

f)

GENERAL

JSPB/G.4/Rev.12/Add.1

UNITED NATIONS JOINT STAFF PENSION FUND  
PENSION ADJUSTMENT SYSTEM  
1 JANUARY 1985

## Pension Adjustment System a/

### A. General description

1. Pension adjustment is intended to ensure that a periodic benefit payable by the Fund should never be allowed to fall below the "real" value of its United States dollar amount, as determined under the Regulations, and to preserve its purchasing power as initially established in the currency of the recipient's country of residence.
2. The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States Consumer Price Index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the Consumer Price Index in his country of residence.
3. The operation of the pension adjustment system will continue to involve keeping a record of two amounts for each beneficiary: <sup>b/</sup>
  - (a) One in United States dollars, which will be adjusted periodically to reflect changes in the United States Consumer Price Index;
  - (b) The other in local currency, which will be adjusted periodically to reflect changes in the Consumer Price Index in the beneficiary's country of residence.

### B. Benefits involved

4. Except as otherwise noted (see para. 10 below), the system of pension adjustment will apply to retirement, early retirement, deferred retirement, disability, widow's, widower's, child's and secondary dependant's periodic benefits. It will not apply to withdrawal or other lump-sum payments, including those derived from the partial or total commutation of a periodic benefit, nor will it apply to any benefit arising from voluntary deposits. Adjustments will operate on standard, minimum and maximum formulae, including those that are based on flat dollar amounts.

### C. Determination of base amounts

5. For beneficiaries whose entitlements begin on or after 1 January 1985, two base amounts will be determined as follows:
  - (a) A dollar base amount will be established on the basis of the basic pension determined in accordance with the Regulations of the Fund excluding, where necessary, any portion elected under the commutation provisions of the Regulations, but reflecting, where applicable, any special adjustment determined under section E below.
  - (b) A local currency base amount will be calculated as follows:
    - (i) A cost-of-living differential factor will be established for a given country of residence and a given month of separation as explained in

---

<sup>a/</sup> The pension adjustment system of the United Nations Joint Staff Pension Fund was adopted by the General Assembly by resolution 37/131 effective 1 January 1983 and amended by resolution 39/246 effective 1 January 1985.

<sup>b/</sup> In this annex, the term "beneficiary" is used for all persons entitled to receive periodic benefits under the Regulations of the Fund.

section D below. This factor will be applied to a portion of the final average remuneration not exceeding the pensionable remuneration at grade P-2, step XI, on the date of entitlement. The resulting amount will be added to the final average remuneration;

- (ii) A notional dollar base amount will then be established on the basis of the adjusted final average remuneration as per (i) above and in accordance with the Regulations, excluding that percentage of the base pension which was commuted into a lump sum;
- (iii) The local currency amount will be derived by applying to item (ii) the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency of the country of residence.

D. Cost-of-living differential factors

6. The cost-of-living differential factor referred to in subparagraph 5(b)(i) above will be computed as follows:

- (a) For participants in the Professional and higher categories:
  - (i) The excess, if any, of the number of classes of post adjustment in the country of residence over that of New York will be determined for each of the 36 consecutive calendar months up to and including the month of separation. In this process, partial classes will be converted to decimal fractions (rounded to two places) of complete classes;
  - (ii) A 36-month average excess of post adjustment classes will then be computed by averaging the 36 individual results (including those months, if any, when there was no excess);
  - (iii) If there is more than one post adjustment classification for the country of residence, the one producing the highest 36-month average excess will be used. If there is no post adjustment classification, the classification of another country of comparable cost of living will be substituted, under a procedure to be developed jointly by the United Nations Joint Staff Pension Board and the International Civil Service Commission;
  - (iv) The applicable cost-of-living differential factor will finally be derived from the following table, the result being interpolated, when necessary, between the factors applicable for two exact numbers of classes of post adjustment:

<u>36-month average excess of post adjustment classes over that of New York</u>	<u>Cost-of-living differential factor</u> (per cent)
Less than 4	0
4	3
5	7
6	12
7	17
8	22
9	28
10	34
11	40
12 or more	46

