UNITED NATIONS JOINT STAFF PENSION FUND

REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

GENERAL ASSEMBLY

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NOTE

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

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ABBREVIATIONS

EPPO	European and Mediterranean Plan Protection Organization
FAO	Food and Agriculture Organization of the United Nations
IAEA	International Atomic Energy Agency
ICAO	International Civil Aviation Organization
ICCROM	International Centrs for the Study of the Preservation and the Restoration of Cultural Property
ICITO/GATT	Interim Commission for the International Trade Organisation/General Agreement on Tariffs and Trade
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMO	International Maritime Organization
ITU	International Telecommunication Union
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

I. INTRODUCTION

1. The United Nation6 Joint Staff Pension Fund was established in 1949, by a resolution of the Qeneral Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that since then have been mended at various times.

2. The Fund is administered through the United Nations Joint Staff Pension Board, which currently consists of 21 members, representing the member organisations that are listed in annex V. (Effective 1 January 1989, the Bosrd will consist of 33 members, a6 approved by the Qeneral Assembly in its resolution 42/222 of 21 December 1987.) One third of the Board members are chosen by the General Assembly and the corresponding bodies of the other member organizations, one third by the executive heads, and one third by the participants. The Board reports annually to the Qeneral Assembly on the operation6 of the Fund ant? the investment of its assets and, when necessary, recommends to it amendment6 to the Regulations that govern, inter alia, the rates of contribution by the participants (currently 7.40 per cent of their pensionable remuneration, increasing to 7.5 per cent on 1 July 1989) and by the organisations (currently 14.80 per cent, increasing to 15 per cent on 1 July 1989), the condition6 of eligibility for participation and the various benefits to which participant6 and their dependants may become entitled. Expenses incurred by tho Board in the administration of the Fund - principally the cost of its central secretariat at the United Nations Headquarters in New York and the management expenses for its investments - are met by the Fund. A summary of the operation6 of the Fund during the year ended 31 December 1987 is contained in section II.

3. As the Board held no session in 1988. the present report is submitted cn its behalf by the Standing Committee, which met from 20 to 24 June 1988 at the United Nation6 Office at Geneva. The member6 of the Standing Committee were appointed by the Board, in accordance with article 4 of the Regulations, at its thirty-seventh session in '987. The list of members, alternate6 and other persons who attended the meeting of the Standing Committee is contained in annex VI. Section III contains an account of the matters considered by the Standing Committee, including recommendations for action by the General Assembly. A draft resolution to give effect to the recommendations in the report is provided in annex IX.

4. The major items dealt with by the Standing Committee were the request of the Qeneral Assembly in its resolution 42/222 that tha Board continue studying all possible measures to restore over the long term the actuarial balance of the Fund, the methodology and assumptions to be used in the actuarial valuation of the Fund a6 at 31 December 1988, and the impact of currency fluctuations on tha pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories.

5. The Standing Committee also considered the management of the investments of the Fund, the financial statements and schedules for the year ended 31 December 1987 (annex II), the administrative expenses of the Fund, the application of the World Tourism Organization (WTO) for membership in the Fund, and amendment6 to the Board's Rules of Procedure governing attendance and participation at sessions of the Board.

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

II. SUMMARY OF THE OPERATIONS OF THE FUND DURJNG THE YEAR ENDED 31 DECEMBER 1987

7. During the year, the number of participants in the Fund decreased from 54.289 to 53,968. On 31 December 1987, there were 26,920 periodic benefits. Of these, 9,056 were retirement benefits, 4,433 early'retirement benefits, 4,810 deferred retirement benefits, 3,265 widows' and widowers' benefits, 4,770 children's benefits, 537 disability benefit6 and 49 secondary dependants' benefits. In the course, of the year, it also paid 3,526 lump-sum withdrawal and other settlements. A breakdown by member organisation of participants and of benefits awarded is contained in annex I.

8. During the same period, the principal of the Fund increased from $5,055,100,094 to $6,113,333,746 (see annex II, statement I).

9. The investment income of the Fund during the year amounted to $1,052,467,461, comprising $354,517,062 in interest and dividend6 and $697,950,399 in net profit on sales of investments. After deduction of investment management costs in the amount of $5,857,685, net investment income amounted to $1,046,609,776. A summary of the investments as at 31 December 1987 and a comparison of their cost and market values are contained in annex II, schedule6 2 and 3.

III. MATTERS CONSIDERED BY THE STANDINQ COMMITTEE ON BEHALF OF THE BOARD, INCLUDING RECOMMENDATIONS TO THE QENERAL ASSEMBLY

A. Request addressed to the Pension Board in Section I of General Assembly resolution 42/222: measures to restore the actuarial balance of the Fund

1. Introduction

10. In section I, paragraph 2, of resolution 421222, the General Assembly requested the Board

"(a) To continue studying all possible measures to restore over the long term the actuarial balance of the Fun !, bearing in mind the desirability of avoiding further increases in the rato of contribution and of reviewing the rate of contribution should there be an actuarial surplus in the futuret

"(b) To submit an interim report to the General Assembly at its forty-third session and, in any event, to complete its study for presentation to the Assembly at it6 forty-fourth session, together with the results of the twentieth actuarial valuation of the Fund a6 at 31 December 1988;".

11. The Board had reported to the Assembly in 1987 1/ that the actuarial imbalance of the Fund had increased from 3.01 per cent of pensionable remuneration as at 31 December 1984 to 4.40 per cent as at 31 December 1956. Prior to that increase, there had been a gradual and significant reduction *in* the imbalance from 8.41 per cent as at 31 December 1982 to 3.01 per cent, as a result of the implementation of economy measure6 and the increase, in 1984, in the rate of contribution from 21 per cent to 21.75 per cent. After extensive informal consultations, the Fifth Committee recommended and the Qeneral Assembly adopted resolution 42/222, in which it, inter alia, recognised the importance of encouraging a trend towards the actuarial balance of the Fund, approved the proposal of the Board to increase the rate of contribution to 22.50 per cent, but for implementation in two stage6 rather than on 1 January 1988 - from 21.75 to 22.20 per cent on 1 July 1988 and from 22.20 to 22.50 per cent on 1 July 1989, and requested the study referred to in paragraph 10 above.

12. The Standinq Committee, with the assistance of the Committee of Actuaries, carried out the initial phase of the study and presents hereunder the interim report requested by the Qeneral Assembly. Before arriving at its conclusions on which measures to propose for further examination by the Board in 1989, as possible long-term remedies to the Fund's actuarial imbalance, the Standing Committee reviewed (a) the evolution of the actuarial situation of the Fund, (b) the measure6 that have been implemented since 1983 to redress the actuarial imbalance of the Fund, (c) the measures that had been recommended by the Board in the past but that had not been adopted or been adopted only in part by the Assembly, and (d) other measure6 that had been considered by the Board, but on which no recommendation6 had been made to the Assembly.

2. Evolution of the actuarial situation of the Fund

13. The results of actuarial valuation6 are heavily influenced by the economic and demographic assumptions made as to future events. The former include the rate6 of return *on* investments and the rates of inflation as they affect future adjustments

of pensionable remuneration and pensions in payment; the latter include the rates of future growth in the participant population, the rates of retirement and early retirement, the rates of death, disability and other separations from active service, and the life expectancy of beneficiaries.

14. Continuous analyses are made of the actual experience in relation to the assumptions used in the valuations. These analyses form the basis fox fine-tuning some assumptions from time to time and, occasionally, for introducing significant changes.

15. The economic assumptions used in the "regular" valuation for the fifteenth actuarial valuation as at 31 December 1978 were 3.5/7.5/3, that is, a 3.5 per cent increase in pensionable remuneration (in addition to static increases), a 7.5 per cent investment return and a 3 per cent increase in pensions in award, or a real rate of return of 4.5 per cent. The result was an actuarial imbalance of 0.37 per cent of pensionable remuneration. One of the valuations as at 31 December 1980 was done on the same basis and resulted in an imbalance of 1.54 per cent. On that occasion, the Board decided, however, that the valuation based on assumptions 6.5/9/6, or on a real rate of return of 3 per cent, should be the "regular" valuation. On that basis, the valuation as at 31 December 1980 showed an actuarial imbalance of 6.82 per cent.

16. For the purpose of comparability, the 6.5/9/6 economic assumptions have been used in all "regular" valuations since 1980, although valuations using other bases, for example, 1, 2 and 4 per cent real rates of return, have also been made regularly for comparative purposes and their results reported both to the Pension Board and to the General Assembly.

17. It is also desirable to maintain continuity and stability in the demographic assumptions used in actuarial valuations. However, when experience over a period of years shows a consistent divergence from the results expected and there is no perceived reason to believe that there might be a reversal, changes must be made in the assumptions used The following changes made since 1982 have significantly affected actuarial costs:

(a) In 1982, the life expectancy factors were increased for current and prospective female pensioners and, in 1984, for current and prospective male pensioners as well as for female and male spouses:

(b) In 1984, the rates used for retirement and early retirement were increased:

(c) In 1984, the rates of withdrawal for men prior to eligibility for retirement or early retirement benefits were decreased and the rates of disability for men increased:

(d) In 1984, a higher rate was used for the number of participants who would elect lump-sum commutations;

(e) In 1986, a zero rate of growth was assumed for the participant population.

18. Changes (a) to (c) and (e) above have had an adverse impact on the actuarial balance of the Fund, whereas change (d) has had a beneficial effect. Their combined result has been an increase in actuarial costs by about 2.33 per cent of pensionable remuneration.

3. Summary of past studies of measures to redress the actuarial imbalance

19. The measures studied by the Board in the past can be grouped into five categories, involving:

(a) Personnel policies;

(b) Reductions in future benefits:

(c) The system of pension adjustments;

(d) Rates of contribution:

(e) Administrative changes.

(a) Measures involving nersonnel policies

20. In its resolution 37/131 of 17 December 1982, the General Assembly approved the following measures, effective 1 January 1983:

(a) The period required to qualify for participation in the Fund was reduced from one year to six months;

(b) The right to restore prior contributory service on re-entry as a participant in the Fund was limited to those who, on separation, were not entitled to elect a benefit other than the return of their contributions, because they had less than five years of contributory service:

(c) Participation in the Fund was extended to officials who are not staff members, i.e., "officials covered by the Conventions on the Privileges and Immunities of the United Nations and of the Specialised Agencies . .." (Supplementary Article B).

21. In 1982, the Board also recommended that the statutory age of separation be increased to 62; 2/ it has since reaffirmed this recommendation on several occasions. Thus far, such a change has not been approved by the General Assembly or by the legislative organs of the other member organixations. (The Food and Agriculture Organixation of the United Nations (FAO) has had age 62 as its statutory age of separation for a long time.)

22. In 1982 and 1983, the Board considered, but did not recommend, the elimination of the provision in article 21 of the Fund's Regulations, which permits the exclusion of staff members from participation in the Fund.

23. In 1982, 3/ the Board noted that recruiting staff members at a younger age would have a beneficial effect on the actuarial situation of the Fund. However, the average age of entry into the Fund has not shown any marked change since then.

(b) Measures involving reductions in future benefits

24. The General Assembly has approved the following measures:

(a) The benefit accumulation rate was reduced for those entering the Fund on or after 1 January 1983 to 1.5 per cent during each of the first five years of contributory service, to 1.75 per cent during each of the next five years, remaining at 2 per cent for each year thereafter for 25 years - the maximum contributory service being 35 years, (For those whose contributory service began before 1 January 1903, the accumulation rate continues to be 2 per cent during each of the first 30 years of contributory service and 1 per cent for each of the next five years of such service, the maximum contributory service being 35 years.);

(b) The interest rate used for lump-sum commutations was increased, prospectively, from 4 per cent to 4.5 per cent on 1 January 1383, and from 4.5 per cent to 6.5 per cent on 1 January 1985;

(c) The reduction factor for early retirement was increased for those with more than 25 but less than 30 years of contributory service from 2 per cent to 3 per cent for each year under age 60 In respect of years of contributory service performed as from 1 January 1985;

(d) Effective 1 April 1986, a ceiling was placed on the highest level of pensions ;

(e) Effective 1 April 1987, a ceiling was placed on the amount of the lump-sum commutation of part of a periodic benefit.

