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UNITED NATIONS JOINT STAFF PENSION FUND

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Dear Participant/Beneficiary,

On 18 December 1984 the General Assembly adopted without a vote a resolution on the United Nations pension system which introduces several changes in the Regulations of the United Nations Joint Staff Pension Fund and the Pension Adjustment System. These changes had been recommended by the Pension Board and are designed to improve the actuarial balance of the Fund. The changes affect both active and retired participants; their salient points are described in this letter. The Assembly also approved changes in the pensionable remuneration of the Professional and higher categories; the changes were recommended by the International Civil Service Commission.

Changes affecting active participants

Pensionable remuneration for the Professional and higher categories: The scale of pensionable remuneration for the Professional and higher categories, which had remained unchanged since 1 October 1982, was increased by 5.4 per cent for the three-month period from 1 October to 31 December 1984. The increase in question was triggered by a corresponding increase in the United States Consumer Price Index as measured to 1 July 1984. An entirely new scale, recommended by the International Civil Service Commission, becomes effective as of 1 January 1985. The new scale, which will be used for all participants, is higher than the December 1984 scale at levels P-1 and P-2, and lower at all other levels. The General Assembly did not approve a Commission recommendation to the effect that, for existing staff, pensionable remuneration be maintained at the December 1984 levels until these are overtaken by the new scale.

The impact which the introduction of the new scale will have on the eventual pension benefits of serving staff will vary from individual to individual. It will be explained in greater detail in a future issue of Pension Fund News. However, those who plan to retire in 1985 or 1986, may rest assured that their final average remuneration will not be less than the final average remuneration they would have had, had they separated before 1 January 1985.

It may be worth stressing that the new scale will be applied only to participants in the Professional and higher categories. Staff in the General Service and other local categories are not affected by this change.

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Early retirement: Under the current Regulations, the benefits of participants who retire when they are between 55 and 60 years of age after 25 years or more of contributory service are reduced, for every year below age 60, by 2 per cent a year for those with more than 25 but less than 30 years of service, and by 1 per cent a year for those who have had at least 30 years of service. The Regulations as amended increase the reduction for those with more than 25 but less than 30 years of service from 2 per cent to 3 per cent a year in respect of service as from 1 January 1985 (the higher reduction rate for service after 1 January 1985 will be applied both to early retirement benefits, and to deferred retirement benefits which become payable between ages 55 and 60).

(Example: A participant who retires on 31 December 1989 at age 55 after 25 years of contributory service and whose pension would have been \$30,000 a year had he been aged 60 on the date of his retirement, will receive an early retirement benefit of $(20/25 \times 30,000) \times 0.9 + (5/25 \times 30,000) \times 0.85 = \$26,700$ a year instead of \$27,000 under the current regulations).

Lump-sum commutation:

As you know, articles 28(f) and 29(c) of the Regulations of the Fund allow participants, on retirement, to commute up to one third of their periodic benefit into a lump sum; under article 30(c) a participant who elects a deferred retirement benefit may commute into a lump sum an amount equivalent to his own contributions. The lump sum is calculated using an actuarial value factor which is based on the unisex mortality table used by the Fund and the appropriate discount rates. The discount rate had been 3.25 per cent a year prior to 1 January 1979, 4 per cent for contributory service between 1 January 1979 and 31 December 1982, and 4.5 per cent between 1 January 1983 and 31 December 1984. For contributory service as of 1 January 1985, the discount rate will be 6.5 per cent a year; the adverse effect of the higher discount rate will be partially offset by the use of an updated mortality table which reflects the average increase in life expectancy which has taken place in the last two decades. Since the higher discount rate will not be applied retroactively, it will not result in participants who retire in 1985 getting a smaller lump sum than had they retired in 1984.

Payment of benefits: The periodic benefits of participants who separate after 30 December 1984 and the deferred benefits coming into payment after 31 December 1984 will be paid monthly at the end of the month to which they relate. The periodic benefits in payment on 31 December 1984 will not be affected by this change.

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Changes affecting retired participants

Pension adjustment system: Under the current system, benefits in payment have been adjusted semi-annually (on 1 April and 1 October) provided the applicable consumer price index had moved by at least 5 percentage points since the last previous measurement. In the future, the index will be measured only once a year (for adjustment on 1 April), but the trigger point has been lowered to 3 per cent. The semi-annual adjustment system has been retained for high-inflation countries (those with at least a 10 per cent movement in the local CPI in between measurements).