- (v) In countries where the cost-of-living differential factors are applicable and where the rates of taxation are lower than the staff assessment, reduction factors, determined by the special index for pensioners in accordance with annex X of the report of the Board to the thirty-seventh session of the General Assembly <sup>c/</sup>, shall be applied to the above cost-of-living differential factors. However no retroactive adjustment will be made prior to 1 January 1985.
- (b) For participants in the General Service category whose country of residence after separation is other than the country of their duty station at time of separation:
- (i) A midpoint net salary, both with and without the non-resident allowance but without the language allowance, will be defined for each duty station as the average, in local currency, of the net salary at step I of the lowest level of the United Nations General Service salary scale in that duty station and the net salary at the top step of the highest level in that scale, but without taking into account the extended General Service levels;
  - (ii) The midpoint net salary, without the non-resident allowance, in effect during the month of the separation in the duty station of the country of residence after separation will be averaged with the corresponding midpoint net salary three years earlier. If there is more than one duty station in that country, the one producing the highest average midpoint net salary will be used. If there is no duty station, a duty station of another country of comparable cost of living will be substituted, under a procedure to be developed jointly by the United Nations Joint Staff Pension Board and the Office of Financial Services of the United Nations. The resulting amount will be converted into United States dollars by the application of the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency in which the midpoint net salary is denominated;
  - (iii) The midpoint net salary, with the non-resident allowance, in effect during the month of the separation in the participant's duty station will be averaged with the corresponding midpoint net salary three years earlier. The resulting amount will be converted into United States dollars by the application of the average, computed over the 36 consecutive calendar months up to and including the month of the separation, of the exchange rates between the United States dollar and the currency in which the midpoint net salary is denominated;
  - (iv) A ratio of midpoint net salaries will then be determined by dividing the United States dollar amount in item (ii) above by the United States dollar amount in item (iii), rounding the result to two decimal places and multiplying it by 100;
  - (v) The applicable cost-of-living differential factor will finally be derived from the following table, the result being interpolated,

---

<sup>c/</sup> Official Records of the General Assembly, Thirty-seventh Session, Supplement No. 9 (A/37/9).

where necessary, between the factors applicable to the next higher and the next lower ratios:

<u>Ratio of midpoint net salaries</u>	<u>Cost-of-living differential factor (per cent)</u>
Less than 122	0
122	3
128	7
134	12
141	17
148	22
155	28
162	34
171	40
180 or more	46

(vi) The special index referred to in paragraph 6(a)(v) above will not be applied to participants from the General Service category.

(c) No cost-of-living differential factor will be determined for participants in the General Service category whose country of residence after separation is the country of their duty station at the time of separation. In other words, no adjustment will be made to their final average remuneration for purposes of paragraph 5(b).

E. Special adjustments for small pensions

7. Whenever the dollar amount of the standard annual rate of a retirement or a disability pension which is based on 15 or more years of contributory service amounts to less than \$4,000 before any commutation, it will be subject to a special adjustment in accordance with the following table:

<u>Annual amount of pension</u>	<u>Special adjustment (per cent)</u>
\$4,000	0
3,800	3
3,600	7
3,400	12
3,200	17
3,000	22
2,800	28
2,600	34
2,400	40
2,200 or less	46

8. Special adjustments for annual amounts of pension falling between those shown in the above table will be obtained by interpolation and the result rounded to two decimal places. The amount resulting from the application of the special adjustment will be added to the dollar base amount for purposes of paragraph 5 (a) above.

9. Beneficiaries in receipt of retirement or disability benefits which commenced before 1961 and which amount to less than \$4,000 on 1 January 1982 will on that date, become entitled to the special adjustments, specified in paragraphs 7 and 8, even when their benefits were based on less than 15 years of contributory service.

10. No special adjustment will be made in the case of early or deferred retirement benefits. In the case of widow's, widower's, children's (orphan's) and secondary dependant's benefits, a special adjustment will be applied only if these benefits are derived from benefits which themselves were (or would have been) subject to a special adjustment. In that case, the special adjustment factor will be the same as the one which had (or would have) been applied to the retirement or disability pension from which the benefit is derived.

#### F. Supplementary measures

11. Beneficiaries in receipt of retirement and disability benefits or of widow's, widower's or secondary dependant's benefits derived therefrom, who were aged 75 or over on 1 January 1982 and whose annual retirement or disability benefit on that date was below 50 per cent of the then net base salary of a staff member at grade P-1, step 1, will receive a 13th monthly payment every year, from that date forth. The 13th payment will be calculated in such a way that the total annual benefit payable to a beneficiary above the limit will not be less than the amount payable to a beneficiary just below the limit.

#### G. Sources of data affecting adjustments

12. For the purposes of paragraph 6(a) above, the number of classes of post adjustment in a given country for a given month will be taken from information provided by the International Civil Service Commission.

13. For purposes of paragraph 6(b) above, the midpoint net salaries will be determined from the United Nations General Service salary scale for the particular duty station. If the duty station has been in existence less than three years, the midpoint net salary in effect during the month of separation will be averaged with the corresponding midpoint net salary at the time that the duty station was established.