25. Among the measures considered but not recommended by the Board were the following:

(a) Increasing the normal retirement age, i.e., the age at which unreduced benefits are payable - presently age 60;

(b) Increasing to more than five years the period of contributory service required for entitlement to a pension;

(c) Increasing the reduction factor for early retirement for each year under age 60, for those with 30 or more years of contributory service (currently at 1 per cent);

(d) Re-introducing 30 years as the maximum period of creditable service;

(e) Placing a ceiling on the final average remuneration. (This measure would have the same effect as placing a ceiling on the highest level of pensions, which was achieved by other means in 1986. See para. 24 (d) above.);

(f) Calculating the final average remuneration on the basis of the bost 48 - instead of the best 36 - months out of the last 60;

(g) Limiting pension levels to those of national civil service retirement. systems in the seven headquarter countries. (This could not be pursued in 1982, because the comparison levels and occupations in the international and national civil services had not yet been determined, Since then, at the request of the General Assembly, comparisons have been made by the International Civil Service Commission (ICSC) in 1904 and 1986, in co-operation with the Pension Board, of United Nations pensions with those in the United States Federal Civil Service. These atudies resulted in Assembly decisions to reduce the pensionable remuneration of participants in the Professional and higher categories on two occasions, 1 January 1905 and 1 April 1987, respectively. Moreover, the methodology approved by the Assembly for the determination of the scale of pensionable remuneration as at 1 April 1987 and for il.6 subsequent adjustment places a de facto margin range on the relation between United Nations pensions and those in the United States Federal Civil Service.);

(h) Modifying survivors' benefits. (At the request of the General Assembly, the Board re-examined, in 1984, the survivors' benefits under the Regulations, The Board concluded, after receiving the views of the Committee of Actuaries, that the present scheme of survivors' benefits should not be changed.).

(c) Measures involving pension adjustments

26. The General Assembly has approved the following measures:

(a) The frequency of measuring cost-of-living movements for adjusting pensions was decreased from four times a year to twice a year as from 1 January 1903, and then to once a year, as from 1 January 1985;

(b) The cost-of-living movement required to trigger an adjustment of pensions was revised from 3 per cent to 5 per cent, as from 1 January 1983, and again to 3 per cent, as from 1 January 1985;

(c) The first cost-of-living adjuetment due after 1 January 1985 was reduced by 1.5 percentage points for both existing and new pensioners, except for those receiving small pensions (i.e., pensions of less than $4,000 per annum or minimum benefits under the Regulations);

(d) As at 1 January 1985, a ceiling of not more than 20 per cent (i.e., the "120 per cent cap" provision) was placed on the extent by which the United States dollar track could exceed the local-currency track under tho two-track pension adjustment system;

(e) As from 1 January 1983, cost-of-living adjustments of deferred pensions begin only when the former participant reaches age 50.

27, The Board considered, but did not recommend, adjusting pensions by less than the full amount of the cost-of-living movement, (However, as indicated in pare. 26 (c) above, since 1985 a 1.5 percentage point reduction is applied to the first COW-Of-living adjustment of most periodic benefits,).

(d) Measures involving the rate of contribution

28. The General Assembly has approved the following measures:

(a) As from 1 January 1983, the refund to member organizations of one half of their contribution in respect of participants who separate with less than five years of contributory service was eliminated1

(b) The rate of contribution to the Fund was increased from 21 to 21.75 per cent on 1 January 1984, to 22.20 per cent on 1 July 1988, and will increase further to 22.50 per cent on 1 July 1989. (The Board, in 1903, 4/ had recommended an increase in the rate of contribution from 21 to 24 per cent in four equal stages to be completed by 1 January 1990.).

29. However, one measure taken by the General Assembly has the potential of reducing the level of future contributions to the Fund. Effective 1 January 1985, the Assembly eliminated the possibility of the pensionable remuneration fox-

contribution purposes being higher than that for benefit purposes. Prior thereto, the pensionable remuneration for contribution purposes could have been greater, but never less, than the pensionable remuneration for benefit purposes, e.g., whenever there had been a decline in the value of the United States dollar in relation to other currencies, resulting in the movement of the weighted average of post adjustment (the WAPA index), being greater than the movement of the United States consumer price index (CPI). In the absence of such a provision, during a period when the dollar is weak, contributions continue to be based on the pensionable remuneration determining the United States dollar pension entitlement with no account being taken of the increased cost of pensions payable on the local-currency track,

30. The measures considered but not recommended by the Board were:

(a) Reducing withdrawal settlements by the cost of coverage for death and disability during partfcfpationr

(b) Invoking article 27 (now article 26) of the Regulations, which mandates the payment by member organizations of the sum necessary to make good *any* deficiency disclosed by the Fund's actuarial valuation showing that its assets might not be sufficient to meet its liabilities under the Regulations.

(s) Administrative changes

31. The following changes were approved by the General Assembly1

(a) Effective 1 Januery 1983, if periods of leave without pay are to be made contributory, payment of the contribution6 due to the Fund must be made concurrentl y;

(b) Effective 1 January 1985, pensions are now paid to new retirees at the end, instead of the boginning of the monthr

(c) Effective 1 January 1985, the date by which organiastions are required to pay their monthly contributions to the Fund was advanced to the first two working days of the month,

32. The Board also considered but did not recommend that the coats, other than investment costs, of administering the Fund should be charged to the member organizations and not to the Fund.

33. Table 1 below shows the evolution of the actuarial situation, as revealed by the last four valuations. Table 2 shows the effect of the various factors on the actuarial valuations *since* 31 December 1980. These tables do not reflect the effect of the increases in the rate of contribution from 21.75 per cent to 22.50 per cent, epproved by the General Assembly in its resolution 42/222. The Consulting Actuary has advised that, without this change in the rate of contribution, the actuarial imbalance of 4.40 per cent of pensionable remuneration, as at 31 December 1986, would, solely because of the accumulation of interest on the imbalance, have increased by 0.83 per cent to 5.23 per cent, as at 31 December 1988. However, the increase in the rate of contribution by 0.45 per cent on 1 July 1988 and by 0.30 per cent on 1 July 1989 will reduce the projected imbalance as at 31 December 1988 by 0.76 per cent to 4.47 per cent.

Table 1

Evolution of the actuarial imbalance as reflected in valuations of the Fund since 31 December 1980

Valuation date	Contribution rate required (as a percentage of total pensionable remuneration) Total required	Imbalance
31 December 1980		
Before demographic changes	27.81	6.82 a/
After demographic changes	28.32	7.32 a/
31 December 1982		
Before 1 January 1983 changes in Fund Regulations and procedures	29.41	8.41 a/
After 1 January 1983 changes in Fund Regulations and procedures, but before demographic ahanges	25.79	4.79 a/
After demographic changes	26.00	5.00 a/
31 December 1984		
Before 1 January 1984 and 1985 changes in Fund Regulatione and procedures	25.94	4.94 a/
After 1 January 1904 and 1985 changes in Fund Regulations and procedures	24.76	3.01 b/
31 December 1906	26.15	4.40 b/

a/ Excess over contribution rate of 21 per cent.

b/ Excess over contribution rate of 21.75 per cent.

Table 2

Factors contributing to the changes in the actuarial valuation results since 31 December 1980

	Increase (decrease) in the imbalance over the period 31 December 1980 to 31 December 1986 (expressed as percentage of total pensionable remuneration)
Changes in demographic assumptions a/	2.33
Interest on imbalance	2.12
Experience variation@	(1.32)
Economy measures and the increase in the contribution rate:	
(a) Borne by participants	(4.53)
(b) Borne by member organisations	(1.02)
TOTAL	(2.42)

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a/ Include6 the effects of the change in the last valuation as at 31 December 1966 to a aero-growth assumption in the number of future participants.

4 . Measures to restore the actuarial balance of the Fund

34. In its examination of possible additional measures to reetore the actuarial balance of the Fund, the Standing Committee had the benefit of the views of the Committee of Actuaries, which are summarised in paragraphs 35 to 43 below.

35, The Committee of Actuaries noted the actuarial eavings resulting from the measures already adopted by the General Assembly, including the two increases in the rate of contribution. However, it drew attention to the increased actuarial costs arising from changes in certain demographic assumptions and from the accumulated interest on the past imbalance. In ite view, this demonstrated the extent to which the pension system had changed in a relatively short time and the narrow range of viable options remaining to meet the increased costs of the system, while at the same time ensuring fair, reasonable and equitable benefits. Among the factors that had contributed to the increased costs of the system over the years, the moat notable were (a) economic developments, including inflation and currency fluctuations, which had significantly increased the costs of the pension adjustment system and (b) the combined effect of maintaining the mandatory age of separation at 60 and of the increase in life expectancy, which had lengthened the period during which benefits are paid. In addition, a significant rise in the number of early retirements in recent years had increased costs.

36. The Committee of Actuaries stressed the importance of recognising that the periodic assessments of the actuarial situation of the Fund were very sensitive to the long-term economic and demographic assumptions made, assumptions that are

continuously monitored by the Consulting Aatuary and the Committee of Actuaries. The objective need not, therefore, be to achieve an exact actuarial balance but rather to take measures, when and as appropriate, to arreet and/or correct adverse trends.

37. Further, care had to be exercised in determining what and when further measures might be taken to r' 'ore the long-range actuarial balance of the Fund. In particular, the Committee of Actuaries believed that the benefit levels had been revised to such an extent that a period of stability was now desirable. Further changes could result in poor benefit design and/or introduce complications into the system - administrative and otherwise - because of the consequent need to protect the accrued entitlements of current participants.

38. The Committee of Actuaries reaffirmed its view that there was a need to raise the rate of contribution to meet the inevitable increases in the cost of the pension system arising from economic and demographic changes. It therefore continued to believe that the recommendation of the Pension Board to increase gradually the total rate of contribution to 24 per cent was reaeonable and justified. However, it added that the specific eolution to this question should be deferred until the results of the next actuarial valuation were available,

39. The Committee of Actuaries considered that the following questions merited further examination by the Board: (a) the mandatory age of separation under the Staff Regulations and/or Staff Rules of the member organisations of the Fund; (b) the normal retirement ago, i.e., the earliest age at which unreduced benefits are payable) (c) the provisions governing early retirement; (d) placing further limitations on the extent to which employees of the member organizations may be excluded from participation in the Fund) and (e) liberalization of the rule6 *governing* eligibility for participation,

40. Regarding the mandatory age of separation, the Committee of Actuaries expressed the view that the case for changing the current policy remained sound and had become even more compelling with time. It therefore strongly favoured an increase *in* the mandatory age of separation to ago 62 - a8 in FAO · if not higher. In its view, the date *and* modality of implementation of such a change, including the possibility of phased implementation, ahould be considered.

41. The Committee of Actuaries also favoured an eventual increase in the normal retirement age under the Fund's Regulations, from age 60 to 62. Such a change could be considered either in conjunction with an increase in the mandatory age of eeparation or subsequent thereto. It noted that appropriate provisions would have to be made to ensure that, if the normal age of retirement was raised, the accrued entitlements of current participants wore protected.

