at this stage putting forward any specific adjustment scheme, it is not in a position to estimate the costs which may be involved. However, if "acquired rights" are to be protected, and existing inequities between categories of staff and countries of residence or pensioners are to be eliminated, there will be increased liabilities. There may well be a conflict, therefore, between having a logical and equitable scheme in the interest of all pensioners and financing it without any additional cost.

35. It has been generally assumed in the past that the Fund's 21 per cent total contribution rate is sufficient to cover the costs of the pension scheme. The 21 per cent rate, however, was not conceived originally as including provision for post-retirement pension adjustment; in the economic climate of the recent past, this element has proved a good deal more costly than could reasonably have been expected when the first adjustment scheme was adopted. It may not be possible, therefore, to devise an equitable and adequate adjustment scheme whose costs can continue to be absorbed within that rate. Moreover, actuarially, the United Nations scheme has the characteristics of a high average entrance age and a low retirement age in comparison to its counterparts elsewhere, which add to its costs.

#### Summary

36. The major matters of substance presented in this interim report, which the Board is studying, are:

(a) Whether a unified scheme as requested by the General Assembly is feasible.

(b) Assuming that a unified scheme is feasible, and that it will be on a selective basis, what is the most effective and equitable method to compensate for both currency changes and for inflationary movements.

(c) Whether adjustments to the initial pension can be made in order to establish equal pensions for participants of equal rank and length of service (i) who retire at different times, and (ii) in order to equalize differences in the purchasing power of their pensions in different countries.

(d) Whether in addition, pension adjustments should reflect real increases in salaries of serving staff, and if so, how.

(e) What transitional procedures may be required, including those relating to the preservation of "acquired rights".

(f) How to convert from a basic pension formula expressed in dollars to an initial pension denominated in the currency of the country of residence.

(g) How to take into account the differences in the pensionable remuneration of staff in the General Service category and in the Professional and higher grades.

(h) How to resolve financing problems that may arise from the need to eliminate inequities and inconsistencies, including any inequalities which may relate to the participant's own contributions.

37. The Board has made arrangements to continue its intensive study of these and related matters with a view to preparing proposals at its next session for submission to the General Assembly in 1976.

# APPENDIX 1

## A. Number of elections received as at 31 August 1975 from the existing pensioners on 31 December 1974

<u>System of adjustment</u>	<u>Number of elections</u>
WAPA	1 678
CPI	927
No decision yet made	2 742
Total number of payments being made	5 347

(Excludes children's benefits, which are normally paid to the persons holding the principal entitlement, and deferred benefits where the date of entitlement to payment has not yet been reached.)

## B. Geographical distribution by country to which payment is made as at 31 August 1975, including existing pensioners on 31 December 1974 who had elected the CPI system.

### Payments

<u>Country</u>	<u>CPI Elections</u>	<u>CPI</u>	<u>WAPA a/</u>		<u>Total payments</u>
		<u>Payments</u>	<u>In local currency</u>	<u>In US dollars</u>	
Afghanistan	11	1	1	14	16
Algeria				1	1
Argentina				4	4
Australia	23	6	40	13	59
Austria	19	14	15	44	73
Bangladesh			1		1
Belgium	31	22	20	15	57
Bolivia				1	1
Botswana				2	2
Brazil	2			24	24
Bulgaria	1			2	2

a/ These include continued payments under WAPA pending implementation of CPI elections made after 30 April 1975.

Payments

<u>Country</u>	<u>CPI Elections</u>	<u>CPI</u>	<u>WAPA a/</u>		<u>Total payments</u>
		<u>Payments</u>	<u>In local currency</u>	<u>In US dollars</u>	
Burma	2		2	5	7
Burundi	2		5		5
Cambodia	1				
Canada	7		72	101	173
Central African Republic				1	1
Chile	1			4	4
China				1	1
Colombia				5	5
Congo	4	1		1	2
Costa Rica	1			5	5
Cuba				1	1
Cyprus			1		1
Czechoslovakia				17	17
Dahomey				1	1
Denmark	17	9	22	11	42
Ecuador	1			3	3
Egypt	1		6	29	35
El Salvador			1	1	2
Ethiopia			4	4	8
Fiji		1			1
Finland	1	1	1	3	5
France	166	79	243	200	522
Gambia	1		1		1
Germany, Federal Republic of	28	13	35	21	69
Ghana			1	1	2
Greece	2			7	7
Guatemala	1			4	4
Haiti				7	7
Honduras				1	1

