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ANNUAL REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

The report made in 1972

1. Pursuant to the requirement in Article 14 of the Regulations of the United Nations Joint Staff Pension Fund [1] that the United Nations Joint Staff Pension Board present an annual report to the General Assembly of the United Nations and to the member organizations of the Fund, the United Nations has published the report presented by the Board in 1972 as Supplement No. 9 to the Official Records of the General Assembly: Twenty-Seventh Session (A/8709).

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

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



**UNITED NATIONS JOINT STAFF PENSION FUND**

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**REPORT**

**OF THE**

**UNITED NATIONS**

**JOINT STAFF PENSION BOARD**

**GENERAL ASSEMBLY**

OFFICIAL RECORDS: TWENTY-SEVENTH SESSION

SUPPLEMENT No. 9 (A/8709)

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**UNITED NATIONS**

New York, 1972

**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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## I. INTRODUCTION

1. The United Nations Staff Pension Fund was established in 1949, under Regulations adopted by resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their service with the United Nations. These Regulations, as amended at various times by the Assembly, provide for the admission of other organizations to the Fund and were subsequently accepted by the specialized agencies and the International Atomic Energy Agency. There are in consequence now 11 organizations, including the United Nations, which are members of the Fund.

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

3. The present report is submitted by the Board following its seventeenth session, held in July 1972 at the headquarters of the United Nations Educational, Scientific and Cultural Organization (UNESCO) in Paris. The report contains an account of the proceedings of that session and includes recommendations relating to the adjustment of benefits in payment to compensate for recent currency realignments, and for the approval of administrative expenses for 1972 and 1973. It also includes various financial statements and schedules (annex I), and statistics on the operation of the Fund for the year ended 30 September 1971 (annex II), together with the report of the Board of Auditors on the annual audit of the Fund (annex IV).

## II. MEMBER ORGANIZATIONS

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

## III. SUMMARY OF THE OPERATION OF THE FUND DURING THE YEAR ENDED 30 SEPTEMBER 1971

5. The number of full participants in the Fund increased during the year from 32,336 to 34,855, and the number of associate participants (a form of participation involving death and disability coverage only, which was phased out at the end of 1971) decreased from 404 to 5. The total number of participants on 30 September 1971 was thus 34,860 (annex II).
6. The principal of the Fund increased from \$505,555,040.77 on 30 September 1970 to \$592,381,574.83 on 30 September 1971 (see annex I).
7. The earned yield on the average investments of the Fund, without taking into account realized and unrealized capital gains (see paragraph 30 below), was at the annual rate of 4.29 per cent for the year in question. A summary of the investments as at 30 September 1971 and a comparison of their book and market values at that date are contained in annex I, schedules 4 and 5.
8. The Fund on 30 September 1971 was paying 1,966 retirement benefits, 982 deferred and early retirement benefits, 742 widows' benefits, 1,350 children's benefits, 145 disability benefits and 18 secondary dependants' benefits. In the course of the year it also paid 2,765 lump-sum withdrawal and other settlements (annex II).



#### IV. SEVENTEENTH SESSION OF THE BOARD

##### A. Membership and attendance

9. The organizations were represented by the following members and alternates:

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>United Nations</u>		
Mr. A. F. Bender	Mr. G. J. McGough	General Assembly
Miss K. Whalley	Mr. S. Refshal	General Assembly
Mr. W. H. Ziehl	Mr. M. Heenan	Secretary-General
	Mr. C. Timbrell	Secretary-General
Mr. A. Landau		Participants
Mrs. P. K. Tsien		Participants
<u>International Labour Organisation</u>		
Mr. P. M. C. Denby	Mr. J. Paleologos	Executive Head
Mr. N. F. MacCabe		Participants
<u>World Health Organization</u>		
Dr. E. Aujaleu		Governing Body
Dr. J. Burton	Mr. G. Dazin	Participants
<u>Food and Agriculture Organization of the United Nations</u>		
	Mr. J. Greig	Executive Head
Mr. R. Bishop		Participants
<u>United Nations Educational, Scientific and Cultural Organization</u>		
Mr. P. Grenier	Mr. R. Said	Governing Body
	Mr. R. Prohme	Governing Body
Mr. W. Zyss		Participants
<u>International Civil Aviation Organization</u>		
Com. R. Temporini		Governing Body
Mr. J. J. Rolian		Executive Head
<u>International Atomic Energy Agency</u>		
Mr. H. F. S. Bittencourt		Governing Body
Mr. L. Alonso de Huarte		Executive Head
<u>World Meteorological Organization</u>		
Mr. H. Panzram		Governing Body
<u>Inter-Governmental Maritime Consultative Organization</u>		
Mr. M. Landey		Executive Head
<u>International Telecommunication Union</u>		
Mr. C. Glinz		Participants

10. The following attended as observers for certain organizations:

<u>Observer</u>	<u>Organization</u>
Mr. K. G. L. Harrold ) Mr. H. S. Kirkaldy )	ILO
Mr. A. C. van Pernis	WHO
Mrs. B. Poggipollini	FAO
Mrs. J. F. Bénard ) Mr. R. Harper-Smith )	UNESCO
Mr. M. Bardoux ) Mr. R. Chapuis )	ITU
Mr. Y. Ogaard	ICITO
Mr. E. Abensour ) Mr. P. Blanc ) Mr. J. R. Rivet )	FAFICS
Mr. L. P. Michaels	IBRD

11. The Board was assisted, additionally, by Mr. R. A. Wishart, Chairman of the Board of George B. Buck, Inc., consulting actuaries to the Fund, Mr. R. McAllister Lloyd, Mr. R. de Candolle, Mr. J. Guyot, the Honourable David Montagu and Governor B. K. Nehru, Chairman and members of the Investments Committee, Mr. F. Netter, a member of the Committee of Actuaries and Mr. H. Fowler, Chairman of the Board of the Fiduciary Trust Company of New York, the Fund's investment manager. Mr. A. C. Liveran and Mr. B. W. Pringle attended as Secretary and Deputy-Secretary, respectively, of the Board.