42. As regards early retirement, the Committee of Actuaries believed the current provisions should be reconsidered, particularly if the present restrictive policies on the mandatory age of separation were maintained.

43. The Committee of Actuaries also took the position that (a) the current arrangements regarding the frequency and the amounts of cost-of-living adjustments were appropriate and reasonable, (b) no further *change* should be considered at this time in the interest rate used to determine lump-sun commutations, (c) the vesting period of five years for a pension benefit was reasonable and should be neither increased nor decreased, and (d) any further changes in the two-track pension adjustment system should be considered in the context of the comprehensive review

of pensionable remuneration of the Professional and higher categories in 1990, rather than as part of the study of economy measures to be submitted to the Qeneral Assembly In 1989.

5. Conclusions

44. The Standing Committee agreed with the Committee of Actuaries on the desirability of a period of stability in the level of benefits and noted that the neod for an increase in the rate of contribution to meet the increased costs of the system arising from economic and demographic changes has been recommended by the Committee of Actuaries and the Board since 1983. There was also general agreement within the Standing Committee that the possibility of extending participation in the Fund to employees excluded by the terms of their appointment, or deemed ineligible because of the nature or duration of their appointment, should be studied. Differing views, however, emerged on the merits of pursuing modifications of the mandatory ago of separation, of the normal retirement age and of the early retirement provisions.

Level of benefits and their subsequent adjustment

45. The Standing Committee recalled that every benefit now being provided by the Fund had been exhaustively studied in the recent past with a view to determining whether it was excessive and, hence, capable of yielding savings by being reduced. It noted that the initial level of a pension is a function of three variables: the Pensionable remuneration, the rate of accumulation and the years of contributory service, and that, as indicated in paragraph 25 (f) above, the pensionable remuneration of the Professional and higher categories had been reduced twice, in 1985 and 1987, with the total reduction ranging from 1.3 per cent at the P-l level to 24.2 per cent at the USG level.

46. Furthermore, in accordance with the request of the Qeneral Assembly in its rsnolution 41/208, another review of the pensionable remuneration of the Professional and higher categories will take place in 1990. The Standing Committee requested the Secretary of the Board to present to the Board at its next session a stuuy of the pension schemes of relevant national services and to include information on the pension schemes of other international organisations.

47. The question of the pensionable remuneration and consequent pensions of staff in ths General Service and other locally recruited categories is dealt with in paragraphs 69 to 76 below,

48. Tha rates of accumulation introduced on 1 January 1983 correspond to those applicable in the retirement schemes of the United States Federal C'vil Service. The maximum number of years of creditable service in the United Nations pension scheme, that is, 35 years, is loss than in the United States Federal Civil Service, that is, 42 years. There would therefore seem to be no apparent justification for reductions in these two factors.

49. Noting also that significant changes had been made in the pension adjustment system, (see para. 26 above), the Standing Committee concluded that it would be neither appropriate nor timely to consider economy measures in the area of initial benefit levels and their subsequent adjustment. In any event, reductions in future benefits and modifications in the pension adjustment system would have to meet the criteria advanced by the United Nations Administrative Tribunal in recent

judgements, *namely* thet "economy measures, no matter how necessary they may be in the current situation, must not be allowed to lead, cumulatively, to the deterioration of the international civil service" (Tribunal Judgement No, 405: Hertz et al. vs. the United Nations Joint Staff Pension Board). According to the Tribunal

> "The Fund is under the obligation to maintain an effective and just retirement pension system. This system, being of a statutory nature, may, of course, be altered from time to time, without retroactive effect. But these modification8 must not be arbitrary. They muet be in conformity with the object of the pension system, They must promote implementation of the principle8 laid down in the Charter of the United Nation8 (Article 101, para. 3)" (Tribunal Judgement No. 404: Brede et al. vs. the United Nation8 Joint Staff Pension Board),

Mandatory age of separation

50. As indicated earlier, views in the Standing Committee differed on the desirability or feasibility of increasing the mandatory age of separation, For some, the mandatory age of separation was primarily an aspect of personnel policy and, therefore, should *not* be modified solely on the basis of actuarial considerations. Others referred to the financial implications for the Pension Fund of continuing the current restrictive policy, which results in benefit8 being paid over a longer period of time, given the dramatic increase that ha8 taken place in life expectancy.

Normal retirement age

51. An important factor determining the amount of the initial pension is the age at separation. Raising the normal retirement age above 60 would result in significant actuarial savings. However, any such increase would necessitate an increase in the mandatory age of separation. However, the mandatory age of separation could be increased while maintaining the present normal retirement age, Such a etep would benefit the actuarial situation of the Fund, though to a *lesser* extent than raising the normal retirement age. View8 differed in the Standing Committee on the merits of raising the normal retirement age,

Early retirement provisions

52. The reduction factors of from 2 to 3 per cent applicable to participants who retire between the age8 of 55 and 60 with 25 or more, but less than 30, years of contributory service, and of 1 per cent for those with 30 or more years of contributory service, are below the "actuarial equivalent" level of 6 per cent per year. When early retirement benefits were liberalised in 1972, it was expected that the extra costs arising therefrom would be offset by saving8 derived from a more liberal exercise by the executive heads of their discretion to extend the service of participants beyond age 60. However, this ha8 not been the case.

53. Views on this question in the Standing Committee were mixed. Several speakers suggested that during the present period of retrenchment in several organisations, nothing should be done to restrict or discourage early retirement; however, alternative method8 might be examined of financing the additional cost8 of early retirements due to retrenchment,

Participation in the Fund

54. Extending participation in the Fund to employees currently excluded by the terms of their appointment or not eligible because of the nature or duration of their appointment would benefit the Fund. The additional revenues derived from an increase in the number of participants enrolled in the Fund would help to defray the costs of the benefits being paid.

Summary of conclusions

55, To sum up, based on the foregoing examination of all possible measures to restore the actuarial balance of the Fund over the long term, the Standing Committee concluded that a more extensive examination of the following subjects should be pursued in 1989:

(a) The mandatory age of separation, the normal retirement age and the early retirement provisions;

(b) Exclusions from participation in the Fund and the eligibility provisions.

B. Actuarial matters

1. Methodology and assumptions for the actuarial valuation of the Fund as at 31 December 1988

56, The Standing Committee examined the actuarial assumptions proposed by the Committee of Actuaries for use in the actuarial valuation to be prepared as at 31 December 1988, In so doing it bore in mind that actuarial assumptions were intended to reflect the average effects of events expected to occur over a very long period of time.

57. The Standing Committee agreed to revise the demographic assumptions related to rates of withdrawal, of death in active service, and of death after disability. It also agreed that, based on the experience shown in the data for the period 1983 through 1986, different rates of separation from service should be used for the General Service and other locally recruited categories and for the Professional and higher categories; as in past valuations, different rates of separation for men and women should continue to be applied.

58. The Committee of Actuaries expressed concern about the recent high incidence of early retirements and suggested some changes in the early retirement rates. After considerable discussion, the Standing Committee concluded that the causes of increased use of early retirement were likely to be of a temporary nature. It therefore decided that the current rates should remain unchanged for the time being.

59. The Standing Committee agreed with the Committee of Actuaries that the "regular" economic assumptions should continue to be the following: a rate of increase of pensionable remuneration of 6.5 per cent a year (in addition to static increases); a nominal rate of interest (or expected rate of return on investments) of 9 per cent a year; and cost-of-living increases of pensions in award of 6 per cent a year. This 6.5/9/6 valuation basis corresponds to 3 per cent real rate of return.

60. The Standing Committee also agreed that it would be informative to have, in addition to the 6.5/9/6 valuation, valuation8 based *on* the following assumptions: 6.5/8/6, or a real rate of return of 2 per cent; and 6.5/10/6, or a real rate of return of 4 per cent. By interpolations of the valuation results obtained from using the three different real rates of return, estimates could be made of the results for in-between real rates of return, such as 2.5 or 3.5 per cent, It was noted that the ratio between the components in a set of assumptions was more important than the specific level of each component.

61. The Standing Committee devoted considerable attention to the assumptions regarding future growth in the number of participants, It recalled that in the "regular" valuation a8 at 31 December 1986 zero growth in the participant population had been assumed, while the three previous "regular" valuations had been based on an assumed growth rate of 1 per cent a year for Professional and higher level staff and 2.6 per cent for the General Service staff during tke first 20 years, and no growth thereafter for all staff. It was also recalled that in 1987 the Board had requested the Consulting Actuary to provide an estimate of the impact on the actuarial imbalance if, instead of the zero-growth assumption, some future growth was assumed, i.e., no growth for all staff for the firet five years and the previously used growth assumptions thereafter, The result was a reduction in th8 actuarial imbalance based on the zero-growth assumption, estimated to be about 0.6 per cent of pensionable remuneration.

62. The Committee of Actuaries had noted that the number of the Professional and higher level staff had been declining and that, on 31 December 1959, it. was at its lowest level since 1998. The rate of increase of General Service staff had also been declining) it was only 0.5 per cent for 1989, the lowest in the 12-year period examined, In view of these trends and of the budgetary economies pursued by some of the member organizations, the Committee of Actuaries suggested that the actuarial valuation as at 31 December 1988 ehou'd use an assumption of zero growth in the future participant population, as had been done in the previous valuation. It observed, however, that an alternative growth assumption might be used, for example, zero growth for the first five years followed by modest growth for tho next 15 yoars and zero growth after 20 years,

63. The Standing Committee decided that valuations should be made using two growth asswnptionsr (a) zero growth for all staff; and (b) zero growth for all staff for the first five fears, followed by 0.5 per cent growth for Professional and higher level staff and 1 per cent for General Service staff during the next 15 years, and zero growth for all staff thereafter.

64. The Standing Committee decided that the "regular" valuation should bo based on the economic assumptions 6.5/9/6 and growth assumption (b) in paragraph 63 above.

2. Membership of the Committee of Actuaries

65. The Committee of Actuaries consists of five members, one from each of tho five geographical regions of the United Nations, appointed under article 9 of the Regulations of the Fund by the Secretary-General on the recommendation of the Board.

66. Under the arrangements adoptsd by the Board in 1906 to stagger the terms of the members of the Committee, the terms of three of the members are scheduled Lo expire on 31 December 1988 :

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

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

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

It was therefore necessary for the Standing Committee acting on behalf of the Board to submit recommendations to the Secretary-General regarding the members of the Committee from the three regions concerned.

67. Having been informed that one of the three members, Mr. G. Arroba, would not he able to continue to serve, the Standing Committee recommended and the Secretary-General approved the reappointment of Mr. E. M. Chetyrkin and Mr. K. Takeuchi for additional two-year terms from 1 January 1989 to 31 December 1990, and the appointment of Mr. H. Perez-Montas (Dominican Republic) - Region IV (Latin American States) - for a two-year term from 1 January 1989 to 31 December 1990.

68. The Standing Committee expressed its appreciation to Mr. G. Arroba for his valuable contribution to the development of the United Nations pension system over the past 30 years as Chairman of the Expert Group on Pensionable Remuneration in 1958, as a member of the Pension Review Group in 1960, and as a member since 1961 and long-time Chairman of the Committee of Actuaries.

C. Impact of currency fluctuations on the pensionable remuneration and consequent pensions of staff in the General Service and other locally recruited categories

69. The pensionable remuneration of staff in the General Service and other locally recruited categories - hereafter referred to as General Service - has been on the agenda of the Board since 1984. The Standing Committee examined, in particular, the impact of exchange rate changes on the pensionable remuneration and consequent pensions of the General Service at a number of duty stations.