Payments

<u>Country</u>	<u>CPI Elections</u>	<u>CPI</u>	<u>WAPA a/</u>		<u>Total payments</u>
		<u>Payments</u>	<u>In local currency</u>	<u>In US dollars</u>	
Hong Kong			1		1
Hungary				3	3
Iceland	2			3	3
India	12	3	91	66	160
Indonesia	1		1	3	4
Iran	6	1	4	2	7
Iraq			2		2
Ireland	1	1	5	8	14
Israel				6	6
Italy	5	2	140	78	220
Jamaica				2	2
Japan	11	6	8	8	22
Jordan			2		2
Kenya	2		4		4
Kuwait				1	1
Laos				1	1
Lebanon	7	1	7	23	31
Libyan Arab Republic				1	1
Luxembourg	1	1		5	6
Madagascar			1	1	2
Malaysia				2	2
Malta				1	1
Mexico	6	1	9	23	33
Morocco		1	1		2
Nepal			2	3	5
Netherlands	32	14	31	25	70
New Caledonia	1				
New Zealand	6	2	13	5	20
Nigeria			2	1	3
Norway	9	8	5	2	15

Payments

<u>Country</u>	<u>CPI Elections</u>	<u>WAPA a/</u>			<u>Total payments</u>
		<u>CPI Payments</u>	<u>In local currency</u>	<u>In US dollars</u>	
Pakistan	3			6	6
Panama				1	1
Paraguay	1				
Peru	1		2	10	12
Philippines	4	1	4	17	22
Poland	1	1		10	11
Portugal			4	6	10
Romania				2	2
Sierra Leone	1			1	1
Singapore	2	2	1	2	5
Somalia			2		2
South Africa			1	2	3
Spain	12	6	15	45	66
Sri Lanka			1	3	4
Sudan	1				
Sweden	8	7	9	6	22
Switzerland	375	184	784	284	1 252
Syrian Arab Republic	2	1	1		2
Thailand	4	1	10	25	36
Togo	1	1		1	2
Tunisia			2	1	3
Turkey	2		1	6	7
Union of Soviet Socialist Republics			3	33	36
United Kingdom of Great Britain and Northern Ireland	71	16	257	165	438
United States of America	11	3		1 619	1 622



Payments

<u>Country</u>	<u>CPI Elections</u>	<u>CPI</u>	<u>WAPA a/</u>		<u>Total payments</u>
		<u>Payments</u>	<u>In local currency</u>	<u>In US dollars</u>	
Uruguay				2	2
Venezuela	1		2	2	4
Yugoslavia	1			14	14
Zaire			1		1
Zambia			1		1
Other				2	2
TOTAL		927	411	1 901	3 092
					5 404

Quarterly withheld	20
Monthly withheld	19
Special instructions	1
Total	5 444

# APPENDIX 2

## Number of elections received on 31 August 1975 from 1975 new beneficiaries

<u>System of adjustment</u>	<u>Number of elections</u>
WAPA	267
CPI	45

<u>Country of residence</u>	<u>Number of CPI elections</u>	
Austria	2	
Bahrain	1	
Belgium	1	
France	7	
Germany, Federal Republic of	1	
Japan	6	
Mexico	1	
Norway	1	
Philippines	1	
Spain	1	
Sweden	1	
Switzerland	1	
Thailand	17	
United Kingdom of Great Britain and Northern Ireland	1	
United States of America	3	
		—
Total of all elections		<u>312</u>

# APPENDIX 3

## Request for estimates of WAPA/CPI benefit as at 31 August 1975

Number of requests received . . . . . 1,985  
 Number of replies sent . . . . . 821  
 Number of cases being processed . . . . . 1,164