12. The Board elected the following officers:

<u>Chairman:</u>	Mr. R. Prohme (representative of the Governing Body of UNESCO)
<u>First Vice-Chairman and Rapporteur:</u>	Mr. N. F. MacCabe (representative of the participants of the ILO)
<u>Second Vice-Chairman:</u>	Mr. M. Landey (representative of the executive head of IMCO)

#### B. Decisions and recommendations

13. The Board, in accordance with its tentative new practice of meeting with a limited agenda, held a relatively short session in 1972. The principal decisions taken were those recommending special transitional measures to deal with the effects of pensions of the realignment of currencies in terms of the United States dollar, and for the continuation, with some minor modifications, of the system adopted in 1965 for the adjustment of pensions in payment to compensate for increases in the cost of living. Details of these recommendations are to be found in paragraphs 14 to 22 below. Further action requiring approval of the General

Assembly is described in paragraphs 23 to 25 below, in which the Board submits estimates of administrative expenses for 1973 and supplementary estimates for 1972. In addition, the Board dealt with certain items of a broad management character - within its own authority under the Regulations of the Fund - which are described in paragraphs 27 to 39 below.

C. Recommendations for action by the General Assembly

Measures to compensate for currency realignments

14. The Board first considered at its previous session in 1971 the problems posed by the upward revaluation during that year of certain European currencies against the United States dollar, but decided to take no action until the situation had evolved further and its implications were able to be fully studied. In December 1971, currency interrelationships became largely stabilized for the time being by international agreement, but new rates of exchange reflecting in varying degrees a lower value to the United States dollar went into effect with a wide range of countries both within and outside Europe.

15. The significance of these new rates is that benefits due by the Fund, statutorily receivable either in dollars or in any other currency selected by the beneficiary, but at the exchange rates obtainable against the dollar on the date of payment, have declined when converted into these currencies by amounts ranging up to about 11 per cent. The Board found that some 2,500 benefits, out of a total payable on 1 January 1972 of about 3,850 (excluding children's benefits), appear to be so affected, with the average reduction in local currency terms, as far as it could judge, between 8 and 9 per cent. The Board's studies showed, furthermore, that parallel with these reductions, most of the countries in which benefits are being paid have experienced fairly sharp and continuing increases in the cost of living. In a climate of rising costs, therefore, the majority of the Fund's beneficiaries are receiving lower pensions in local monetary terms. The Board believes that in order to prevent hardship some corrective action in these circumstances is required.

16. The Fund has had, since the approval of its introduction by the General Assembly in 1965, a system of annual adjustments to benefits in payment designed to compensate to some degree for the erosion in the purchasing power of most currencies over the years by the steady rise, almost everywhere, in the cost of living. The system is linked broadly to the movement, averaged at present over a period of three years, of the post adjustment (or cost-of-living) component in the emoluments of staff in the Professional and higher category. It is financed in its entirety by the Fund itself and has produced adjustments in normal conditions which may be categorized, generally, as both somewhat lower than the average cost of living movements surveyed and - because of the averaging feature - somewhat later than the actual increases themselves. The Board found, however, that in the present instance, because of the abrupt reduction in the amounts of local currency received in exchange for dollars and the fairly steep recent rises in

local living costs, the adjustments had come to lag seriously behind the effective erosion in pensioners' purchasing power.

17. After considering various alternative methods of adapting the system in such a way as to increase its responsiveness to dynamic economic conditions, as well as somewhat more radical approaches under which benefits might be dominated permanently in local currencies at fixed exchange relationships with the United States dollar, the Board came to the conclusion that the most satisfactory - and least costly - solution was to maintain the system broadly in its present form for the time being, but to incorporate in it a temporary, transitional factor which would provide supplementary, declining, ad hoc adjustments over a limited period until those produced by the normal operation of the system reached a level which more fully reflected the changes which have taken place.

18. What the Board proposes, therefore, is to apply to benefits in payment during 1973, 1974 and 1975, supplementary adjustments representing 9, 6 and 3 additional percentage point movements in the pension adjustment index for those years, respectively. The initial 9 per cent supplement for 1973 reflects the approximate average reduction sustained thus far to benefits in local currency terms, and the Board expects that the normal movement of the index during the next three years will be such that by 1976 it will have advanced sufficiently so that no further supplement will be required.

19. In addition, the Board proposes - so that the measure should apply principally to those likely to be suffering the greatest hardship - limiting the supplementary adjustments to benefits of \$3,000 per annum or less, and to the first \$3,000 of any higher benefits. For the same reason, the Board believes that the normal adjustment system - as well as the temporary supplements - should now be extended to cover the various minimum and flat-rate benefits hitherto excluded from it and not subject to any cost-of-living adjustments at all. These are mainly benefits at a somewhat higher level than the earned rate, provided as a form of basic social security under the Fund's Regulations in certain cases of relatively short service and low pensionable salary. They include, however, children's benefits, which are subject to a fixed maximum of \$600 per annum, and certain widows' benefits. In all these cases, the Board believes, the hardship factor is applicable.

20. Finally, the Board proposes a minor refinement in the basic system, unrelated to the exchange-rate problem, which would enable the initial adjustment to a benefit to be pro-rated in such manner that a participant retiring between 1 January and 31 March of any year would receive three-quarters of the adjustment rate applicable to those who were on the roll at the end of the previous year; if he retired between 1 April and 30 June, he would receive one-half of it; if he retired between 1 July and 30 September, he would receive one-quarter; and if he retired between 1 October and 31 December, he would receive no adjustment

until 1 January of the following year. The Board believes that the absence of such a pro-rating method, thus far, has produced an anomaly in the system which is unjustifiable.

21. The Board has submitted the above proposals to its Committee of Actuaries <sup>1/</sup> for advice, and has been informed that that Committee strongly recommends the plan as a rational and practical approach to the problem of compensating pensioners, in an approximate manner, for the recent abnormal increases in their costs of living due to the depreciation in the value of the United States dollar. Specifically, the Committee of Actuaries has informed the Board that the cost of the proposals will amount in total to about \$1.5 million in actuarial terms, or between 0.01 and 0.02 per cent of the Fund's 21 per cent contribution rate. The Committee considers furthermore that this amount, which would be a charge entirely on the Fund, can be absorbed without difficulty within the present margin of assets over liabilities.

22. The Board therefore, with the exception noted below, recommends the proposals as outlined above to the General Assembly for adoption, with an effective date for their entry into operation of 1 January 1973. A draft resolution to this end is set forth in annex V to the present report. The members of the Board representing the General Assembly were unable to endorse the proposals, but did not object to their submission.