70. The salaries and other elements of the remuneration of the General Service are determined in local currency in accordance with the best prevailing conditions of employment at the duty station, In article 54 (a) of the Regulations of the Fund, the pensionable remuneration of such participants is defined as "the equivalent in dollars" (emphasis added) of the participant's gross salary, together with certain allowances. The conversion from local currency into dollars is made using the United Nations operational rate of exchange for the month to which the salary relates.

71. Since virtually the entire gross remuneration of the General Service is pensionable, the dollar pensionable remuneration under the Regulations for those serving at duty stations outside the United States will increase or decrease with each change in the exchange rate between the dollar and the local currency. Moreover, when the salary scales are revised, the proportional relationships between the gross and net salaries in the scale and, hence, between pensionable and net remuneration are modified because of the exchange rate used to convert the net salaries into dollars for purposes of reverse application of staff assessment rates,

72. In the case of Professional and higher level staff, currency fluctuations lead to changes - increases or decreases - in their net remuneration (net base salary plus post adjustment), which is determined in US dollars, but not in their

pensionable remuneration, since a separate and universal dollar scale of pensionable remuneration applies to them. This, in turn, results not only in changing relationships, over time and place, between the pensionable remuneration and the net remuneration of Professional and higher level staff, but also between the pensionable remuneration of such staff and that of General Service staff.

73. These relationships have been the subject of considerable discussions in recent years. There have been requests for measures to prevent declines, in the "soft currency" locations, in the dollar value of the pensionable remuneration and in the consequent dollar pensions of the General Service staff. There have also been expressions of concern at the extent to which, in certain "hard currency" areas, the dollar pensionable remuneration at the higher levels of the General Service overlaps the pensionable remuneration of the Professional and higher categories. It should also be noted that currency fluctuations have given rise, in some locations, to significant differences in the levels of benefits according to different dates of separation, the most extreme cases occurring where the use, over a prolonged period of time, of an artificial rate of exchange is followed by a massive devaluation.

74. The Standing Committee was informed that the Consultative Committee on Administrative Questions (CCAQ) and ICSC had already carried out several reviews of the staff assessment rates for General Service, taking into account their impact on pensionable remuneration, and that this issue would be reviewed further by both CCAQ and ICSC in 1989.

75. After an extensive discussion, the Standing Committee decided that a study of the methodology for determining the pensionable remuneration and consequent pensions for General Service staff should be pursued, in collaboration with the inter-agency bodies responsible for establishing salaries, staff assessment and pensionable remuneration. Although the Standing Committee recognized the primary role and responsibility of ICSC in respect of pensionable remuneration, it noted that the level of pensionable remuneration had a determining impact on the amount of the pension to be derived therefrom. The Pension Board therefore had an important and essential part to play in any studies of pensionable remuneration of the General Service, just as it does in those relating to the pensionable remuneration of the Professional and higher categories, as recognized by the General Assembly. Accordingly, the Standing Committee requested the Secretary to prepare an analysis of the pension levels of the General Service for the consideration of the Board next year.

76. The Standing Committee was of the view that the study should not be part of the review of economy measures, but that every effort should be made to complete it by 1990, when the review of the pensionable remuneration of the Professional and higher categories was to be completed.

D. Investments of the Fund

1. Management of the investments

77. The Standing Committee reviewed the investments of the Fund on the basis of a report and accompanying statistical data presented by the representative of the Secretary-General. The report described the prevailing economic and financial market conditions and provided information on the investment returns during the year ended 31 March 1988.

78. As at 31 March 1988 the market value of the assets of the Fund was $7,229 million, $213 million more than a year earlier. The investment return for the year was 3.1 per cent; the "real" or inflation-adjusted return was a negative eight tenths of 1 per cent (-0.8%). The investment return was calculated by using the standard method for return calculation, which included income from interest and dividend payments, as well as realised net profits, and unrealised profits and lossee due to market fluctuations implicit in changes in the market value. The annual investment return over the past five years has been as follows:

Year ended 31 March	Percentage return
1988	3.1
1987	24.69
1986	41.52
1985	8.09
1984	13.01

79. The cumulative annualised total returns for the last 5, 10, 15, 20 and 25 years were 17.32 per cent, 14.21 per cent, 9.53 per cent, 9.47 per cent and 8.53 per cent, respectively. The cumulative annualised total rate of return over the 28-year period for which data are available was 8.77 per cent, representing a yearly inflation-adjusted rate of return of 3.35 per cent.

80. In the perspective of the long-term investment strategy of the Fund, short-term results have little meaning as they are heavily influenced by the volatility of securities markets. The management of the Fund's assets is premised on the need to maintain a careful balance between risk and reward expectations over the medium to long term, rather than to seek high short-term returns at the risks inherent therein.

81. Taking into account the sharp decline in stock prices in October 1987 and the volatility of the markets thereafter, the investment performance for the year ended 31 March 1988 was better than might have been expected. This can be attributed to the decision made early in 1987 to adopt a defensive strategy by taking profits where appropriate, and to the policy of diversification, resulting in increased investment in those markets that fared best after the events of October 1987. During the past year, the long-term guidelines for the asset categories of the Fund were slightly changed in order to restructure the portfolio. The weighting was decreased for equities, increased for bonds and real estate-related investments, and remained unchanged for short-term investments and reserves. The changes were part of the Fund's defensive strategy to reduce the volatility of the Fund's investments.

82. To preserve the capital of the Fund and to realise profits, several short-term tactical moves were made during the year to take advantage of short-term movements in both currencies and stock markets. The equities portion of the portfolio declined from 51 per cent to 43 per cent, bonds increased from 27 per cent to 34 per cent, real estate-related investments increased from 10 per cent to 11 per cent, and short-term investments and reserves remained unchanged at 12 per cent. As the short-term investments and reserves included bonds maturing in one year or less, the weighting for this sector was expected to remain relatively high in the foreseeable future, as compared to previous years.

83. Historically, equities have outperformed other asset categories in most years; therefore, equities have consistently weighted heavily in the portfolio relative to

other types of investment. Within the equity portfolio, equities outside the United States have performed better, most of the time, than those in the United States, Within established guideline ranges, which are reviewed regularly, the composition of the portfolio changes continually, reflecting the assessment by the Investments Committee and by the representative of the Secretary-Qeneral of economic, market and currency trends.

84. It was recalled that all investments must, at the time of purchase, meet the four requirements of safety, profitability, liquidity and convertibility, criteria which have been endorsed by the Qeneral Assembly, and that all investments are kept under continuous review by the Investments Committee, the institutional advisor and the staff of the Investments Management Section of the United Nations.

85, The policy of broad diversification has proved to be the most reliable method to reduce risk and to improve returns over the long term, The Fund is unique among major pension funds in its commitment to global investment. For currency diversification, funds are invested in 27 different currencies. As at 31 March 1988, $3,714 million, or 51 per cent of the Fund's investments, were in currencies other than the United States dollar. The Fund was invested in 44 countries - including 18 developing countries - and in international and regional development institutions, Equity investments were made in 27 different markets, including 8 in developing countries,

86. Investments in developing countries were reviewed by the Standing Committee, bearing in mind the resolutions adopted by the Qeneral Assembly on this matter. Direct and indirect investments in developing countries amounted to $726 million at cost as at 31 March 1988, an increase of about 9 per cent in the past year, During the year ended 31 March 1988, the market value of the development-related assets increased to $US 896 million, an increase of about 5 per cent. Development-related investments accounted for about 12 per cent of the Fund's assets at book value; about 62 per cent of these holdings are denominated in currencies other than the United States dollar. Approximately 75 per cent of the development-related investments have been made through international and regional dovelopment institutions and the remainder have been made directly in specific countries. While the domestic equity markets in a number of developinq countries offer sound long-term investment opportunities, the possibilities of direct investment in them are limited by the size of the markets and/or by legal restrictions.

87. The Standing Committee noted that the Investments Management Section of the United Nations had continued its close contacts and consultations with the World Bank, the International Monetary Fund, and regional development banks, as well as with governments and private sources, in order to identify investment opportunities in developing countries, and that visits had been made during the past year to those institutions and to developing countries.

88. The representative of the Secretary-General informed the Standing Committee that efforts were continuing to engage, in addition to the global investment adviser and custodian, a number of regional and national investment advisers and custodians, the intention being to link such arrangements, closely and directly, with the "in-house" cash management operation that was being introduced. Pursuant to legal advice, the contractual arrangements with the global adviser and custodian were also in the process of being revised. Responding to a question, the representative of the Secretary-General gave assurances that there was neither the intent nor the legal possibility that either the Secretary-General or the General Assembly could seek to draw on the Fund's assets to meet the financial needs of the

United Nations, The representatives of the Assembly in the Standing Committee confirmed that there had been no such proposal or even a discussion thereof in the Assembly.

89. The Standing Committee took note with appreciation of the report of the representative of the Secretary-General, It also expressed gratitude for the services rendered to the Fund by the Investments Committee.

2. Membership of the Investments Committee

90. In accordance with article 20 of the Regulations of the Fund, the Secretary-General consulted with the Standing Committee, acting on behalf of the Board, regarding his intention, after consultation with tho Advisory Committee on Administrative and Budgetary Questions (ACABQ), to propose to the General Assembly at its forty-third session, the reappointment of three members whose terms expire at the end of 1988 and the appointment of a new member to complete the remaining two years of the term of Mr, David Montagu who had resigned. The Standing Committee took note of the proposals of the Secretary-General. It expressed its appreciation to Mr. Montaqu for his valuable contributions during his many years of service on the Investments Committee, most recently as its Vice-Chairman.

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

91. The Standing Committee examined and approved the financial statements and related data on the operations of the Fund for the year ended 31 December 1987 (annex II), submitted by the Secretary for inclusion in the annual report of the Board. The Standing Committee reiterated the concerns expressed by the Board in the past over continued outstanding tax refunds due to the Fund from a number of countries (schedule 4). The representative of the Secretary-General informed the Committee that he had recently made further representations to several countries to obtain either exemption from withholding and related taxes or agreement to a mechanism for their reimbursement,

92. The Standing Committee took note of the report of the Board of Auditors (annex III).

F. Administrative expenses

93. In section IV of resolution 42/222, the General Assembly approved expenses, chargeable to the United Nations Joint Staff Pension Fund, totalling $22,877,400 (net) for the biennium 1988-1989, for the administration of the Fund.

94. Article 15 (Administrative expenses) of the Regulations of the Fund provides, *inter alia*, in paragraph (b) that "Supplementary estimates may . . . be submitted in the first and/or the second year of the biennium to which the budget relates".

95. A review carried out on the basis of actual expenditures and obligations for the first three months of the biennium indicates that it is not necessary to eeek supplementary estimates at this time. However, some adjustments in the post levels in the staffing table are required to implement recent classification decisions of the Office of Human Resources Management of the United Nations Secretariat in respect of posts in the central secretariat of the Fund.

96. At its forty-second session, the Qeneral Assembly was informed that the classification results for the Qeneral Service category in New York had been implemented in accordance with section IX of Assembly resolution 41/209 of 11 December 1986. At that time, a number of appeals of the classification results were still to be *considered.* In addition, the Office of Human Resources Management has undertaken reviews *of* perceived inconsistencies in some of the initial classification results and of the classification *of* posts in respect of which the duties and responsibilities have changed since 1 January 1985, *As* a result of those reviews, one classification change requires modification of the staffing table approved for 1988-1989 for the central secretariat of the Fund, namely the reclassification of the post of the Chief of the Records Management Unit from Q-7 to P-2,

97. The classifications of Professional posts in the central secretariat are also being reviewed gradually on the basis of the application of the maeter standard promulqatod by ICSC. The Office of Human Resources Management has recently determined that the posts of Chief and Deputy Chief of the Payments Section - currently graded at the P-3 and P-2 levels - should be classified at the P-4 and P-3 levels, respectively.