Furthermore, on the first occasion after 1 January 1985 when a benefit in payment is adjusted for a change in the cost-of-living, the adjustment will be reduced by 1.5 percentage points. For example, if the reading of the index on 1 January 1986 indicates that an adjustment of, say, 3.5 per cent becomes due on 1 April 1986, benefits will be adjusted by 2 per cent ($3.5 - 1.5 = 2$). The 1.5 per cent reduction will not be applied to the minimum benefits under the Regulations and to the small pensions which are covered by sections E and F of the Pension Adjustment System.

Two-track adjustment system: Under the current pension adjustment system, retired participants who have provided proof of residence in a country other than the United States of America automatically receive the higher of the two amounts: a local-currency amount which corresponds to the initial benefit in local currency adjusted for local cost-of-living changes (the so-called "local track") and a dollar benefit, adjusted in accordance with the United States consumer price index (the "dollar track"). The system was designed to protect pensioners from a decline in the purchasing power of their benefits resulting from a weakening of the US dollar. This objective has been duly achieved. However, the strengthening of the dollar in recent years has led in several countries to situations where the local currency equivalent of the "dollar track" amount has been as much as 40 per cent or even more above the "local track" amount. In other words, pensioners living in those countries have had an appreciable increase in real terms in the purchasing power of their benefits. Beginning on 1 January 1985 this system is being revised so as to limit the margin by which the local-currency equivalent of the "dollar track" benefit may exceed the local-track amount. This margin has been set at 20 per cent over the local-track amount. The introduction of the

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20 per cent "cap" is accompanied by transitional arrangements; namely

- (a) each pensioner will retain his December 1984 "dollar track" benefit (expressed in dollars) even where that benefit, expressed in local currency, will yield an amount exceeding the local-track amount by more than 20 per cent. That dollar amount will not be reduced even where a further appreciation of the dollar may lead to an increase in the local-currency equivalent of the benefit. However, any further increase in the dollar benefit attributable to a future adjustment based on movement of the US CPI will be granted only up to the equivalent of 120 per cent of the local-track benefit.
- (b) existing retirees will be given the opportunity of revoking their declaration of country of residence and of opting for the US dollar track only. The central secretariat of the Fund will contact the persons concerned on an individual basis and will provide them with information on their dollar and local-track benefits, and on the options open to them. Participants who decide to revoke their declarations will subsequently have one opportunity to resubmit proof of residence.

Special index for pensioners: You will recall that two years ago the General Assembly approved procedures for adjusting downwards the cost-of-living differential factors for purposes of the local-track applicable to retirees from the Professional and higher categories if those retirees reside in countries where the rates of taxation are zero or lower than those implicit in the amounts of base pensions provided under the Regulations of the Fund. The downward adjustments were to be introduced as of 1 January 1983. However, the necessary information on local taxation rates only became available to the Fund in 1984. Accordingly, the downward adjustments of the local currency entitlements will now be applied only with effect from 1 January 1985. The General Assembly has agreed to a recommendation by the Board that the overpayments made in 1983 and 1984 should not be recovered. Individual notices have been or will be sent to all retirees who will be affected by the downward adjustment in question. It should be pointed out that the dollar track benefit is not affected by that adjustment.

Other General Assembly decisions

The General Assembly authorized the continuation in 1985 of the Emergency Fund which provides relief to pensioners suffering hardship due to illness, infirmity or similar causes.

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The Assembly also approved a technical amendment to the Regulations of the Fund which specifies that the "new" non-resident's allowance, which has been introduced with effect from 1 September 1983, is non-pensionable. Participants who had been granted a non-resident's allowance prior to 1 September 1983 (when that allowance formed part of pensionable remuneration) were given the option of either retaining that allowance, or of applying for the "new" allowance.

The Assembly deferred action on the recommendation of the Pension Board that the statutory age of separation be raised to 62.

The General Assembly noted that Junior Professional Officers and Associate Experts who are participants in a national pension scheme may be excluded under the terms of their appointment from participation in the UNJSPF.

The Assembly approved amendments to articles 15, 29 and 54 of the Regulations of the Fund. The amended text of those articles is annexed to this letter so that you can attach it to your copy of the Regulations of the Fund.