#### Administrative expenses

23. The Regulations of the Fund provide, in article 15, that expenses incurred by the Board in the administration of the Fund - as distinct from those incurred by member organizations in local pension administration - shall be met by the Fund itself, and that estimates thereof shall be submitted annually to the General Assembly for approval. The Board submits, under this head, estimates of \$1,386,400 (net) for 1973 and supplementary estimates of \$260,861 (net) for 1972 (see annex III below). These expenses are similarly a charge entirely on the Fund and do not involve the budget of the United Nations in any way or that of any other member organization.

24. The Board wishes to observe in general on the estimates that the guideline recommended by the actuaries and followed consistently for a number of years - of distinguishing between administrative costs, properly so-called, and investment costs, and of holding the former within 0.14 per cent of the total pensionable remuneration of the Fund's participants - has been maintained. The investment costs, which now include provision for regulatory staff in the United Nations Office of the Controller, as well as for the contractual fee payable to the financial institution responsible for the day-to-day management of the investments, are estimated to amount to \$895,900 out of the total chargeable to the Fund, and the balance of \$490,500, which represents administrative costs, is approximately

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<sup>1/</sup> An independent, expert Committee appointed by the Secretary-General under article 9 of the Fund's Regulations.

0.13 per cent of total pensionable remuneration as at 30 September 1971 (the same percentage as for the previous year).

25. The over-all net increase in the estimates of \$457,870 (annex III, table 1) is accounted for largely by the higher total provision made in 1973 - some \$408,000 - for management of the Fund's investments, which is reflected also in the supplementary estimates for 1972 (annex III, table 3). The higher provision here has become necessary, the Board was informed, principally as the result of a renegotiation by the Secretary-General of the contractual arrangements with the institution undertaking the day-to-day management and custodianship of the Fund's portfolio under the Secretary-General's over-all responsibility. The new arrangement, while providing for an increased fee to the institution concerned, takes account at the same time of a fairly substantial yield to the Fund, not previously available to it, from the short-term investment of cash balances held prior to the commitment of these to the substantive portfolio. The Board is satisfied that the over-all arrangement remains competitive and is in the best interests of the Fund. The increase of some \$50,000 in the administrative costs results mainly from a provision of some \$40,000 to cover the costs of the biennial actuarial valuation of the Fund, to be completed in 1973. Other increases which are relatively small relate to travel of entitled staff on home leave in 1973 and to normal salary increases of staff. The manning table of the central Fund secretariat appears in annex III, table 2, and shows two promotions which the Board considers warranted, but is otherwise unchanged from 1972.

26. In so far as the supplementary estimates of \$260,861 for 1972 are concerned, the principal item here too is an amount of \$289,300 relating to the increased investment management fee for 1972 referred to in the previous paragraph. Against this, however, an amount of \$35,000 is set off representing the delay in recruitment of investment regulatory staff provided by the Fund to the United Nations Office of the Controller. The only further significant item is an amount of \$7,500 for consulting services in connexion with a review carried out by the Committee of Actuaries in 1972 of the assumptions and methods to be employed in the forthcoming actuarial valuation of the Fund.

#### D. Further action by the Board

27. The action taken by the Board within its own powers under the Fund's Regulations consisted principally of a review of the Fund's investments, consideration of recommendations which it had requested the Committee of Actuaries to make with respect to the various assumptions to be used in the next actuarial valuation of the Fund, and the pursuit of a long-term study, in which the Board has been engaged, in the composition, interrelationships and functioning of the Fund's various organs. The Board also examined and approved the various financial statements, schedules and statistics annexed to the present report and noted, with certain reservations, the report of the Board of Auditors to the General Assembly on the accounts of the Fund for the year ended 30 September 1971 (see annex IV).

#### Investments of the Fund

28. The Board's review of investment policy and of the returns currently being obtained from the portfolio was carried out on the basis of detailed reports and charts furnished for the purpose by the Secretary-General - who, under the

Regulations, is responsible in consultation with the Investments Committee 2/ and in the light of observations and suggestions made by the Board, for the investment and management of the Fund's assets.

29. The Board noted, with respect to the ratio of investment in equity holdings (common stocks and convertible bonds) to fixed-interest obligations, or bonds, that in accordance with a policy initiated some years earlier, the percentage of the former in the portfolio had now reached 72 per cent, as against 28 per cent for the latter. The present policy of the Secretary-General, based on the advice of the Investments Committee, is not to exceed a ratio of about 75 to 25 per cent. It was emphasized, however, that particularly in view of the attractive yields on high-grade bonds which become available in the market from time to time, this policy was being kept under continuous review. It was also noted during the discussion that about 30 per cent of the equity portfolio was now invested in non-United States securities and that a decision had been taken to accelerate such placements, in accordance with the relative investment attractiveness of each individual market.

30. Statistics illustrating the yield on the various component parts of the Fund's portfolio were discussed by the Board at some length. These indicated, inter alia, a cumulative annual rate of return (comprising realized and unrealized capital gains as well as dividends) on the United States equity section over the 10 years ending 31 March 1972 of approximately 8.53 per cent, with the non-United States equity section yielding about 8.63 per cent over the same period. The fixed-income security section of the portfolio showed, as in the past, a somewhat lower rate of return, reflecting as it did certain low-yielding bonds, purchased early in the Fund's history, which were gradually being eliminated. The average yield to maturity of this section, however, had nevertheless increased during the past year from 5.97 to 6.25 per cent.

31. The Board was, in general, gratified with these investment returns, which it considered justified the estimate of an 8 per cent average yield on the portfolio made by the Investments Committee as a realistic over-all rate of probable return over approximately the next 10 years. At the same time, however, the Board recognized that yield would naturally vary according to future economic conditions, which were largely unpredictable.

32. On the wider aspects of investment policy, the Board noted in particular the investments currently being made in the real estate field, to the extent initially of up to 5 per cent of the total portfolio value. The Board was informed that investments were not being directly made in property and the Fund was not involved in its management, but would confine itself to real estate securities of the equity type which were either publicly quoted or subject to regular periodic appraisals.

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2/ The Committee consists of six members appointed by the Secretary-General after consultation with the Board and the Advisory Committee on Administrative and Budgetary Questions and subject to confirmation by the General Assembly. The present membership is as follows: Mr. Eugene Black (United States of America), Mr. Roger de Candolle (Switzerland), Mr. Jean Guyot (France), the Honourable David Montagu (United Kingdom of Great Britain and Northern Ireland), Mr. George Murphy (United States of America) and Governor B. K. Nehru (India).

Furthermore, an expert consultant would be utilized from time to time to provide policy advice.