90. In line with the past practice of the Pension Board of accepting such classification decisions, the Standing Committee recommends a consequent revision of the staffing table. The proposed revised staffing table is contained in annex IV.

99. The total cost of the classification decisions is estimated at $22,800 based on (a) the implementation of the Qeneral Service changes retroactive to the dates approved therefor by an earlier decision of the General Assembly, and (b) the implementation date of 1 June 1988 for the other two changes referred to in paragraph 97 above, based on the date of the classification notice. These costs could be met within the resources approved for the biennium 1988-1989 because of savings due to delays in filling vacant posts,

C Admission to membership in the Fund

100. In its 1987 report, 5/ the Board informed the Qeneral Assembly that the World Touriem Organisation (WTO) had applied for membership in the Fund under article 3 *of* the Regulations. The Board had decided to defer consideration of the application until the *WTO* Qeneral Assembly had approved proposed revisions of its Staff Regulations and Staff Rules designed to meet *one* of the prerequisites for membership, namely, adherence to the United Nations common system of salaries, allowances and other conditions of service,

101. The Standing Committee was informed that the WTO Qeneral Aesembly in September 1987 had adopted revised Staff Regulations and Staff Rules, which entered into effect as from 1 January 1988, except for the provisions qoverninq participation of WTO staff in the United Nations Joint Staff Pension Fund, which would become effective as from the date of admission of WTO to the Fund.

102. *The* Standing Committee was satisfied that WTO had thereby met the conditions for membership set out *in* article 3 (b) of the Regulations. It therefore recommends to the General Assembly that, in accordance with article 3 (c), WTO should be admitted to membership in the Fund as from 1 January 1989. If the Assembly approves the recommendation, all WTO staff members would, in accordance

with article 21 of the Raqulatione, be eligible for participation in the Fund as at the same date, Discussions are currently under way on the question of recognition, as contributory service for the purposes of the Fund, of service performed by WTO staff members prior to the date of the admission of WTO to the Fund, In keeping with past practice, any arrangement for the recognition of such service muet ensure that there will be no adverse actuarial implications for the Fund,

103. The admission of WTO would not affect the composition of the Board. Under the decision taken by the Board at its thirty-seventh session, WTO would not be entitled to a seat since the current number of its staff (85) is less than 1 per cent of the Fund's total participants. WTO would, however, be entitled to send one representative to sessions of the Board, who would have all the rights of a member, except the right to vote,

H. Amendments to the Fund's Rules of Procedure

104. The Standing Committee amended the Fund's Rules of Procedure to give effect to the decisions taken by the Board at its thirty-seventh session, held in 1967, on attendance and participation at future Board sessions, which had been reported to the Qeneral Assembly, and to incorporate the revisions of article 5 and 6 of the Fund's Regulations adopted by the General Assembly in resolution 42/222. The complete text of the amended portions of the Rules of Procedure is reproduced in annex VIII, for information.

Notes

1/ *Official Records of the General Assembly, Forty-second Session, Supplement No. 9* (A/42/9), para. 16.

2/ Ibid., *Thirty-seventh Session, Supplement No. 9* (A/37/9 and Corr. 1-4), para. 21.

3/ Ibid., para. 22.

4/ Ibid., *Thirty-seventh Session, Supplement No. 9* (A/38/9), para. 27.

5/ Ibid., *Forty-second Session, Supplement No. 9* (A/42/9 and Corr.1), para. 98.

ANNEX I

Statistics on the operations of the Fund for the year ended 31 December 1987

Table 1

Number of participants as at 31 December 1987

Member organization	Participants as at 31 December 1986	New entrants	Transfers. in	Transfers. out	Separat'ons	Participant6 as at 31 December 1987
United Nations	27 314	2 195	106	(91)	(2 207)	27 317
ILO	3 036	440	20	(33)	(41.9)	3 044
FAO	7 542	704	39	(31)	(839)	7 415
UNESCO	3 092	178	6	(15)	(258)	3 003
WHO	5 805	526	20	(14)	(558)	5 779
ICAO	1 130	88	4	(9)	(114)	1 099
WMO	395	24		(7)	(36)	376
ICITO	355	40	6	(1)	(24)	376
IAEA	1 784	185	13	(5)	(157)	1 820
IMO	338	32	3	(1)	(26)	346
ITU	1 069	114	4	(5)	(142)	1 040
WIPO	325	35	3	(5)	(19)	339
IFAD	206	33	6	(2)	(19)	224
ICCROM	24	3			(3)	24
EPPO	7	1		--	(1)	7
UNIDO	1 867	167	15	(26)	(264)	1 759
TOTAL	54 289	4 765	245	(245)	(5 086)	53 968

Table 2

Benefits awarded to participants or their beneficiaries during the year ended 31 December 1987

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement under 5 years	Withdrawal settlement over 5 years	Child's benefit	Widow's and widower's benefits	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
United Nations	278	175	a3	1 083	421	413	45	4	26	3	66	2 597
ILO	65	57	15	212	43	59	8	-	2	-	12	473
FAO	90	67	66	492	97	96	7	-	8	2	3	918
UNESCO	47	20	43	102	22	29	6		3		12	284
WHO	79	60	18	217	151	154	15	1	1	-	14	710
ICAO	22	8	6	53	12	15	3	-	-	-	9	128
WMO	8	3	3	17	3	2	-	-	-	-	2	38
ICITO	8	5	0	9	2	6	-	-	-	-		30
IAEA	16	11	4	98	12	10	4	-	1	-	11	167
IMO	3			21			-	-	-	-	2	26
ITU	25	12	8	a9	4	12	-	-	1	-	3	154
WIPO	1	1	1	11	5		-	-	-	-		19
IFAD	1	1	3	12	1		-	-	1	-		19
ICCROM		1		2			-	-	-	-		3
EPPO	1						-		-	-		1
UNIDO	21	24	14	157	29	17	2	1	2	0	11	278
Total	665	445	264	2 575	802	803	90	6	45	5	145	5 845

Table 3

Analysis of periodic benefits as at 31 December 1987

Participants or their beneficiaries

Type of benefit	Total a6 at 31 December 1986	New	Benefits discon- tinued, resulting in award of survivor's benefit	All other benefits discon- tinued	Total as at 31 December 1987
Retirement	8 619	665	(156)	(72)	9 056
Early retirement	4 044	445	(32)	(24)	4 433
Deferred retirement	4 610	265	(14)	(51)	4 810
Widow	2 890	81	209	(52)	3 128
Widower	126	9	9	(7)	137
Disability	520	47	(19)	(11)	537
Child	4 582	803		(615)	4 770
Secondary dependant	43	5	3	(2)	49
Total	25 434	2 320		(834)	26 920

ANNEX II

Audit opinion, financial statements and schedules for the year ended 31 December 1987

Audit opinion

We have examined the following appended financial statements, numbered I ant3 II, properly identified, and relevant schedules of the United Nations Joint Staff Pension Fund for the financial period ended 31 December 1987. Our examination included a general review of the accounting procedures and such tests of the accounting records and such other supporting evidence as we considered necessary in the circumstances.

We did not physically inspect and count the securities of the investments account amounting to $5,972,554,830 held by an independent custodian as of 31 December 1987. These securities were examined by other independent auditors whose report thereon has been furnished to us and our opinion expressed herein in so far as it relates to the investments account is based solely upon the report of these audi tors.

As a result of our examination and report of other auditors referred to above, we are of the opinion that the financial statements of the United Nations Joint Staff Pension Fund present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority.

(Signed) André CHANDERNAGOR
Senior, President of the
Court of Accounte of France

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

(Signed) Eufemio C. DOMINGO
Chairman, Commission on Audit of
the Philippines

23 June 1988

UNITED NATIONS JOINT STAFF PENSION FUND

Notes on the financial statements for the year ended 31 December 1987

Summary of significant accounting policies

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

1. Investments

Investments are recorded at cost using commercial historical exchange rates instead of United Nations rates. Interest income is reaorded on an acarual basis. No provision is made for amortisation of premium or disaount whiah is taken into account as part of the gain or lose when investments are sold; dividends are included in income on a cash basis; realised profits and losses are shown on a net basis. Rofundo on foreign taxes withheld are rsaorded as income in the year in which they are received,

2. Contributions

Contributions received from participants, member organiastions and other funde are recorded on an acarual basis.

Contributions refunded to member organisations are reaorded on a cash basis.

3. Benefits

Payment of bsnofits, including withdrawal settlements, is reaorded on an accrual basis.

4. Principal of the Fund

The principal of the Fund represents the active participants' contributions plus interests, together with the balance of equity of the Fund. It also includes the unoxpondod 1985 obligations of $61,237.

5. Emergency Fund

Appropriation is recorded when the authorisation is approved by the General Assembly; payments aro chargod directly against the appropriation account) any unexpondod balance is reverted to the Pension Fund at the end of the year,

6. Administrative expenses

In accordance with article 15 (b) of the United Nations Joint Staff Pension Fund Regulations, the administrative expenses of the Fund are estimated and approved on a biennial basis.

Explanatory note

Cash balances and bank overdraft,

The Fund, for purposes of investments and payment of benefits, maintains a number of bank accounts. Cash accounts with positive balances at year-end are totalled and shown as "Cash in banks", while those with negative balances are totalled and shown as "Bank overdraft".

STATEMENT I

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of assets and liabilities as at 31 December 1987 with comparative figures as at 31 December 1986

(United States dollars)

Assets		1987	1986
Cash in banks		25 457 384	12 029 552
Contributions receivable from member organisations		14 219 936	26 161 999
Accounts receivable		306 669	251 547
Accrued income from investments		97 516 768	62 516 002
Receivable from investments sold		5 620 729	7 451 166
Investments (schedules 2, 3 and 4) (market value: 6,878,923,090)			
Bonds - at cost (market value: 2,436,522,317)	2 140 511 810		
Stocks & convertible bonds - at cost (market value: 3,062,886,153)	2 569 061 305		
Real estate and related securities - at cost (market value: 690,086,960)	635 677 610		
Temporary investments - at cost (market value: 689,427,660)	627 304 105	5 972 554 a30	4 976 336 002
Prepaid benefits		8 261 202	7 388 555
		6 123 937 518	5 092 134 a23
Liabilities and principal of the Fund			
Benefits payable		7 a62 118	8 645 900
Held in trust		130 000	130 000
Payable for securities purchased		793 240	24 335 277
Other accounts payable		1 ala 414	2 960 967
Bank overdraft			962 585
Principal of the Fund		6 113 333 746	5 055 100 094
		6 123 937 518	5 092 134 a23

Certified correct:

(Signed) J. Richard FORAN
Assistant Secretary-General.
Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund

(for investments of the Fund only)

(Signed) Raymond GIERI
Secretary
United Nations Joint Staff.Pension Board

la May 1988

STATEMENT II

UNITED NATIONS JOINT STAFF PENSION FUND

Statement of source and application of funds for the year ended 31 December 1987 with comparative figures for the year ended 31 December 1986

(United States dollars)

	1987	1986
Source of funds		
Participants:		
Contributions under article 25 (a)	137 266 130	133 670 249
Additional contributions with interest to make prior service contributory	230 056	293 497
Repayment of benefits with interest to restore prior contributory service	2 704 096	1 575 006
Voluntary deposits	294	608
	140 209 376	135 539 360
Member organizations:		
Contributions under article 25 (a)	274 532 260	267 340 490
Additional contributions with interest to make prior service contributory	920 827	912 290
	275 453 087	268 252 788
Amounts received from non-member organizations for participants transferred under agreements	163 964	399 701
Receipts of excess actuarial cost over regular contributions with interest to make prior service contributory	33 782	31 888
Investment income		
Interest earned	239 540 027	228 191 692
Dividends	73 609 612	69 761 617
Real estate and related securities	41 367 423	31 239 485
Profit (net) on sales of investments	697 950 399	584 455 603
	1 052 467 461	[illegible] 648 397
Total	1 466 327 [illegible]70	[illegible] 317 [illegible]72 334

