

Whiteboard 19 – Two Track

The Pension Fund calculates ALL BENEFITS initially in US Dollars, so every beneficiary is by default on the “dollar track”. This “track” is adjusted by the official Consumer Price Index (CPI) in the USA, regardless of your country of residence. You can request the Fund to pay you in any of the 15 currencies that it uses¹, and still be on the dollar track.

However, if you want to protect your benefit against future fluctuations in the exchange rate and have your benefit adjusted by the CPI of your country of residence, you can request to go on the two track system. Your local-track benefit is calculated using the 36- month average exchange rate applicable at the time of your entitlement date.

What is Two Track?

In 1975 the Board of the Pension Fund adopted a plan to help safeguard Pension Fund beneficiaries living in countries with a high cost of living. Their goal was to equalize the buying power or value of the monthly benefit for retirees across the globe. The name of this plan was called the two-track system because the Fund will calculate your benefit in two currencies adjusted for CPI in the US and in your country of residence.

IMPORTANT

If you go on the two track, the Pension Fund will still calculate your pension based on the dollar track. Each quarter, the two tracks (the local and the dollar track) will be compared and you would be paid the higher amount, subject to a specified maximum and minimum. It is possible that the dollar track would sometimes be more beneficial than

¹ This is not what is said in the video, but it's the correct information.

the local track and vice-versa. Please remember that the decision to go on the two-track system is an option, not an obligation.

How is it calculated?

The local track pension is determined by converting the value of your dollar track pension on your entitlement date into the local track by using an average exchange rate which is calculated over the 36 consecutive calendar months up to and including your separation date. It means that if you ask to go on the two track, the Fund will recalculate your benefit from your entitlement date using the applicable 36-month average exchange rate to determine the base amount with CPI adjustments through your date of application.

How would I apply?

At the time you're eligible to receive your benefit you can apply for the two-track by sending the completed Declaration of Country of Residence Form (PENS.E/10) to the Fund with current proof of residence. You must reside in this country for at least six months of the year (and the Fund does seek verification). If you apply within six months of separation, your benefit will be calculated as mentioned above from the entitlement date. If you apply more than six months after separation, the two-track benefit will be applied as of the QUARTER following the receipt of PENS.E/10 and proof of residence.

Keep in mind: Two track is only for monthly or periodic benefits; it cannot be used for withdrawal settlements or lump-sum payments.

Also, you must always report to the Fund when you change your country of residence by submitting the Change of Country of Residence form (PENS.E/11) along with the requisite proof of residence. Your Certificate of Entitlement will be sent to this country/residence each

year and your benefit will be recalculated for the new country of residence.

It is important to keep in mind that once you choose the two track, you are permanently on the two-track system. (See Section N of the UNJSPF Pension Adjustment System on our Website for more details.) If you move to the USA, you are still considered on the two-track system, although your local and dollar track will be the same. If you subsequently move to a different country, you again have to send the Pension Fund a PENS. E/11 form and proof of residence and your benefit will be recalculated for the new country of residence.

For more information about all aspects of the two-track system see UNJSPF.org and download “The Two Track” booklet.