33. Finally, the Board reviewed once more, as it had done in 1971, the adequacy of the contractual arrangement operated by the Secretary-General for the day-to-day management and custodianship of the Fund's portfolio. Although the performance of the single agent used for the purpose - a New York financial institution - was considered to be fully satisfactory by the Investments Committee, certain members of the Board continued to feel that, in view of the present size and diversity of the portfolio, the possibility of dividing it between two or more institutional managers should continue to be pursued. The representative of the Secretary-General, who had not yet reached a final conclusion in the matter, undertook to continue his investigation into the advantages and disadvantages of such an arrangement and agreed to provide the Board with a further report at its next session.

#### Assumptions and methods for valuation of the Fund

34. The Board had requested the Committee of Actuaries in 1971 to study the assumptions to be used in the actuarial valuation of the Fund to be carried out as of 30 September 1972, and had before it a report in which each of the major actuarial elements involved was reviewed. These include such items as the rate of withdrawal from service before normal retirement age, mortality and disability rates, rates and ages of normal retirement for active participants, rates of annual increase in salaries (involving both General Service and Professional category staff), age, sex and salary distribution of new entrants, rates of cost-of-living increase, and interest rates (in the sense of rates of return on the Fund's investments, including realized and unrealized gains and losses in capital value).

35. The Board was in agreement with the general approach of the Actuaries that each element should be brought into line, as far as possible, with the results of past experience, so that assumptions with respect to the future would be reasonably realistic. In two areas, however, it encountered certain difficulties. One of these was the assumed average ages of retirement, which the Board expects to be somewhat higher than in the past in view of the undertaking given by the executive heads of the member organizations in 1971 that they would use their discretion to retain staff in service beyond the age of 60 in appropriate cases (in order to off-set the costs of the early retirement provisions introduced in 1972) and which it considers critical to the long-range financing of the Fund. The other was the assumed rate of future salary increase, which the Board believed would be unrealistic if there should be a freeze at the current level of Professional and higher category emoluments. While approving the revisions in general, therefore, the Board requested the Committee to review these two assumptions once more in the light of such developments as might occur before completion of the valuation in 1973.

36. The Board further approved, on the recommendation of the Committee, three alternative valuation hypotheses in addition to those of the Regular Valuation. The Regular Valuation will assume dynamic (or inflationary) economic conditions and an interest rate of 8 per cent for three years, followed by static conditions and an interest rate of 4 1/4 per cent. The alternative valuations will, in the first case, assume dynamic conditions for 10 years rather than three years; in the second case, it will assume static conditions throughout; and, in the third



case, the assumptions will be the same as for the Regular Valuation except that the interest rate used for static conditions will be 4 per cent.

### Organization of the Fund

37. One of the principal objectives of the Board, in its long-range study of the composition of the Fund's various organs, has been to improve the representational character of the Fund's management - which is shared, constitutionally, both between the 11 member organizations and between the three interest groups in each, which are mentioned in the introduction to the present report. It has searched, accordingly, for a representational formula which would permit both large and small organizations a fair measure of management participation without unduly expanding the present 21-member Board and with due regard to considerations of cost.

38. After prolonged study and discussion, the Board has now reached the conclusion that an enlargement of its membership to 27 would most effectively meet the various purposes which it believes require to be served. The size of the Board's Standing Committee, however, which conducts the Fund's business when the Board is not in session, would remain unchanged at nine. Under the new arrangement, the United Nations would maintain its membership of six in the Board - two elected by the General Assembly, two nominated by the Secretary-General, and two elected by the participants. The major specialized agencies (FAO, WHO, the ILO and UNESCO) would have their membership increased from two to three (one from each group); the next largest member organizations (ICAO, IAEA and ITU) would each have two members, with the three groups alternating in turn; and the three smaller organizations (WMO, IMCO and ICITO) would have one member each, alternating in a similar way between each group. Those organizations, however, without full tripartite representation would be entitled, if they wished, to supplement their attendance by observers for the groups not represented.

39. The above conclusion, however, did not carry the support of the members representing the General Assembly, and the board believes that the new composition requires in any event to be developed in subsidiary detail before affirmative recommendations can be put forward. It intends, accordingly, to return to the matter at its next session after further study.

### E. Standing Committee

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

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>United Nations (Group I)</u>		
Miss K. Whalley	Mr. A. Bender	General Assembly
	Mr. G. J. McGough	General Assembly
	Mr. S. Refshal	General Assembly
Mr. W. H. Ziehl	Mr. M. Heenan	Secretary-General
	Mr. D. Miron	Secretary-General
	Mr. C. Timbrell	Secretary-General

<u>Members</u>	<u>Alternates</u>	<u>Representing</u>
<u>United Nations (Group I)</u>		
Mrs. P. K. Tsien	Mr. A. Landau	Participants
	Mr. A. J. Friedgut	Participants
	Mr. M. Schreiber	Participants
<u>Specialized agencies (Group II)</u>		
Professor E. Aujaleu (WHO)	Dr. M. U. Henry (WHO)	Governing Body
Mr. M. Bardoux (ITU)	Mr. L. Alonso de Huarte (IAEA)	Executive Head
Mr. K. Doctor (ILO)	Mr. N. MacCabe (ILO)	Participants
	Mr. V. T. Chivers (ILO)	Participants
<u>Specialized agencies (Group III)</u>		
Mr. R. Prohme (UNESCO)	Mr. R. Said (UNESCO)	Governing Body
Mr. J. J. Rolian (ICAO)	Mr. W. H. Collins (ICAO)	Executive Head
Mr. R. Bishop (FAO)	Mr. U. de Silva (FAO)	Participants
	Mr. I. L. Posner (FAO)	Participants

41. The text of the present report, by direction of the Board, was approved by the Standing Committee at its 133rd meeting, held on 18 July 1972.

ANNEX I

AUDIT OPINION

We have examined the following appended financial statements, numbered I and II, properly identified, and relevant schedules of the United Nations Joint Staff Pension Fund for the year ended 30 September 1971. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. As a result of our examination, we are of the opinion that subject to the observations in our various reports on the accounts, the financial statements properly reflect the recorded financial transactions for the year, which transactions were in accordance with the Financial Regulations and legislative authority, and present fairly the financial position as at 30 September 1971.