	1987	1986
Application of funds		
Payment of benefits		
Withdrawal settlements and full commutation of benefits	29 268 105	26 765 896
Retirement benefits	199 442 276	190 051 297
Early and deferred retirement benefits	121 362 517	114 151 516
Disability benefits	9 466 052	8 359 904
Death benefits (other than to children)	20 845 096	25 377 140
Children's benefits	6 318 544	5 892 644
Loss (gain) on exchange and charges	2 248 133	1 668 243
	396 950 723	372 266 720
Amounts remitted to non-member organizations & governments for participants transferred under agreements	4 369 035	4 309 801
Contributions refunded to member organizations under Article 26 of the Regulations as of 31 December 1982	10 378	2 891
Administrative expenses		
Administrative costs	3 073 808	2 674 950
Investment costs chargeable to gross income from investments	5 857 685	5 854 383
	8 931 493	8 529 341
Emergency Fund	41 325	45 047
Adjustments to prior year benefits (net)	(208 936)	(310 890)
Unexpended 1985 obligations	-	(61 237)
Transferred to principal of the Fund	1 058 233 652	933 090 461
Total	1 460 327 670	1 317 872 134

Certified correct:

(*Signed*) Raymond GIERI
Secretary
United Nations Joint Staff Pension Board

18 May 1988

SCHEDULE 1

Schedule of administrative expenses for 1987 and 1988

(United States dollars)

	1987	1986
Administrative costs		
Established posts	1 868 631	1 729 895
Overtime and temporary assistance	61 790	59 333
Common etaff costs	615 937	520 236
Actuarial consulting services	353 657	131 343
Coneultante	5 000	2 000
Travel of staff	27 824	2Q 594
Committee of Aatuariee	23 560	23. 058
Data-processing costs	160 824	128 126
Erternal audit	9 860	9 200
Computer services rendered by the United Nations	20 000	20 000
Communications services	5 000	5 000
Hospitality	4 961	2 854
Miscellaneous charges	16 764	16 259
Total	3 073 808	2 674 958
Investment costs		
Eetabliehed posts	441 049	353 370
Overtime and temporary assistance	21, 232	4 792
Common etaff costs	147 136	176 621
Training	1 690	720
Cue todial services and investment counsel	5 004 458	5 100 000
Consultante	25 262	25 391
Travel of staff	44 093	11 701
Investments Committee	110 249	117 709
Data-processing costs	27 374	12 246
Communications services	14 420	25 416
Hospitality	2 171.	1 961
Miscellaneous charges	18 551	24 456
Total	5 857 685	5 854 383

SCHEDULE 2

Summary statement of investments as at 31 December 1987

(Thousand6 of United Statee dollars)

	Balances - at cost		1987 income		
	1 January 1967	31 December 1987	Profit or (loss) on sales	Divi- dends or interest	Total
Bonds (United States $)	641 853	924 559	2 084	70 797	72 881
Stocks and convertible bonds (United States $)	1 128 122	1 237 518	229 619	37 279	266 798
Bonds (other currencies)	1 003 454	1 215 953	102 064	109 790	211 854
Stoaks end aonvertible bonds (other currencies)	995 638	1 331 543	341 467	36 331	377 788
Real estate and related securities (United States $ and other currencies)	577 757	635 678	1 335	41 367	42 702
Temporary investment8 (United States $)	441 937	185 870	22	29 051	29 073
Temporary investments (other currencies)	189 875	441 434	21 470	29 901	51 371
Total portfolio	4 976 336	5 972 555	697 951	354 516	1 052 467

SCHEDULE 3

Comparison of cost value and market value of investments as at 31 December 1986 and 31 December 1987

(Thousands of United States dollars)

	31 December 1986			31 December 1987		
	Cost value	Percentage of total cost value	Market value	Cost value	Percentage of total cost value	Market value
Bonds (United States $)	641 553	12.9	698 505	924 559	15.5	926 500
Stocks and convertible bonds (United States $)	1 126 122	22.6	1 503 003	1 237 518	20.7	1 412 561
Bonds (other currencies)	1 003 454	20.2	1 140 089	1 215 953	20.4	1 510 022
Stocks and convertible bonds (other currencies)	995 636	20.0	1 619 891	1 331 543	22.3	1 660 325
Real estate and related securities (United States $ and other currencies)	577 757	11.6	652 294	635 678	10.6	690 087
Temporary investments (United States $)	441 937	8.9	444 399	185 870	3.1	193 511
Temporary investments (other currencies)	189 675	3.8	196 774	441 034	7.4	495 917
Total portfolio	4 976 336	100.0	6 254 955	5 972 555	100.0	6 878 923

SCHEDULE 4

Summary of outstanding tax refunds as at 31 December 1987

Source		Taxes outstanding withheld - local currency: Prior to 1983	1984	1985	1986	1987	Total	Exchange rate in effect 31/12/87	Equivalent in United States dollars
Belgium	BF					4 456 668	4 456 668	33.1730	134 346
Germany, Federal Republic of	DM					941 338	941 338	1.5703	599 464
France	FF					1 993 530	1 933 530	5.3315	373 915
Italy	Lit			117 531 000	65 205 000	126 270 000	309 006 000	1 162.7907	265 743
Japan	¥				340 200	7 312 500	7 652 700	121.1094	63 10%
Malaysia	$M				216 399	726 834	943 233	2.4931	378 337
	$S		18 720		112 aaa		130 720	1.9788	66 060
Mexico	$Mex	50 112 167	23 538 074	47 868 827	112 729 al7	216 454 753	453 702 838	2 247.1910	200 563
Netherlands	f.				3 500	1 397 639	1 401 33%	1.7667	793 082
New Zealand	$NZ			19 818	11 865		31 683	1.9200	20 844
Norway	NKr					319 423	719 423	6.2244	115 581
Papua New Guinea	$A	9 079					9 a79	1.3621	6 569
Philippines	P	768 750					768 750	20.0799	38 285
Singapore	$S				36 713	497 277	533 990	1.97148	269 856
Spain	Ptas	27 040 519	22 875 382	21 614 271	15 136 933	39 053 964	125 721 069	1a7.5384	1 169 a m
Switzerland	SF			6 300		766 804	773 104	1.2679	609 752
United Kingdom	£					504 624	584 624	1.8850	1 la2 al6
							Total amount outstand*		6 206 684

ANNEX III

Report of the Board of Auditors to the General Assembly on the accounts of the United Nations Joint Staff Pension Fund for the yea: ended 31 December 1987

Introduction

1. In accordance with article 14 of the Regulation6 of the Unite% Nations Joint Staff Pension Fun% (UNJSPF), the Boar% of Auditors has audited the account6 of the Fun% for the year ended 31 December 1987,

2. The examination was made in accordance with article XII of the Finanaial Regulations of the Unite% Natione an% the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialised agencies and the International Atomia Energy Agency. Our examination was conducted at the secretariat of the Pension Board an% the Investment Management Section of the United Nations in New York.

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

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

Summary of recommendations

5. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Expedite the introduction of a system for the review an% automatic removal of reconciliation flags based on the participants' master programme evaluation that was initiate% by the Administration after an earlier audit observation;

(b) Ensure compliance with the new procedures to improve an% control additions to and changes of EDP programmes;

(c) Review the Benefits Payable account regularly to ensure that it does not contain obligations that have already been paid;

(d) Improve the bank reconciliation procedures;

(e) Ensure the timely an% accurate recording of transactions;

(f) Prepare an accounting manual to help promote efficiency in accounting;

(g) Incorporate in the Policy and Operation Manual for Investment Decision-Making the following8

(i) The circumstances under which investments can be made in companies not on the approved equity list;

(ii) The amounts or percentages of deviation from the initial purchase/sale recommendation that are to be confirms% by the Representative of the Secretary-general for the Investments of the Fund or by other responsible officials of the Fund;

(iii) The guideline requiring the indication of the date of the verbal approval of the purchase/sale recommendation.

Summery of findings

6. Our review of the benefits payment system disclosed that 20 per aent of the 54,289 participants accounts carried one or more reconciliation flags; in some cases the error signals should not have been raised, while in others error signals remained even after adjustments or corrections ha% been made.

7. The year-end reconciliation of the accounting report an% the posting record revealed discrepancies.

8. Our review of procedures relating to EDP programme changes did not indicate that users other than the requisitioners who might be adversely affected by a system modification were involve% in the change process. In addition, systems modifications were not documented, thue rendering difficult the process of monitoring programme changes,

9. The following observations were likewise noted from our review of the benefit payments:

(a) Obligations ha% remained recorded as outstanding although they had already been paid;

(b) Some accounts ha% been outstanding for more than five years.

10. Weaknesses in cash management were also noted, a6 follows:

(a) The cash position report does not provide current information on the cash position of the Fund's secretariat because batch processing continues to be utilise% in posting cash transactions)

(b) The preparation of some of the bank reconciliation statements was often delayed;

(c) In two instances, the recording of contributions from member organizations was delayed;

(d) Bank transfers value-date% 4 January 1988 were recorded in December 1987.

11. Our examination of investments an% relate% accounts revealed the following:

(a) Investments in non-Unite% States stocks were made in two companies that were not on the approve% equity list:

(b) T'ere were no established procedures for informing the Representative of the Secretary-General for the Investments of the Fun% of changes in target prices, amounts, and/or shares after his confirmation of the initial purchase/sale recommendation;

(c) There was no prescribe% guideline requiring the indication of the date of the verbal approval of the purchase/sale recommendation.

Computer applications

Reconciliation "flags"

12. Our examination in January 1988 of the “Participants Master” file disclose% that 10,770 accounts or 20 per cent of the 54,289 participants accounts carried at least one or more reconciliation "flags". We reviewed samples of these flagged accounts an% observe% the following;

(a) There were cases where the reconciliation flag should never have been raised;

(b) In other cases, the error indicators remained on after the differences had been adjusted.

13, Our review of the computerized application revealed that the system provides for the removal of a flag only for adjustments or corrections that are made in the year after the flag is raised. Consequently, if the correction is not made until the second or subsequent year, the flag remains, When a flag 'ontinues to appear at tho time a benefit is being processed, the Benefits Section has to verify the accuracy of the contribution and trace the error to even as far back as the commencement of the contributory service of the participant, This work is time-consuming and delays the payment of benefits; moreover, it is unnecessary an% unproductive in cases where the flag remains on even after adjustments or correct: ions have been made.

14. We compared the “Reconciliation Exceptions” for the two-year periods ended 1985 and 1986 and noted that several discrepancies remained unreconciled, Furthermore, the accumulated prior years’ unresolved exceptions were not carried ovor to the current two-year exception report. This failure led to the piling up of discrepancies and rendered monitoring beyond the two-year period impossible.

15. In the light of our observations, we submitted in January 1988 the following recommendations :

(a) The Fund should review and evaluate the participants master programme, particularly the conditions that trigger the raising of the error flag to ensure that the error signal is turned on only for valid reconciliation exceptions;

(b) Furthermore, the Fund should introduce a system enhancement to provide an automatic removal of the flag when adjustments or corrections have been made.