14. For measuring changes in the Consumer Price Index (CPI) for the United States and for a particular country of residence, the index used will be the official Consumer Price Index for the country as a whole issued by the national government and published in the United Nations Monthly Bulletin of Statistics. Where this index is not available, another published index may be substituted. Once an index has been utilized, any subsequent amendment will not give rise to retroactive corrections.

15. Because of the time lag which exists between the date when the Consumer Price Index (for any country) is published in the United Nations Monthly Bulletin of Statistics and its effective date, the index used on a given adjustment date will be that for the fourth month immediately preceding the date of the adjustment (or in its absence the latest published index prior thereto). As an example, the index applicable for the measurement of a possible adjustment on 1 April 1986 would be the index published for December 1985.

16. The exchange rates used in the calculation of the local currency base amount in subparagraph 5(b)(iii) above and in measuring the local currency equivalent of the dollar amount in paragraph 22 below will be the number of units of local currency per United States dollar according to the system of rates in use by the Fund for the determination of pensionable remuneration and contributions.

#### H. Subsequent adjustments of the benefit

17. As stated in section A above, each beneficiary's record will contain two amounts, one in United States dollars and the other in the currency of his country of residence. These amounts, having first been determined in accordance with sections C, D and E

E above, will be subsequently adjusted on an annual basis, on 1 April in accordance with the following procedure:

(a) The dollar amount will be adjusted by the ratio of the United States CPI applicable on the date of the adjustment to the United States CPI last utilized.

(b) The local currency amount will be adjusted in the same manner, but using the CPI for the country of residence.

18. No adjustment will be made in either the dollar amount or the local currency amount if the applicable CPI has moved by less than 3 per cent since the date of the last adjustment. The ratio of the CPI at one time to the CPI at another time will be rounded to three decimal places.

19. If the applicable CPI has moved by 10 per cent or more since the date of the last adjustment, the adjustment of the dollar amount or the local currency amount, as the case may be, will be made on a semi-annual basis on 1 April as stated in paragraph 17 above and also on 1 October.

20. The first adjustment due after separation (or death, as the case may be), to both the dollar and the local currency amounts will be reduced by 1.5 percentage points except in the case of the benefits under sections E and F above and the minimum benefits under the Regulations.

21. No adjustment will be made on the date immediately following separation (or death as the case may be) even if such date coincides with the annual adjustment date. Except as provided in paragraph 22 below, all new entitlements will become eligible for a possible adjustment, if applicable, on the annual adjustment date next following their effective date, at which time any adjustment due will be pro-rated according to the period since separation. A cost-of-living increase assumed to apply on 1 April 1986, for example, would increase benefits by:

- The entire percentage of increase for separations before April 1985;
- 11/12 of the increase for separations in the month of April 1985;
- 10/12 of the increase for separations in the month of May 1985;
- 9/12 of the increase for separations in the month of June 1985;
- 8/12 of the increase for separations in the month of July 1985;
- 7/12 of the increase for separations in the month of August 1985;
- 6/12 of the increase for separations in the month of September 1985;
- 5/12 of the increase for separations in the month of October 1985;
- 4/12 of the increase for separations in the month of November 1985;
- 3/12 of the increase for separations in the month of December 1985;
- 2/12 of the increase for separations in the month of January 1986;
- 1/12 of the increase for separations in the month of February 1986;
- 0 per cent for separations after February 1986.

22. If an adjustment is made on a semi-annual basis in accordance with paragraph 19 above, the pro-rating of the new entitlements referred to in paragraph 21 above will be made over a six-month period. A cost-of-living increase assumed to apply on 1 October 1986, for example, would increase benefits by:

- The entire percentage of increase for separations before April 1986;
- 5/6 of the increase for separations in the month of April 1986;
- 4/6 of the increase for separations in the month of May 1986;
- 3/6 of the increase for separations in the month of June 1986;
- 2/6 of the increase for separations in the month of July 1986;
- 1/6 of the increase for separations in the month of August 1986;
- 0 per cent for separations after August 1986.

#### I. Payment of the benefit

23. Where a beneficiary resides in a country other than the United States of America, the determination of the amount of the periodic benefit payable in a given month will be made as follows: The dollar amount as initially determined under 5(a) above and, if applicable, later adjusted under section H above will be converted to the local currency equivalent by using the exchange rate in effect for the month preceding the calendar quarter of that payment. The resultant amount will then be compared to the local currency amount as initially determined under 5(b) above, and if applicable, later adjusted under section H above. Except as provided in paragraph 25 below, the beneficiary will be entitled until the next quarter to the greater of the local currency amount or the local currency equivalent of the dollar amount subject to a maximum of 120 per cent of the local currency amount.

24. No change will be made in the two amounts during the intervening months within each quarter. Thus, changes in the exchange rate within a quarter will be ignored for all purposes, irrespective of the currency of payment chosen under article 48 of the Regulations, and no retroactive adjustment will be made.