<u>Stated country of residence</u>	<u>No. of requests</u>	<u>Stated country of residence</u>	<u>No. of requests</u>	<u>Stated country of residence</u>	<u>No. of requests</u>
Argentina	4	India	73	Philippines	6
Australia	45	Iran	5	Portugal	11
Austria	36	Iraq	5	Saudi Arabia	1
Bangladesh	3	Ireland	15	Sierra Leone	1
Belgium	52	Israel	5	South Africa	4
Botswana	1	Italy	29	Spain	54
Brazil	3	Jamaica	1	Sri Lanka	1
Bulgaria	1	Japan	12	Sweden	5
Burma	1	Lebanon	19	Switzerland	714
Canada	8	Libyan Arab Republic	1	Syrian Arab Republic	1
Chile	10	Luxembourg	5	Thailand	5
China	3	Madagascar	1	Togo	3
Colombia	3	Malta	5	Tunisia	1
Denmark	21	Mexico	5	Turkey	4
Ecuador	6	Monaco	2	United Kingdom	313
El Salvador	2	Morocco	1	United States of America	16
Finland	2	Netherlands	37	Venezuela	3
France	311	New Zealand	18	Yugoslavia	3
Germany, Federal Republic of	59	Norway	5		
Greece	7	Pakistan	8		
Honduras	3	Panama	1		
Hungary	4	Peru	1		
				Total requests	<u>1,985</u>

# APPENDIX 4

National Consumer Price Index Numbers a/ for countries  
where payments to twenty or more beneficiaries are made

1970 = 100

Country	1970	1971	1972	1973	1974	1975
Australia	100	106	112	123	142	150 <sup>E</sup>
Austria	100	105	111	120	131	140 <sup>B</sup>
Belgium	100	104	110	118	133	147 <sup>A</sup>
Brazil	100	121	134	155	208 <sup>F</sup>	G
Canada	100	103	108	116	129	138 <sup>B</sup>
Denmark	100	106	113	123	142	153 <sup>B</sup>
Egypt	100	103	105	110	122	G
France	100	106	112	120	137	148 <sup>B</sup>
Germany, Federal Republic of	100	105	111	119	127	133 <sup>B</sup>
India	100	103	110	128	165	177 <sup>D</sup>
Italy	100	105	111	123	146	166 <sup>B</sup>
Japan	100	106	111	124	154	166 <sup>C</sup>
Lebanon	100	102	107	113	126	130 <sup>C</sup>
Mexico	100	103	110	128	170	G
Netherlands	100	108	116	125	137	147 <sup>B</sup>
Philippines	100	123	143	153	215	233 <sup>C</sup>
Spain	100	108	117	131	151	168 <sup>C</sup>
Sweden	100	107	114	122	134	142 <sup>B</sup>
Switzerland	100	107	114	124	136	144 <sup>A</sup>
Thailand	100	102	106	119	146	149 <sup>D</sup>
Union of Soviet Socialist Republics	100	100	100	100	G	G
United Kingdom of Great Britain and Northern Ireland	100	109	117	128	148	170 <sup>B</sup>
United States of America	100	104	108	114	127	136 <sup>A</sup>

a/ Source: United Nations Statistical Office

A = as at April 1975

E = as at 4th quarter 1974

B = as at March 1975

F = as at October 1974

C = as at February 1975

G = not available

D = as at January 1975

APPENDIX 5

United Nations operational rate of exchange in units per United States dollar since  
1971 for countries where payments to twenty or more beneficiaries are made

Currency	1 Jan. 71	1 July 71	1 Jan. 72	1 July 72	1 Jan. 73	1 July 73	1 Jan. 74	1 July 74	1 Jan. 75	1 July 75
Australian dollar	.8928	.8928	.8396	.8396	.7843	.7059	.6723	.6723	.763	.750
Austrian schillings	25.83	24.95	23.70	23.00	23.20	18.70	19.60	18.25	17.35	16.85
Belgian franc	50.00	50.00	44.82	44.00	44.00	37.00	40.50	38.00	37.00	35.00
Brazilian cruzeiro	4.92	5.25	5.60	5.88	6.18	6.06	6.18	6.78	7.40	8.02
Canadian dollar	1.02	1.01	1.00	.98	1.00	1.00	1.00	9.97	.98	1.02
Danish kroner	7.50	7.50	7.07	7.00	6.88	5.70	6.20	6.02	5.72	5.42
Egyptian pound	.4348	.4348	.4348	.4348	.3913	.3913	.3913	.3913	.3913	.3913
French franc	5.52	5.52	5.22	5.01	5.11	4.20	4.60	4.90	4.50	4.00
German mark	3.66	3.50	3.27	3.18	3.18	2.45	2.68	2.54	2.43	2.34
Indian rupees	7.50	7.50	7.50	7.270	7.63	7.20	8.00	7.75	7.95	8.20
Italian lire	624.00	624.00	592.00	582.00	582.00	590.00	632.00	650.00	650.00	630.00
Japanese yen	360.00	360.00	314.00	304.00	301.00	265.00	280.00	285.00	300.00	295.00
Lebanese pound	3.25	3.25	3.16	3.05	3.01	2.50	2.45	2.31	2.33	2.22
Mexican peso	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Netherlands guilder	3.60	3.57	3.25	3.20	3.24	2.65	2.80	2.65	2.53	2.43
Philippine peso	6.30	6.30	6.30	6.70	6.70	6.70	6.70	6.70	7.00	7.00
Spanish peseta	70.00	70.00	65.90	64.50	63.50	58.00	57.00	58.00	57.00	56.00
Swedish kroner	5.16	5.16	4.86	4.75	4.75	4.15	4.54	4.40	4.15	2.49
Swiss franc	4.32	4.08	3.84	3.84	3.80	3.03	3.20	2.98	2.55	3.90
Thai baht	20.83	20.83	20.83	20.83	20.83	20.83	20.15	20.15	20.15	20.15
USSR roubles	.90	.90	.829	.823	.824	.746	.746	.778	.730	.690
Pound sterling	.4167	.4167	.392	.411	.426	.390	.433	.420	.431	.434