(Signed) A. M. HENDERSON  
Auditor-General of Canada

J. E. ESCALLON O.  
Controller-General of Colombia

A. I. OSMANY  
Auditor-General of Pakistan

19 June 1972

FINANCIAL STATEMENTS AND SCHEDULES FOR THE YEAR ENDED 30 SEPTEMBER 1970

Statement I

Statement of assets and liabilities as at 30 September 1971  
with comparative figures as at 30 September 1970

	1971	1970
	\$	\$
<u>Assets</u>		
Cash in banks	4,093,126.05	2,405,185.07
Contributions receivable from member organizations	5,644,937.26	3,630,739.10
Accounts receivable	101,318.16	74,410.61
Accrued income from investments	6,399,642.49	5,453,270.60
Investments (schedules 4 and 5)		
Bonds - at cost		
(market value - \$210,880,927.00)	241,508,402.29	
Convertible bonds - at cost		
(market value - \$ 55,257,228.00)	58,844,077.18	
Stocks - at cost		
(market value - \$375,876,280.00)	<u>304,698,556.13</u>	521,119,180.29
Prepaid benefits	<u>721,220.73</u>	<u>599,281.78</u>
	<u>622,011,280.29</u>	<u>533,282,067.45</u>
 <u>Liabilities and principal of the Fund</u>		
Benefits payable	2,418,326.85	2,219,120.73
Held in trust	1,566,022.92	1,635,582.71
Payable for securities purchased	5,646,228.31	1,420,142.23
Other accounts payable	365,877.21	318,080.87
Contingency account (schedule 2)	19,633,250.17	22,134,100.14
Principal of the Fund (schedule 1)		
Balance at 1 October 1970	505,555,040.77	
Transferred from Contingency Account	2,500,849.97	
Excess of income over expense for the year ended 30 September 1971	<u>84,325,684.09</u>	<u>592,381,574.83</u>
	<u>622,011,280.29</u>	<u>533,282,067.45</u>

Certified correct:

(Signed) B. R. TURNER,  
Controller, United Nations

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

13 March 1972

Statement of income and expense for the year ended 30 September 1971  
with comparative figures as at 30 September 1970

	<u>1971</u>	<u>1970</u>
	\$	\$
<u>Income</u>		
Contributions by staff members of participating organizations - full participants		
7 per cent of pensionable remuneration	26,895,244.21	22,918,313.03
Additional contributions to make past service pensionable	1,722,155.77	1,922,127.12
Refund of benefits to restore previous pensionable service	352,420.17	185,267.90
Voluntary deposits for purchases of additional benefits	57,142.85	79,193.34
14 per cent of pensionable remuneration for periods of leave without pay	<u>47,368.78</u>	<u>19,744.54</u>
	<u>29,074,331.78</u>	<u>25,124,645.93</u>
Contributions by participating organizations on behalf of full participants		
14 per cent of pensionable remuneration	53,790,488.42	45,836,626.06
Additional contributions to make past service pensionable	3,514,180.90	3,974,533.53
Less deductions for validations under article 25(c)	<u>1,026,648.30</u>	<u>1,227,774.32</u>
	<u>56,278,021.02</u>	<u>48,583,385.27</u>
Contributions by participating organizations on behalf of associate participants	<u>86,086.24</u>	<u>460,821.77</u>
Interest received from participants and participating organizations on retroactive contributions and refund of benefits	<u>350,989.91</u>	<u>348,309.05</u>
Contributions with interest received from non-member organizations for participants transferred under agreements with other funds	<u>17,493.98</u>	<u>19,537.57</u>
Excess of actuarial cost over regular contributions with interest	<u>119.62</u>	<u>5,200.73</u>
Investment income		
Interest earned	17,068,127.59	14,854,809.64
Dividends	7,373,184.84	5,346,537.46
Profit on sales of investments (net)	<u>( 2,047,864.31)</u>	<u>( 1,194,721.72)</u>
	<u>22,393,448.12</u>	<u>19,006,625.38</u>
Total income, carried forward	<u>108,200,490.67</u>	<u>93,548,525.70</u>

## Statement II (continued)

	<u>1971</u>	<u>1970</u>
	\$	\$
Total income, brought forward	<u>108,200,490.67</u>	<u>93,548,525.70</u>
<u>Expense</u>		
Operating expenses:		
Benefits - former full participants		
Final cash settlements (including commutation of annuities)	5,326,508.58	5,029,094.90
Retirement benefits	10,108,933.79	8,413,838.35
Death benefits (other than to children)	1,174,910.20	953,164.42
Children's benefits	578,722.80	486,314.62
Disability benefits	323,873.25	250,617.52
Annuities	<u>2,187,832.62</u>	<u>1,857,478.71</u>
	<u>19,700,781.24</u>	<u>16,990,508.52</u>
Benefits - former associate participants		
Death benefits (other than to children)	157,804.00	149,961.54
Children's benefits	44,870.70	83,479.08
Disability benefits	<u>78,980.28</u>	<u>44,125.89</u>
	<u>281,654.98</u>	<u>277,566.51</u>
Contributions with interest remitted to non-member organizations for participants transferred under agreements with other Funds		
	<u>158,965.97</u>	<u>138,850.20</u>
Contributions refunded to member organizations under article 26		
	<u>2,900,551.37</u>	<u>2,222,755.16</u>
Administrative expenses		
Administrative cost	464,606.07	353,350.62
Investment costs chargeable to gross income from investments	<u>303,470.02</u>	<u>246,505.78</u>
	<u>768,076.09</u>	<u>599,856.40</u>
Other expenses		
Adjustments to prior year benefits (net)	<u>64,776.93</u>	<u>133,043.91</u>
Total expenses	<u>23,874,806.58</u>	<u>20,362,580.70</u>
Excess of income over expense for year	<u>84,325,684.09</u>	<u>73,185,945.00</u>
Excess income transferred to		
Principal of the Fund	84,325,684.09	70,374,963.80
Contingency Account	--	2,810,981.20
	<u>84,325,684.09</u>	<u>73,185,945.00</u>

Certified correct:

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

Schedules for the year ended 30 September 1971Principal of the Fund

	\$	\$
<u>Pension reserve</u>		
Former full participants	120,041,193.82	
Former associate participants	<u>3,458,806.18</u>	
Balance as at 30 September 1971		123,500,000.00
<u>Participants' account</u>		
Balance as at 30 September 1971		151,953,837.77
<u>Balancing account</u>		
Full participant	308,716,291.64	
Associate participant	<u>8,211,445.42</u>	
Balance as at 30 September 1971		<u>316,927,737.06</u>
Principal of the Fund as at 30 September 1971		<u>592,381,574.83</u>