25. An exception to the rule outlined in paragraph 24 above may be made if certain events (e.g. sudden redenomination of a currency or a very high rate of inflation) result in a real loss of purchasing power of more than 20 per cent in the beneficiary's benefit.

26. In places where there is a high rate of inflation, but the exchange rate remains fixed, the local currency amount will be discontinued and only the dollar entitlement will be payable.

#### J. Deferred retirement benefit

27. No adjustment will be applied to deferred retirement benefits prior to the beneficiaries' reaching age 50. Commencing at age 50 or date of separation, if later, the base dollar pension under paragraph 5(a) above will be adjusted by the United States CPI in accordance with section H above without retroactive effect. The two track system will become operative on the date of payment. At that time a local currency base amount will be established by applying to the adjusted dollar amount the average exchange rates over the 36 consecutive months up to and including the month of first payment.

#### K. Survivors' benefits

28. Benefits payable to survivors will be established at the time of the survivor's entitlement. The starting point will be the participant's adjusted pension immediately prior to that date, with due allowance for any pension previously commuted.

#### L. Flat-rate benefits

29. The initial amount of each flat-rate benefit will be determined on the basis of its "real" value in United States dollar terms by applying to it the movement of the United States CPI since 1 January 1973 (the date on which adjustments were first applied to the dollar amounts specified in the Regulations for these benefits).

#### M. Determination of entitlements

30. Until satisfactory proof is submitted to show in which country the beneficiary is living and other required formalities are completed, only the dollar amount of the pension (determined as in section C and adjusted as described in sections E and H above) will be paid. If such proof is provided within six months from the date of entitlement, the local currency base amount will be computed from that date, with retroactive adjustment if it results in a greater benefit. However, if proof of residence is



not provided within six months from the date of entitlement, the local currency base amount will be used only as from the first day of the quarter following acceptance of such proof, with no retroactive adjustment.

N. Country of residence

31. A beneficiary may at any time submit proof of residence in the country of his choice. Such proof must be in a form acceptable to the Pension Fund. Once proof of residence has been accepted, payment of the benefit will be made in accordance with the procedures described in sections I and M above. A beneficiary who has subsequently relocated may change his country of residence for pension adjustment purposes by submitting satisfactory proof of residence in the new country, but no request for a change of the country of residence will be accepted unless it is accompanied by satisfactory proof of relocation.

32. If a beneficiary changes his country of residence and provides satisfactory proof to that effect, then, starting on the first day of the quarter following arrival in the new country of residence, his local currency amount will be recomputed as if he had always resided in the new country of residence. All changes in country of residence must be reported promptly, no later than six months from the date of arrival, and satisfactory proof of residence in the new country will have to be provided as in section M above. If such proof is not provided within six months from the date of arrival, the local currency amount will nevertheless be recomputed as if the beneficiary had always resided in the new country of residence but it will become effective only as from the first day of a quarter following acceptance of such proof, with no retroactive adjustment, except that the Fund will have the power to recover excess benefit payments made if it is found that the benefit payments since the date of arrival in the new country would have been lower if the change had been reported on a timely basis.

O. Existing beneficiaries

33. Subject to the provisions in paragraph 35 below, the procedures in sections H (paras.17-22), I (paras.23-26) and N (paras.31-32) will be applied to all existing beneficiaries as from 1 January 1985, the effective date of the revised system.

34. The one-time reduction of 1.5 percentage points referred to in paragraph 20 above will also be applied, on the occasion of the first adjustment due after 1 January 1985, to the dollar and the local currency amount of the benefits of existing beneficiaries, except for benefits whose dollar base amounts were established under the minimum provisions of the Regulations.

35. Existing beneficiaries, who have submitted satisfactory proof of residence in countries other than the United States of America, will remain entitled to the United States dollar amounts of their benefits as at 31 December 1984 notwithstanding the limitation specified in paragraph 23 above. However, in the event of a subsequent upward adjustment, the United States dollar amount of their benefits will be subject to the said limitation.

36. In the interest of equality of treatment of new and existing beneficiaries, and notwithstanding the provisions of paragraph 31 above, existing beneficiaries who have submitted satisfactory proof of residence in countries other than the United States of America, will be given the option to withdraw their proof of residence and thereby elect to have their benefit adjusted solely in accordance with the movement of the United States CPI as from 1 January 1985. This one-time option must be exercised within six months from the date of notification by the Secretary of the Board.

37. A beneficiary who has availed himself of the option in paragraph 36 and who subsequently submits satisfactory proof of residence in the country of his choice will have his benefit calculated in accordance with sections H, I, M and N above.