## APPENDIX 6

Combined effect of cost-of-living increases and changes in exchange rates  
(United States dollars required to preserve purchasing power in local  
currency, base 100 on 1 January 1971) for countries where payments are  
made to 20 or more beneficiaries

Country	1 Jan. 71	1 July 71	1 Jan. 72	1 July 72	1 Jan. 73	1 July 73	1 Jan. 74	1 July 74	1 Jan. 75	1 April 75
Australia	100.0	103.5	113.9	116.5	128.8	153.2	170.6	187.3	176.8	182.8 <sup>a/</sup>
Austria	100.0	106.3	114.9	122.4	126.2	161.2	162.3	181.8	200.2	215.3
Belgium	100.0	102.9	117.7	123.5	128.2	156.5	149.8	173.3	189.5	212.4
Brazil	100.0	104.6	98.8	101.6	104.0	113.9	120.3	127.6	124.5 <sup>a/</sup>	NA
Canada	100.0	103.9	107.0	111.9	113.1	118.1	123.3	135.5	141.1	140.7
Denmark	100.0	103.1	112.3	117.7	123.7	157.9	157.0	173.3	193.2	206.6
Egypt	100.0	101.1	102.4	101.8	118.2	116.6	126.5	132.6	139.5	146.1
France	100.0	103.0	111.7	120.3	121.7	154.1	149.2	151.1	174.6	191.7
Germany, Fed. Rep. of	100.0	107.7	118.5	125.2	129.3	173.8	164.8	179.2	192.9	203.0
India	100.0	103.3	105.4	114.8	112.2	137.7	134.6	163.6	167.2	171.0
Italy	100.0	101.9	110.3	115.4	121.3	127.2	126.4	136.7	152.5	161.9
Japan	100.0	101.5	118.4	125.6	131.2	161.2	173.7	187.7	190.2	203.7
Lebanon	100.0	98.4	104.7	107.3	116.6	140.1	159.5	172.1	176.4	185.8 <sup>a/</sup>
Mexico	100.0	100.0	103.1	106.2	111.1	126.8	152.4	169.9	180.2 <sup>a/</sup>	NA
Netherlands	100.0	105.2	120.1	125.9	130.0	164.7	162.6	180.4	200.0	217.2
Philippines	100.0	115.6	129.3	131.8	126.3	140.5	164.0	213.3	206.4	202.6 <sup>a/</sup>
Spain	100.0	103.1	115.3	121.5	129.3	151.0	164.3	174.0	195.3	205.3
Sweden	100.0	100.7	111.4	117.0	120.5	142.9	136.7	146.1	164.2	177.9
Switzerland	100.0	108.7	120.0	122.9	130.1	168.6	172.4	188.4	232.0	238.0
Thailand	100.0	101.2	102.9	104.7	109.8	117.7	134.7	151.9	152.8	153.1
USSR	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
United Kingdom	100.0	105.6	115.0	113.3	114.0	130.6	125.5	142.0	151.2	170.7
United States of America	100.0	102.1	103.4	105.4	107.1	111.3	117.2	124.4	130.9	133.1
Pension adjustment index (PAI) and WAPA system	100.0	100.0	108.0	108.0	113.0	113.0	135.8	135.8	144.5	158.5

a/ Based on latest information available.