## Schedule 2

Contingency Account

	\$	\$	\$
As at 30 September 1970			<u>22,134,100.14</u>
Transfer to the Principal of the Fund Pension Reserve Account to cover actuarial deficit disclosed by valuation of the Fund as at 30 September 1970			( 2,043,301.11)
Excess of investment income over actuarial yield, as detailed below			
Interest earned	17,068,127.59		
Dividends	<u>7,373,184.84</u>	24,441,312.43	
<u>Less:</u>			
Portion of administrative expenses applicable to the investment of the Fund		<u>303,470.02</u>	
		24,137,842.41	
Actuarial yield:			
7 per cent on average Pension Reserve account	7,777,000.00		
3 1/4 per cent on remaining average assets of the Fund	<u>14,770,526.96</u>	<u>22,547,526.96</u>	
Excess income credited to this account		1,590,315.45	
Plus: Profit on sales of investments	8,035,544.19		
<u>Less:</u> Loss on sales of investments	<u>10,083,408.50</u>	<u>( 2,047,864.31)</u>	<u>( 457,548.86)</u>
Total transferred to the Principal of the Fund for the fiscal year to 30 September 1971 (Statement I)			<u>( 2,500,849.97)</u>
Balance as at 30 September 1971			<u>19,633,250.17</u>



Schedule of administrative expenses

	<u>Administrative costs</u>	<u>Investments costs</u>
	\$	\$
Established posts	233,050.15	2,423.22
Overtime and temporary assistance	82,518.00	67.29
Common staff costs	64,474.81	536.22
Custodial services and investment counsel		278,636.25
Consultants	74,584.00	
Travel of staff	16,010.93	
	<u>470,637.89</u>	<u>281,662.98</u>
Staff assessment	( 57,972.38)	( 442.96)
	412,665.51	281,220.02
Investments Committee		7,000.00
Committee of Actuaries	3,029.54	
External audit	6,000.00	
Staff and computer services rendered by the United Nations	20,000.00	15,000.00
Communications services	4,000.00	
Printing of an explanatory booklet on the Fund and the Administration Manual	16,002.20	
Hospitality	539.65	
Miscellaneous charges	2,369.17	250.00
	<u>464,606.07</u>	<u>303,470.02</u>

## SUMMARY STATEMENT OF INVESTMENTS AS AT 30 SEPTEMBER 1971

(000's omitted)

	BALANCE 1 OCTOBER 1970		PURCHASES AND ACQUISITIONS		SALES, MATURITIES AND EXCHANGES			PROCEEDS SALE STOCK RIGHTS	BALANCE 30 SEPTEMBER 1971		INCOME 1970/1971	ESTIMATED YIELD TO MATURITY %
	PAR VALUE	COST	PAR VALUE	COST	PAR VALUE	PROCEEDS	PROFIT OR (LOSS)		PAR VALUE	COST		
<u>UNITED STATES DOLLAR - BOND SECTION</u>												
United States Government Agency and Authority Bonds	11,593	11,475	6,550	6,218	13,848	13,363	(226)		4,300	4,104	293	5.46
Other Government Bonds	20,682	20,317	210	191	1,314	1,254	(41)		19,578	19,213	1,210	6.14
Corporate Bonds												
Railroads	4,558	4,431			1,178	957	(219)		3,380	3,255	177	4.96
Public Utilities	74,321	70,156	23,926	20,977	31,952	30,343	(218)		66,295	60,572	3,159	5.05
Industrials	131,873	127,708	217,583	212,060	203,713	199,453	(2,290)		145,743	138,025	8,452	8.67
International Monetary Agencies	7,369	7,324	6,350	5,788	2,430	2,127	(262)		11,289	10,723	657	6.91
TOTAL UNITED STATES DOLLAR - BOND SECTION	<u>250,401</u>	<u>241,411</u>	<u>254,619</u>	<u>245,234</u>	<u>254,435</u>	<u>247,497</u>	<u>(3,256)</u>		<u>250,585</u>	<u>235,892</u>	<u>13,948</u>	<u>7.35</u>
<u>UNITED STATES DOLLAR CONVERTIBLE BOND SECTION</u>												
Corporate Bonds												
Public Utilities	3,882	3,791							3,882	3,791	164	4.39
Industrials	<u>50,912</u>	<u>53,423</u>	<u>11,650</u>	<u>13,165</u>	<u>17,476</u>	<u>17,321</u>	<u>(1,469)</u>		<u>45,086</u>	<u>47,798</u>	<u>2,279</u>	<u>4.45</u>
TOTAL UNITED STATES DOLLAR CONVERTIBLE BOND SECTION	<u>54,794</u>	<u>57,214</u>	<u>11,650</u>	<u>13,165</u>	<u>17,476</u>	<u>17,321</u>	<u>(1,469)</u>		<u>48,968</u>	<u>51,589</u>	<u>2,543</u>	<u>4.45</u>
<u>NON-UNITED STATES DOLLAR - BOND SECTION</u>												
Canadian Government Bonds	1,967	1,814			1,851	1,602	(99)		116	113	31	5.20
Provincial Government Bonds	3,120	3,057			2,258	2,128	(81)		862	848	144	6.72
Corporate Bonds												
Public Utilities	783	768			268	252	(2)		515	514	35	5.95
Industrials	<u>196</u>	<u>194</u>	<u>2,592</u>	<u>2,683</u>	<u>1,716</u>	<u>1,816</u>	<u>80</u>		<u>4,073</u>	<u>4,141</u>	<u>93</u>	<u>5.01</u>
TOTAL NON UNITED STATES DOLLAR - BOND SECTION	<u>6,066</u>	<u>5,833</u>	<u>2,592</u>	<u>2,683</u>	<u>6,093</u>	<u>5,798</u>	<u>(102)</u>		<u>5,566</u>	<u>5,616</u>	<u>303</u>	<u>5.35</u>
<u>NON-UNITED STATES DOLLARS CONVERTIBLE BOND SECTION</u>												
Corporate Bonds												
Industrials	<u>4,696</u>	<u>5,883</u>	<u>7,732</u>	<u>8,406</u>	<u>6,991</u>	<u>7,079</u>	<u>65</u>	<u>20</u>	<u>5,445</u>	<u>7,255</u>	<u>274</u>	<u>3.03</u>
TOTAL NON UNITED STATES DOLLARS CONVERTIBLE BOND SECTION	<u>4,696</u>	<u>5,883</u>	<u>7,732</u>	<u>8,406</u>	<u>6,991</u>	<u>7,079</u>	<u>65</u>	<u>20</u>	<u>5,445</u>	<u>7,255</u>	<u>274</u>	<u>3.03</u>
<u>UNITED STATES DOLLAR STOCK SECTION</u>												
	BALANCE 1 OCT. 70		PURCHASES AND ACQUISITIONS		SALES, MATURITIES AND EXCHANGES			PROCEEDS SALE STOCK RIGHTS	BALANCE 30 SEPT. 71		INCOME 1970/1971	ESTIMATED YIELD FROM DIVIDENDS
		COST		COST		PROCEEDS	PROFIT OR (LOSS)			COST		
Financial		5,807		6,865						12,672	394	4.07
Public Utilities		23,962		12,917		4,049	31	25		32,836	1,309	4.51
Consumer		57,462		31,046		11,664	3,444			80,288	1,543	2.34
Semi-Capital		33,497		29,846		2,392	340			61,291	1,691	3.50
Capital		<u>39,647</u>		<u>18,515</u>		<u>9,114</u>	<u>(2,039)</u>	<u>18</u>		<u>46,971</u>	<u>669</u>	<u>1.70</u>
TOTAL UNITED STATES DOLLAR STOCK SECTION		<u>160,375</u>		<u>99,189</u>		<u>27,219</u>	<u>1,756</u>	<u>43</u>		<u>234,058</u>	<u>5,606</u>	<u>2.92</u>
<u>NON-UNITED STATES DOLLARS - STOCK SECTION</u>												
Financial		10,673		8,697		121				19,249	435	3.50
Utilities		982				608	63	18		419	29	5.21
Consumer		17,084		7,915				368		24,631	549	3.85
Semi-Capital		10,958		5,960		1,809				15,109	421	3.71
Capital		10,467		2,229		2,649	891	27		10,911	332	2.19
Construction		<u>232</u>		<u>83</u>						<u>322</u>	<u>1</u>	<u>2.06</u>
TOTAL NON UNITED STATES DOLLARS - STOCK SECTION		<u>50,403</u>		<u>24,884</u>		<u>5,187</u>	<u>954</u>	<u>413</u>		<u>70,641</u>	<u>1,767</u>	<u>3.47</u>
GRAND TOTAL:		521,119		396,561		310,101	(2,052)	476		605,051	24,441	
										Less Investment Costs:	<u>303</u>	
										Net Investment Income:	<u>24,138</u>	