16. The Administration informed us that they had been aware of the shortcomings inherent in the system and that they support our recommendationa. However, according to tho Administration, while some modifications cm be introduced immediately, others would take longer to implement because they would involve related changes in the procedures of member organizations. Meanwhile, the Administration informed us that action is being taken to deal with the problem of flags that.already exist in the participants' master programme. A proposal for automated reviews of all existing flags has been prepared, a aopy of which has boon furnished us. In addition, a communication has been sent to all member pga.dmations urging them to give prompt attention to reports sent to them on their reconciliation exceptions,

Payroll system and EDP systems change

17. Our examination of the reconciliation disclosed differences in entries between the benefit *payments* recorded in the accounting report and the payroll registers.

18. A review of the payroll system disclosed that both reports ultimately come from the same source, the updated payroll Master. While payroll is a direct output of the payment system, the accounting report is generated using the Accounting Master, which is, in turn, updated by the Payments Section by using a separate input. The payroll register and the aaoounting report must therefore agree *in* so far as payment6 made through the monthly payroll are concerned. However, the system does *not* make use of the payroll register in updating the Accounting Master, which results in minor discrepancies from the payroll records. Thus, the accounting report does not fully reflect payroll payments since-the correctness of inputs are likewise uncertain.

19. We also noted that the discrepancies arose only after changes *in* the payroll programmes were made. The Administration indicated that they would review recent changes to determine which changes may have brought about the differences. We reviewed the procedures relating to EDP programme changes and observed that although the requisitioner's written approval has to be obtained before modifications are finalized, this was not always done. We further noted the absence of a similar evidence to indicate that approval was obtained from other users who might be affected by the systems change. Furthermore, we observed that systems modifications were not documented. This made it difficult to monitor programme changes,

20. Wo recommended and the Administration agreed that the payroll system, particularly the update programme, should be reviewed and modified accordingly to ensure the integrity of data added to the Accounting Master. They added that an EDP request was prepared by the Payment6 Section to solve this problem,

21. We further recommended that requests for programme changes should be analyzed in terms of the whole system and that all affected users be involved in order that any probable adverse effect the requested enhancement may have, can be identified and corrected. In addition, we recommended the appropriate documentation of all systems modifications.

22. To this effect, the Administration has issued Procedure-General No. 26, outlining the steps to be taken relative to EDP programme changes, and indicated that they would take steps to ensure full compliance with the new procedure.

Bene ayments system

23. Our examination of outstanding obligations disclosed that there were paid items for which the corresponding debit to Benefits Payable was not made. Instead, Benefit Payments was charged again for the release of the funds, overlooking the liability that was set up previously. These obligations have remained outstanding because of a mere oversight that could have been avoided had verification been made.

24. Likewise, there were accounts primarily related to "terminated retirement" cases, which had remained unsettled for more than five years and as such, eligible for forfeiture under article 46 of the Regulations of the Fund. Corollary to this, several files of participants could not be located or reconstructed at the time of audit. These records pertain to balances that have been outstanding for more than two years and even up to nine years. These obligations have remained unsettled for lack of additional information necessary to determine their proper disposition.

25. In addition, we also noted that the latest listing of outstanding cheques is as of 31 August 1987. Consequently, the Benefits Payable - Stale-dated Cheques account could not be updated.

26. So that the proper account is charged whenever payments are made, we recommended and the Administration agreed that a verification should first be done to determine if the benefits being paid have been previously lodged to payables. On the long outstanding accounts, involving primarily '*terminated retirement" cases, they have agreed to review the merits of carrying their payable balances. They further informed us that the Accounts Section would clean all outstanding items and would prepare the journal vouchers accordingly.

27. The Administration explained that the listing of outstanding cheques and, consequently, the Benefits Payable - Stale-dated Cheques account had not been updated beyond August 1987 because of other priorities and temporary shortage of personnel. They assured us, however, that they would update the said listing and records as soon as possible.

Cash

Unupdated cash position report

28. The Balance Report is intended, among others, to provide the Cashier with information on the cash position of the secretariat of the Fund. Our review of the balance reports disclosed that payments made during the month as well as fund transfers made at or close to the end of the month had not been posted and consequently were not reflected in the balance report for the month. The reason for the delay is the use of the batch system in the posting of these transactions. In our management letter of 8 May 1986, we had brought a similar observation to the attention of the Administration and had recommended that an on-line data entry system be introduced, Information on the current cash position would enable the Cashier effectively to monitor cash balances and to avoid probable loss of income due to idle balances in the bank account or bank charges due to overdrafts.

29. Since the on-line data entry had not yet been introduced, we reiterated our recommendation and the Administration agreed that the Cashier should manually update the cash records. The Administration further informed us that they would

introduce improvements in 1988 to avoid delayed postings through the batch system and that on-line system would be pursued as soon as possible. At the same time, they observed that work to improve computer arrangements would inevitably be delayed because of the backlog of requests for new or modified systems and the inadequate level of resources available in the EDP area,

Delaved bank reconciliation

30. The presence of unidentified items and the absence of reference numbers for transactions in the bank statements have made the reconciliation process difficult. We also observed several long outstanding reconciling items. As a result, the preparation of the bank reconciliation statements was often delayed. We had recommended the updating of these statements to allow the timely recording of valid charges/credits made by the bank. We further recommended that all depository banks be required to identify these charges/credits properly in the bank statements through transaction reference numbers or through other practical means.

31. The Administration assured us that existing procedures would be reviewed and whatever changes that are to be made would be communicated to the banks concerned. They also mentioned that consideration was being given to closing the accounts with banks whose services had not been satisfactory.

Delayed recording of contributions

32. The recording of some contributions in the accounts was delayed by two to six months. In one instance, the delay was due to the failure of the Fund to immediately cross-check against its records the advice sent by a member organization. Although the contribution actually was received on 29 May and the advice on 17 June, the recording to the accounts was made only in December. In another instance, the proper identification of a remittance of another member organixation was not made until the final reconciliation at year-end despite the receipt of the advice on 25 August 1987.

33. In view of the foregoing, we recommended that remittance advices received from member organixations should be verified against Fund records to determine delays in recording, if any, and to cheek the accuracy of recorded amounts. The Administration indicated that this had been put into practice and that efforts would be made to avoid repetition of delayed recordings.

transactions

34. In our review of the cash accounts, we noted that bank transfers value-dated 4 January 1988 were recorded in December 1987. Since these transfers were recorded ahead of their value-dates, charges to the exchange gain/loss account totalling $51,060.90 were incorrect. Hence, that account was overstated while cash was understated by the same amount,

35. We recommended a reversal of the original entries recording the above bank transfers but the Administration stated that this could not be implemented in view of the need to close the accounts. They however agreed that, henceforth, all value-dated transactions would be recorded in the accounts on their value-dates.

Investments

Investments in companies not on the approved equity list

36. Our review of investment transactions involving non-United States stocks revealed that two investments were made in two companies not included in the approved equity list. Further examination disclosed that the first investment was subsequently disposed of after the Investment Management Section (IMS) failed to obtain a bigger block of stocks in the company. The second investment was also disposed of when it was subsequently disapproved by the Investment Committee.

37. Although the required approval by at least one member of the Investment Committee was obtained in both cases, we nevertheless recommended and the Administration agreed that a provision be included in the Policy and Operation Manual for Investment Decision-Making that would clearly define the conditions under which similar actions may be taken.

Changes in target prices, amounts, and/or shares

38. Our examination of equity acquisitions for the last quarter of 1987 showed several instances where approved and confirmed target prices, amounts, and/or shares that were indicated in the initial purchase/sale recommendations were subsequently changed or cancelled.

39. Inquiries revealed that IMS devised a form whereby changes in target amounts and target prices of purchases and sales of equities after initial approval are incorporated. This form is signed by the Investment Officer concerned and approved by the Chief of IMS. We were, however, informed that as yet there are no prescribed procedures for informing the Representative of the Secretary-General for the Investments of the Fund of changes after initial confirmation. Since all initial purchase/sale recommendations are forwarded to him for confirmation, we believe that he should also be informed of subsequent changes.

40. In order to decentralize the decision-making process, we recommended that the amounts or percentages of deviation from the initial purchase/sale recommendation that are to be confirmed by the Representative of the Secretary-General or by other responsible officials of the Fund should be prescribed and should likewise form part of the Manual. The Administration agreed to review our proposal and a final decision on the procedure to be followed would be sent to us for review and comments before final implementation.

Verbal approval of purchase/sale recommendations

41. Our review of existing guidelines on equity transactions as provided in the Manual revealed the absence of a procedure requiring the indication of the date of the verbal approval in the purchase/sale recommendation for a transaction where verbal approval was previously given. Inasmuch as such approval is enough authority for Fiduciary Trust Company International (FTC) to buy or sell a security, subsequent documentation should contain such information.

42. We recommended the issuance of a guideline requiring the indication of the date of the verbal approval in the purchase/sale recommendation. The Administration once again agreed to review our suggestion before a final decision is made as to the most appropriate method of indicating the date on the written

recommendation. They pointed out, however, that they had already devised a procedure but that implementation was delayed pending systems change at FTC and the changes in custodial arrangemente that are currently being reviewed.

Accrual of expenses for custodial services and investment cour el

43, In our review of the Custodial Services and Investment Counsel account, we noted that the amount presented in the Schedule of Administrative Expenses was overstated by $551,477.96 in 1986 and understated by an equal mount in 1987 bocauso of the failure to accrue properly the expenses that pertain to each accounting and reporting period, It is, therefore, recommended that in subsequent recording and reporting of expenses, proper aoorualo and matching of aosto against revenuos should be made for a fair presentation of financial statements for each of the period.

Accounting and administration manuals

44, Wo followed up our recommendation for the preparation of the accounting manual and observed that there was very little progress made. However, the administration manual has already been updated and completed. However, we still find the need for the immediate completion of the accounting manual,

Write-off of receivables

45. The Administration informed us that during the year 1987, receivables amounting to $10,438.71 were written off in accordance with administrative rule J.9 (c) of the United Nations Joint Staff Pension Fund.

Cases of fraud

46. The Board was informed that there was no known case of fraud or presumptive fraud in the United Nations Joint Staff Pension Fund in 1987.

Comments on matters dealt with in the 1986 report of the Board of Auditors

47. We noted that the Administration has taken satisfactory action on matters raised in the Board'6 report for 1986 a/ except with respect to the improvement of bank reconciliation procedures end the preparation of the accounting manual.

46. We further noted that the request to use commercial foreign exchange rates instead of the United Nation6 rates in recording investment transactions has finally boen granted by the Controller.

Acknowledgement

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

(*Signed*) André CHANDERNAGOR
Senior President of the
Court of Accounts of France

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

(*Signed*) Eufemio C. DOMINGO
Chairman, Commission on Audit of
the Philippines

Notes

a/ *Official Records of the General Assembly, Forty-second Session, Supplement No. 9* (A/42/9).

ANNEX IV

Administrative expenses

Revised staffing table for the biennium 1988-1989

Secretariat of the Pension Fund

	Established posts		Temporary posts	Total	
	Approved	Revised	Approved	Approved	Revised
Professional category and above					
D-2	1	1	-	1	1
D-l	2	2		2	2
F-S	3	3		3	3
P-4	5	6 a/		5	6
P-3	12	12 a/	-	12	12
P-211	4	4 a/b/	1	5	5
Total	27	26	1	26	29
General Service category					
Principal level	2	1 b/	-	2	1
Other levels	58	58	2	60	60
Total	60	59	2	62	61
Grand total	67	87	3	90	90

a/ Includes the classification of one P-3 end one P-2 post to the P-4 and P-3 levels, respectively, requested in the revised estimates for the biennium 1988-1989.

b/ As approved under section IX (Job classification of the General Service and related categories) of General Assembly resolution 41/209 of 11 December 1966, this staffing table also reflects the upgrading of one Principal level post to the P-2 level.