## ANNEX VI

### Draft resolution proposed for adoption by the General Assembly

#### REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

The General Assembly,

Having considered the report of the United Nations Joint Staff Pension Board to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund for 1975, and the related report of the Advisory Committee on Administrative and Budgetary Questions,

#### I

##### Adjustment of benefits in respect of cost-of-living changes

Notes the interim report of the Joint United Nations Pension Board on a new system for the adjustment of benefits in payment contained in annex V of the Board's report to the General Assembly for 1975;

#### II

##### Amendments to the Regulations of the United Nations Joint Staff Pension Fund

Decides that the Regulations of the United Nations Joint Staff Pension Fund shall be amended, without retroactive effect, from 1 January 1976, as set forth in annex VII to the report of the United Nations Joint Staff Pension Board;

#### III

##### Administrative expenses

Approves expenses, chargeable directly to the United Nations Joint Staff Pension Fund, totalling \$2,657,000 (net) for 1976 and supplementary expenses totalling \$206,300 (net) for 1975 for the administration of the Fund, as estimated in annex III to the report of the United Nations Joint Staff Pension Board.

ANNEX VII

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

Existing text	Proposed text	Comments
<p><u>Article 2 (b)</u> <u>Interpretation</u></p> <p>(b) References to participants in the masculine gender shall apply equally to men and to women, except where it is apparent from the context that the provision is intended to apply only to men.</p>	<p><u>Article 2 (b)</u> <u>Interpretation</u></p> <p>(b) References to participants in either the masculine or the feminine gender shall apply equally to men and to women, except where it is apparent from the context that the provision is intended to apply only to men or only to women.</p>	<p>To clarify references in the masculine and feminine gender in the text of certain articles.</p>
<p><u>Article 29 (b) (i)</u> <u>Retirement benefit</u></p> <p>(b) The benefit shall, subject to (c) below, be payable either:</p> <p>(i) At the standard annual rate which is obtained by multiplying the years of the participant's contributory service, not exceeding thirty, by 1/50 of his final average remuneration, or</p>	<p><u>Article 29 (b) (i)</u> <u>Retirement benefit</u></p> <p>(b) The benefit shall, subject to (c) below, be payable either:</p> <p>(i) At the standard annual rate which is obtained by multiplying the years of the participant's contributory service, not exceeding thirty, by 1/50 of his final average remuneration, and his years of contributory service in excess of thirty, not exceeding two, by 1/100 of his final average remuneration, or</p>	<p>To increase the maximum creditable length of contributory service to thirty-two, at a rate of accumulation of 1/100 of final average remuneration during the last two years.</p>
<p><u>Article 29 (d) (ii)</u> <u>Retirement benefit</u></p> <p>(d) ...</p> <p>(ii) If the rate is less than 300 dollars, to the extent of its full actuarial equivalent; if a male participant is married, the prospective benefit payable to his spouse may also be commuted at the standard annual rate of such benefit.</p>	<p><u>Article 29 (d) (ii)</u> <u>Retirement benefit</u></p> <p>Delete the word "male" preceding "participant" in the second sentence.</p>	<p>To align the entitlements of male and female participants with respect to the commutation of a retirement benefit.</p>



ANNEX VII (continued)

Existing text	Proposed text	Comments
<p><u>Article 36</u></p> <p><u>Widower's benefit</u></p> <p>A widower's benefit, at the rates and under the conditions applicable in article 35 to a widow's benefit, shall be payable to the surviving male spouse of a participant who was entitled to a disability benefit at the date of her death, or who died in service, or:</p> <p>(a) If the surviving spouse satisfies the Board that he is without means to support himself and is unable, by reason of age or infirmity, to engage in substantial gainful employment; or</p> <p>(b) If the deceased spouse had elected on separation to receive a retirement, early retirement or deferred retirement benefit reduced by an amount equal in actuarial value to a benefit payable under this article.</p> <p><u>Article 37 (e) and (f)</u></p> <p><u>Child's benefit</u></p> <p>(e) The benefit, if no other periodic benefit is payable and there is no surviving male parent able, in the opinion of the Board, to support the child, or if the other periodic benefit payable is to a surviving spouse who is not a natural or adoptive parent and does not have custody of the child, and further subject to (f) below, shall be payable at the rate in (d) above increased by whichever is the greater of: ...</p> <p>(f) The total benefits payable under (d) above shall nevertheless not exceed an annual rate of 1,800 dollars, nor shall the total benefits under (d) or (e) above, added to any retirement benefit payable under article 29 (b), early retirement benefit under article 30 (b), disability or widow's benefit exceed the final average remuneration of the participant added to the total annual children's allowances payable to him by the member organization at the time he was separated.</p>	<p><u>Article 36</u></p> <p><u>Widower's benefit</u></p> <p>A widower's benefit, at the rates and under the conditions applicable in article 35 to a widow's benefit, shall be payable to the surviving male spouse of a participant.</p> <p><u>Article 37 (e) and (f)</u></p> <p><u>Child's benefit</u></p> <p>In (e), delete the word "male" preceding "parent" in the first sentence.</p> <p>In (f), add a comma after the word "disability", delete the following word "or", and add the words "or widower's" after "widow's".</p>	<p>To align the entitlements of male and female participants with respect to the benefits payable to surviving spouses.</p> <p>To align the entitlements of male and female participants with respect to supplementary and maximum children's benefits.</p>