UNITED NATIONS JOINT STAFF PENSION FUND

COMPARISON OF COST VALUE AND MARKET VALUE OF INVESTMENTS

AS AT 30 SEPTEMBER 1970 AND 30 SEPTEMBER 1971

	30 September 1970				30 September 1971			
	COST	PERCENTAGE	MARKET	PERCENTAGE OF	COST	PERCENTAGE	MARKET	PERCENTAGE OF
	\$	OF TOTAL	VALUE	MARKET VALUE	\$	OF TOTAL	VALUE	MARKET VALUE
	%	\$	%		%	\$	%	
<b>UNITED STATES DOLLAR BOND SECTION</b>								
United States Government Bonds	11,474,655.92	2.2	10,002,920	87.2	4,104,216.00	0.7	3,680,500	89.7
Other Government Bonds	20,316,705.12	3.8	15,964,030	78.6	19,213,507.33	3.2	15,914,970	82.8
<b>Corporate Bonds</b>								
Railroads	4,430,781.17	0.9	3,445,650	77.8	3,254,633.05	0.5	2,752,550	84.6
Public Utilities	70,156,003.78	13.5	53,372,880	76.1	60,571,351.30	10.0	47,412,860	78.3
Industrials	127,707,586.32	24.5	108,429,423	84.9	138,025,237.48	22.8	125,653,405	91.0
International Monetary Agency Bonds	<u>7,324,475.00</u>	<u>1.4</u>	<u>5,788,050</u>	<u>79.0</u>	<u>10,723,302.50</u>	<u>1.8</u>	<u>10,045,260</u>	<u>93.7</u>
Total United States Dollar Bond Section	241,410,207.31	46.3	197,002,953	81.6	235,892,247.66	39.0	205,459,545	87.1
<b>UNITED STATES DOLLAR CONVERTIBLE BOND SECTION</b>								
<b>Corporate Bonds</b>								
Public Utilities	3,791,272.50	0.7	2,852,480	75.2	3,791,272.50	0.6	2,882,540	76.0
Industrials	<u>53,423,012.59</u>	<u>10.3</u>	<u>45,894,260</u>	<u>85.9</u>	<u>47,798,155.32</u>	<u>7.9</u>	<u>44,108,330</u>	<u>92.3</u>
Total United States Dollar Convertible Bond Section	57,214,285.09	11.0	48,746,740	85.2	51,589,427.82	8.5	46,990,870	91.1
<b>UNITED STATES DOLLAR STOCK SECTION</b>								
Insurance	5,806,919.39	1.1	5,976,648	102.9	12,671,724.49	2.1	15,624,728	123.3
Utilities	23,961,572.29	4.6	21,796,650	91.0	32,835,849.07	5.4	29,715,430	90.5
Consumer Goods	61,664,332.26	11.8	78,353,514	127.1	80,289,712.11	13.3	123,326,967	153.6
Semi-Capital	33,496,919.36	6.5	33,372,468	99.6	61,291,260.66	10.1	71,246,136	116.2
Capital	<u>35,444,747.57</u>	<u>6.8</u>	<u>33,151,627</u>	<u>93.5</u>	<u>46,969,661.30</u>	<u>7.8</u>	<u>51,644,006</u>	<u>110.0</u>
Total United States Dollar Stock Section	160,374,490.87	30.8	172,650,907	107.7	234,058,207.63	38.7	291,559,267	124.5
<b>NON-UNITED STATES DOLLAR BOND SECTION</b>								
Canadian Government Bonds	1,814,160.54	0.3	1,553,350	85.6	112,578.67	0.1	96,250	85.5
Provincial Government Bonds	3,057,147.03	0.5	2,588,720	84.7	847,474.25	0.1	785,390	92.7
<b>Corporate Bonds</b>								
Public Utilities	768,405.95	0.2	647,290	84.2	513,707.92	0.1	463,850	90.3
Industrials	<u>194,445.32</u>	<u>0.2</u>	<u>169,600</u>	<u>87.2</u>	<u>4,142,393.79</u>	<u>0.6</u>	<u>4,075,892</u>	<u>98.4</u>
Total Non-United States Dollar Bond Section	5,834,158.84	1.1	4,998,960	85.0	5,616,154.63	0.9	5,421,382	96.5
<b>NON-UNITED STATES DOLLAR CONVERTIBLE BOND SECTION</b>								
<b>Corporate Bonds</b>								
Industrials	<u>5,882,597.08</u>	<u>1.1</u>	<u>6,071,580</u>	<u>103.2</u>	<u>7,254,649.36</u>	<u>1.2</u>	<u>8,266,358</u>	<u>113.9</u>
Total Non-United States Dollar Convertible Bond Section	5,882,597.08	1.1	6,071,580	103.2	7,254,649.36	1.2	8,266,358	113.9