The General Assembly has also requested the Board to pursue several studies in 1985, including the method of calculating the lump-sum commutation of benefits and the operation of the two-track pension adjustment system. The Board has also been requested to review its composition. The International Civil Service Commission, in co-operation with the Pension Board, has also been requested to re-examine the procedure for adjustment of pensionable remuneration in between comprehensive reviews; in the meantime, the operation of the existing procedure, based on movement of the U.S. CPI and the weighted average of post adjustments (WAPA) index has been suspended. The various recommendations are to be submitted to the Assembly at its 40th session in the autumn of 1985.

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I take this opportunity to extend to you and to your families the greetings of the season and best wishes of the Board and its secretariat. On behalf of my colleagues and speaking for myself I should also like to thank those of you who have sent cards to us over the holiday season. Beautiful cards with friendly messages have arrived from countries all over the world, including Argentina, Austria, Brazil, Bulgaria, Canada, Chile, Colombia, Egypt, Ethiopia, France, Greece, Hungary, India, Indonesia, Italy, Jamaica, Kenya, The Netherlands, Poland, Portugal, Switzerland, Thailand, Togo, Trinidad and Tobago, Tunisia, Turkey, the United Kingdom, the USA, Uruguay and Yugoslavia. They brought home to us once again how widely spread our participant family is, and how ties of friendship can extend across national frontiers, oceans and continents.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Anthony Mango', written over a horizontal line.

Anthony Mango
Secretary

YOU MAY WISH TO KEEP THIS WITH YOUR COPY OF THE UNJSPF REGULATIONS

New text of articles of the Regulations of the
United Nations Joint Staff Pension Fund
which were revised effective 1 January 1985

Article 15
Administrative expenses

(a) Expenses incurred by the Board in the administration of these Regulations shall be met by the Fund.

(b) Biennial estimates of the expenses to be incurred under (a) above shall be submitted to the General Assembly for approval during the year immediately preceding the biennium to which the said estimates relate. Supplementary estimates may similarly be submitted in the first and/or the second year of the biennium to which the budget relates.

(c) Expenses incurred in the administration of these Regulations by a member organization shall be met by that organization.

Article 29
Early retirement benefit

(a) An early retirement benefit shall be payable to a participant whose age on separation is at least 55 but less than 60 and whose contributory service was five years or longer.

(b) The benefit shall be payable at the standard annual rate for a retirement benefit, reduced for each year or part thereof by which the age of the participant on separation was less than 60, at the rate of:

(i) if the contributory service of the participant was 30 years or longer, 1 per cent a year, or

(ii) if the contributory service of the participant was 25 years or longer but less than 30 years, 2 per cent a year in respect of the period of contributory service performed before 1 January 1985, and 3 per cent a year in respect of the period of such service performed as from 1 January 1985, or

(iii) if the contributory service of the participant was less than 25 years, 6 per cent a year.

(c) The benefit may be commuted by the participant into a lump sum to the extent specified in article 28 (f) for a retirement benefit.

Article 54
Pensionable remuneration

(a) In the case of participants in the General Service and other locally-recruited categories, pensionable remuneration shall be the equivalent in dollars of the sum of:

(i) The participant's gross salary,

(ii) Any language allowance payable to him, and

(iii) In the case of a participant who became entitled to a pensionable non-resident's allowance prior to 1 September 1983, and for as long as he continues to be entitled thereto, the amount of such allowance.

(b) In the case of participants in the Professional and higher categories, the pensionable remuneration effective 1 January 1985 shall be that set out in the appendix hereto. 1/

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1/ This sentence replaces the first sentence of the existing article 54 (b). The operation of the remaining provisions of that article is suspended pursuant to para. 5 of sect. II of Resolution 39/246.

Appendix

Scale of pensionable remuneration for the Professional
and higher categories

(United States dollars)

Grade	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII
USG	115 700												
ASG	103 900												
D-2	84 800	87 300	89 900	92 400									
D-1	74 500	76 700	79 000	81 200	83 400	85 700	87 900						
P-5	66 100	68 100	70 100	72 000	74 000	76 000	78 000	80 000	82 000	83 900			
P-4	53 300	54 900	56 500	58 100	59 700	61 300	62 900	64 500	66 100	67 700	69 300	70 900	
P-3	43 800	45 300	46 900	48 400	49 900	51 500	53 000	54 500	56 100	57 600	59 100	60 700	62 200
P-2	35 500	36 700	38 000	39 200	40 500	41 700	43 000	44 200	45 400	46 700	47 900		
P-1	27 500	28 600	29 700	30 000	31 900	33 000	34 100	35 200	36 300	37 400			