Existing text	Proposed text	Comments
<u>Article 39</u>	<u>Article 39</u>	
<u>Residual settlement</u>	<u>Residual settlement</u>	
<p>(a) A residual settlement shall be payable, in accordance with (b) and (c) below, on the death of a participant or on the exhaustion of any entitlement under these Regulations in favour of his surviving spouse, child or secondary dependant. The settlement shall be paid to a beneficiary designated by the participant and alive when the payment is due; failing such beneficiary, the settlement shall be paid to the estate of the participant.</p>	<p>(a) A residual settlement shall be payable if the total amounts paid under these Regulations to a participant and to a spouse, child or secondary dependant on his account are less than his own contributions.</p>	<p>To align the entitlements of male and female participants with respect to residual benefits.</p>
<p>(b) The settlement shall be payable if:</p>	<p>(b) The settlement shall be payable to a beneficiary designated by the participant and alive when the payment is due; failing such beneficiary, the settlement shall be paid to the estate of the participant.</p>	
<p>(i) On the death of a participant in service or during entitlement to a disability benefit, the total payments made to him and thereafter to a spouse, child or secondary dependant on his account are less than his own contributions; or</p>	<p>(c) The settlement shall consist of the participant's own contributions at the date of his separation or death in service, reduced by the total amount of the benefits paid to him and on his account.</p>	
<p>(ii) On the death of a participant prior to the commencement of a deferred retirement benefit to which he is entitled under article 31 (b), no benefit is payable to a surviving spouse or secondary dependant; or</p>		
<p>(iii) On the death of a female participant entitled to a retirement or early retirement benefit, the total payments made to her and thereafter to a spouse, child or secondary dependant on her account are less than her own contributions.</p>		
<p>(c) A residual settlement shall also be payable if a male participant elects on separation to receive a reduced retirement or early retirement benefit, and on his death</p>		

ANNEX VII (continued)

Existing text	Proposed text	Comments
<u>Article 39 (continued)</u>		
<u>Residual settlement</u>		
<p>the total payments made to him and thereafter to a spouse, child or secondary dependant on his account are less than his own contributions. The amount of the reduction shall, in the case of a participant who is married at the date of separation, be half of 1 per cent of his own and his surviving spouse's benefits, and in the case of an unmarried participant, 1 1/2 per cent of his own benefit.</p>		
<p>(d) The settlement shall consist of the participant's own contributions at the date of his separation or death in service, reduced by the total amount of the benefits paid to him and on his account.</p>		

## ANNEX VIII

### Amendments to the Administrative Rules of the United Nations Joint Staff Pension Fund

#### INTRODUCTION

Add new sub-rule:

(e) "Part-time employment", for the purpose of supplementary article A of the Regulations, shall mean employment under conditions requiring attendance for duty during at least half the normal weekly working hours prescribed by the member organization for the duty station at which the employment takes place.

#### SECTION B

Add new rule:

B.4 Information provided by or in respect of a participant or beneficiary under the Regulations or these Rules shall not be disclosed without his written consent or authorization.

Renumber succeeding rules B.5 to B.7.

#### SECTION H

Delete rule H.12.

#### SECTION I

In rule I.1, delete the comma before the word "incapacitated" and insert "or"; delete the words "or widower's".

Add new rule:

I.2 Entitlement to a benefit under article 37 (a) of the Regulations shall continue to the end of the month in which the child marries or reaches the age of twenty-one.

Renumber succeeding rules I.3 and I.4.

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