ANNEX V

<u>Member organizations of the Fund</u>

The mombor organizations of the Fund are the United Nations and the following8

European and Mediterranean Plant Proteation Organization (EPPO)

Food and Agriculture Organization of the United Nations (FAO)

Interim Commission for the International Trade Organization (ICITO)

International Atomic Energy Agency (IAEA)

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

International Civil Aviation Organization (ICAO)

International Fund for Agricultural Development (IFAD)

International Labour Organisation (ILO)

International Maritime Organization (IMO)

International Telecommunication Union (ITU)

United Nations Educational, Scientific and Cultural Organization (UNESCO)

United Nations Industrial Development Organization (UNIDO)

World Health Organization (WHO)

World Intellectual Property Organization (WIPO)

World Meteorological Organization (WMO)

ANNEX VI

Attendance at the 168th meeting of the Standing Committee

1. The following members and alternates attended the meeting of the Standing committee1

Members	Alternates	Representing
United Nations (Group I)		
Mr. S. Kuttner	Mr. M. Majoli	General Assembly
	Mr. U. Kalbitzer	General Assembly
	Mr. Y. Takaou	General Assembly
Mr, K. A, Annan	Mr. J . R. Foran	Secretary-General
	Mr. M . de la Mota	Secretary-General
	Mr. M. Baquerot	Secretary-General
	Mr. A . Miller	Secretary-General
	Ms. D. Bul l	Secretary-General
Ms. S. Johnston	Mr. G. Fulcheri	Participants
	Mr. B. Hillis	Participants
	Mr. L. Bourne	Participants
	Ms. N. Sadka	Participants
Specialized agencies (Group II)		
Mr. W. M. Yoffee (ILO)	Mr. E. Zador (UNIDO) a/	Governing body
Mr. W. W. Furth (WHO) c/	Mr. J. E. Morgan (WHO)	Executive head
Mr, W. E. Price (IAEA) b/	Mr. D Bertaud (IMO)	Participants
	Mr. P. A. Traub (ITU)	Participants
	Mr. R. M. Perry (WMO)	Participants
Specialized agencies (Group III)		
Mr. A. D. Weygandt (FAO)		Governing body
Mr A. Raffray (UNESCO)		Executive head
Mr. G. Thorn (ICITO)	Mr. G. Frammory (WIPO)	Participants

2. The secretariat of ths Committee consisted of Mr. R. Gieri and Mr. S. K. Chow, Secretary and Deputy Secretary of the Board, respectively. Also present during the discussion of relevant items on the agenda were Mr. R. J. Myers, Rapportour of tho Committee of Actuaries, and Dr. M. Irwin, Medical Consultant. to the Board, The Standing Committee was assisted, in addition, by Mrs. M. H. Adams, representing George B. Buck Consulting Actuaries, Inc. (consulting actuary to the Board).

3. The following attended the meeting of the Standing Committee as observers for member organizations or other bodies or as secretaries of staff pension committees:

Observer	Secretary	Staff Pension Committee
Mr. R. Harari Mr. A. Busca Mr. E. Danti	Mr. R. Leone de Magistris	ILO
Sir J. Reid Ms. V. Pedersen Mr. A. Pares Dr. [illegible] Vessereau	Ms. R. Wiedmel	WHO
Mr. M. Bel Hadj Amor Mr. A. Marcucci	Mr, G. Eberle	FAO
Mr. G. V. Rao Mr, A. McLurg	Mr, M. Hachim-Saberi	UNESCO
	Mr, D. Gerdes	ICAO
Mr. J. Morales-Pedrara Mr, S. Amdal Mr. W. Scherzer	Mr, P. Uhl	IAEA
	Mr, E. Renlund	WMO
Mr, J. Balfroid		ITU
Mr. P. H. Rolian	Mr, H. Glanzmann	ICITO/GATT
	Mr. J.-L. Perrin	WIPO
Mr. Y. Tito		IMO
	Ms. M. Brocklesby	IFAD
Mr. S. Zampetti	Ms. U. Peer	UNIDO
		Other bodies
Ms. M. Bruce Mr. C. Buonaccorsi Mr. A. Chakour Mr. S. Grabe Ms. I. Poulsen Ms. P. K. Tsien Mr. W. Zyss		FAFICS

4. Certain other bodies or organisations were represented during the whole or pert of the meeting as follows:

Organization	Representative
International Civil Service Commission (ICSC)	Mr. P. Ranadive
Consultative Committee on Administrative Questions (CCAQ)	Ms. E. Steward-Qoffman
Federation of International Civil Servants' Associations (FICSA)	Ms. F. Sale
Co-ordinating Committee for Independent Staff Unions and Associations of the United Nations System (CCISUA)	Mr, H. Abdel-Aziz
World Touriem Organisation (WTO)	Mr. K. Vasak

Notes

a/ Chairmen.

b/ 1st Vice-Chairman,

c/ 2nd Vice-Chairmen.

ANNEX VII

Membership of the Committee of Actuaries

The membership of the Committee is as follows:

Mr. A. 0. Ogunshola (Nigeria) - Region I (African States)

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

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

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

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

ANNEX VIII

Amendments to the Rules of Procedure of the United Nations Joint Staff Pension Fund

The introductory statement, section A and appendix I of the Rules of Procedure were amended to road as follows:

"The following Rules of Procedure have been approved under article 4(b) of the Regulations by the standing Committee on behalf of the Board: a/

"SECTION A

"United Nations Joint Staff Pension Board

"A.1 In accordance with article 5 of the Regulations, the Board shall be composed as indicated in appendix 1 below. The Board shall meet in regular session not less frequently than once in every two years at a time and place to be decided by the Board or its Standing Committee.

"A.2 Before each regular session of the Board, the secretaries of the staff pension committees shall notify the Secretary of the Board of the names of the persons appointed by the committees as members and alternate members of the Board in accordance with article 5. They shall remain accredited until the next regular session of the Board unless the Secretary of the Board is notified that a committee has made a change in its representation.

"A.3 Special sessions of the Board shall be held upon the decision of the Board or of the Standing Committee, or at the request of a majority of the members of the Board. The time and place of a special session shall be decided by the standing Committee.

"A.4 All sessions of the Board shall be convened by the Secretary. Items which are proposed by any member of the Board or by any staff pension committee, at least one month before the beginning of a regular session or fourteen days before the beginning of a special session, shall be placed by the Secretary on the provisional agenda and communicated to each member of the Board and to the secretaries of the committees accompanied by the necessary documentation. Other items may be added to the agenda either at the beginning of a session or during a session if the Board so decides.

"A.5 Subject to the provisions of the Regulations and of these Rules, the Board shall adopt its own procedures. A majority of the members of the Board, including alternate members attending in the absence of members, shall constitute a quorum, provided that not less than three members from each of the three following groups are present;

"a/ These Rules of Procedure were approved by the Standing Committee effective 1 January 1971 and were then revised by the Committee by amendment6 effective 30 January 1986 and 1 January 1989.

"(a) The General Assembly of the United Nations and the corresponding bodies of the other member organisations;

"(b) The competent authorities of member organisations;

"(c) The participants.

"A.6 Decisions of the Board shall be taken by a majority of the members present and voting,

"A.7 At the opening of each regular session, the Board ehall elect a chairman and two vice-chairmen who ehall preside at the meetings of the Board until their successors are elected.

"A.8 A report of each session of the Board ehall be prepared under the responsibility of the Secretary and approved by the Board. It shall be distributed as soon as possible to all members of the Board through the secretaries of the staff pension committees.

"A.9 Attendanae at Board sessions shall be limited to:

"(a) The members of the Board;

"(b) One alternate member for each member of the Board, except that for the United Nations the number of alternate members shall be limited to the alternate members on the United Nations *Staff* Pension Committee elected or appointed in accordance with article 6(a) of the Regulation61

"(c) For member organisations with one or two members on the Board, one representative from each group referred to in A.5 above which is not entitled to a member seat at that Board session;

"(d) One representative for each member organisation without a member seat on the Board;

"(e) Two representatives, and two alternates, for the Federation of Associations of Former International Civil Servants (FAFICS);

"(f) One observer for each organization or organ invited by tho Board to attend the session;

"(g) In an ex officio capacity, the secretaries of the staff pension committees of member organisations and members *of* the Fund's secretariat designated by the Secretary *of* the Board.

"A.10 The repreeentatfvee referred to in A.9(c), (d) and (e) above shall be accorded the rights of members, except the right to vote. The observers and ex officio participanta referred to in A.9(f) and (g) above shall have the right to speak with the permission of the Chairman.

"A.11 The meetings of the Board shall be held in private. The records and all correspondence of the Board shall be private and kept in the care of the Secretary of the Board."

Appendix I

COMPOSITION OF THE BOARD

I.	United Nations	12 members	4 from members of the United Nations Staff Pension Committee elected by the General Assembly 4 from members of the United Nations Staff Pension Committee appointed by the Secretary-General 4 from members of the United Nations Staff Pension Committee elected by participants
II.	FAO	3 members	1 from members of the FAO Staff Pension Committee elected by the Governing Body 1 from members of the FAO Staff Pension Committee appointed by the Director-General 1 from members of the FAO Staff Pension Committee elected by participants
	WHO	3 members	1 from members of the WHO Staff Pension Committee elected by the Governing Body 1 from members of the WHO Staff Pension Committee appointed by the Director-General 1 from members of the WHO Staff Pension Committee elected by participants
III.	UNESCO	2 members	
	ILO	2 members	
IV.	UNIDO	1.5 members	5 from members of staff pension committees elected by the bodies corresponding to the General Assembly
	IAEA	1.5 members	
	ICAO	1.5 members	5 from members of staff pension committees appointed by the chief executive officers of the specialized agencies
	ITU	1.5 members	
V.	WMO	1 member	5 from members of staff pension committees elected by the participants
	ICITO	1 member	
	IMO	1 member	
	WIPO	1 member	
	IFAD	1 member*	

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Draft resolution proposed for adoption by the General Assembly

Report of the United Nations Joint Staff Pension Board

The General Assembly,

Recalling its resolution 42/222 of 21 December 1987,

Having considered the report of the United Nations Joint Staff Pension Board for 1988 to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund, a/ and the related report of the Advisory Committee on Administrative and Budgetary Queetions,

I

MEASURES TO RESTORE THE ACTUARIAL BALANCE OF THE UNITED NATIONS JOINT STAFF PENSION FUND

Recalling section I, paragraph 2, of its resolution 421222,

1. *Takes note* of eectfon III.A of the report of the United Nations Joint Staff Pension Board, a/ which contains the interim report of the Board on its study of all possible measures to restore the actuarial balance of the Fund over the long term;

2. *Requests* the United Nations Joint Staff Pension Board to complete its study in 1989 by carrying out a more extensive examination of the areas identified in paragraph 55 of section III.A of its report, for presentation to the Qeneral Assembly at its forty-fourth session, together with the results of the twentieth valuation of the Fund as at 31 December 1988;

II

ADMISSION TO MEMBERSHIP OF THE WORLD TOURISM ORGANIZATION

Decides to admit the World Tourism Organization to membership in the United Nation6 Joint Staff Pension Fund, in accordance with article 3 of the Regulations of the Fund, with effect from 1 January 1989;

III

ADMINISTRATIVE EXPENSES

Recalling section IV of its resolution 421222,

Approves the revised staffing table for the secretariat of the United Nation6 Joint Staff Pension Fund for the biennium 1988-1989, as contained in annex IV of the report of the United Nations Joint Staff Pension Board, on the understanding that the additional costs will he met: within the expenses approved for the biennium 1988-1389:

Takes note of the remaining sections of the report of the United Nations Joint Staff Pension Board,

Notes

a/ *Official Records of the General Assembly, Forty-third Session, Supplement No. 9* (A/43/9).

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