	30 September 1970				30 September 1971			
	COST	PERCENTAGE	MARKET	PERCENTAGE OF	COST	PERCENTAGE	MARKET	PERCENTAGE OF
		OF TOTAL	VALUE	MARKET VALUE		OF TOTAL	VALUE	MARKET VALUE
	\$	%	\$	%	\$	%	\$	%
<b>NON-UNITED STATES DOLLAR STOCK SECTION</b>								
Financial	10,672,863.29	2.0	11,199,420	104.9	19,248,055.94	3.2	21,733,056	112.9
Utilities	982,243.86	0.2	900,000	91.6	418,396.11	0.1	468,000	111.9
Consumer Goods	17,084,278.11	3.3	19,863,504	116.3	24,631,410.47	4.0	31,289,264	127.0
Semi-Capital	10,957,717.77	2.1	11,676,584	106.6	15,108,797.93	2.5	17,062,553	112.9
Capital	10,467,490.25	2.0	12,348,475	118.0	10,911,526.20	1.8	13,551,140	124.2
Construction	<u>238,847.82</u>	<u>0.1</u>	<u>201,600</u>	<u>84.4</u>	<u>322,161.85</u>	<u>0.1</u>	<u>213,000</u>	<u>66.1</u>
Total Non-United States Dollar Stock Section	50,403,441.10	9.7	56,189,583	111.5	70,640,348.50	11.7	84,317,013	119.4
Grand Total	521,119,180.29	100.0	485,620,723	93.2	605,051,035.60	100.0	642,014,435	106.1

## ANNEX II

Statistics on the operation of the Fund for the  
year ended 30 September 1971

Table 1. Number of full participants as at 30 September 1971

Member organi- zations	Full partici- pants as at 30 September 1970	Direct	From associate partici- pation	Transfers in	Total	Separa- tions	Transfers out	Full partici- pants as at 30 September 1971
United Nations	13,626	2,543	117	86	16,372	1,480	55	14,837
ILO	2,849	393	45	12	3,299	341	50	2,908
FAO	5,555	981	102	40	6,678	466	35	6,177
UNESCO	3,255	563	18	22	3,858	370	37	3,451
WHO	4,197	600	21	17	4,835	354	5	4,476
ICAO	733	86	3	1	823	84	2	737
WMO	333	58	4	6	401	41	3	357
ICITO	300	52	0	3	355	29	4	322
IAEA	764	123	10	3	900	89	4	807
IMCO	97	23	0	4	124	20	0	104
ITU	627	113	1	3	744	63	2	679
	<u>32,336</u>	<u>5,535</u>	<u>321</u>	<u>197</u>	<u>38,389</u>	<u>3,337</u>	<u>197</u>	<u>34,855</u>

Table 2. Number of associate participants as at  
30 September 1971

Member organi- zations	Associate partici- pants as at 30 September 1970	Retro- active Admiss- ions <u>a/</u>	Transfers in	Total	Separa- tions	Transfers out	Associate partici- pants as at 30 September 1971
United Nations	138	1	0	139	139	0	0
ILO	60	1	0	61	58	0	3
FAO	117	0	0	117	116	0	1
UNESCO	31	0	0	31	30	0	1
WHO	28	0	0	28	28	0	0
ICAO	3	0	0	3	3	0	0
WMO	5	0	0	5	5	0	0
ICITO	0	0	0	0	0	0	0
IAEA	20	0	0	20	20	0	0
IMCO	0	0	0	0	0	0	0
ITU	2	0	0	2	2	0	0
	<u>404</u>	<u>2</u>	<u>0</u>	<u>406</u>	<u>401</u>	<u>0</u>	<u>5</u>

a/ Retroactive admissions due to erroneous separations in previous year.

Table 3. Benefits awarded to full participants or their beneficiaries  
during the year ended 30 September 1971

Member Organiza- tions	Retire- ment benefits	<u>Annuities</u>		<u>Withdrawal settlements</u>				Other death benefits	Disabil- ity benefits	Secondary dependants' benefits	Transfer to other funds	TOTAL
		Imme- diate	Defer- red	Less than 5 years	Over 5 years	Children's benefits	Widows' benefits					
United Nations	111	19	54	1,120	128	87	24	7	11	1	3	1,565
ILO	26	8	18	269	12	33	4	1	1	0	1	373
FAO	25	10	38	332	40	42	11	4	3	0	3	508
UNESCO	37	4	34	263	18	23	7	4	2	0	1	393
WHO	35	15	18	235	38	45	7	2	2	0	2	399
ICAO	7	5	5	56	6	18	2	0	3	0	0	102
WMO	2	0	1	35	2	3	1	0	0	0	0	44
ICITO	2	0	2	22	3	0	0	0	0	0	0	29
IAEA	2	1	4	76	3	1	1	1	1	0	0	90
IMCO	0	0	0	20	0	0	0	0	0	0	0	20
ITU	4	0	1	54	4	1	0	0	0	0	0	64
	<u>251</u>	<u>62</u>	<u>175</u>	<u>2,482</u>	<u>254</u>	<u>253</u>	<u>57</u>	<u>19</u>	<u>23</u>	<u>1</u>	<u>10</u>	<u>3,587</u>

Table 4. Benefits paid to Associate participants or their beneficiaries during the year ended 30 September 1971

Member organizations	Widows' benefits	Children's benefits	Disability benefits	Secondary dependants' benefits	Total
United Nations	0	0	0	0	0
ILO	1	0	0	0	1
FAO	0	0	0	0	0
UNESCO	0	0	0	0	0
WHO	0	0	0	0	0
ICAO	0	0	0	0	0
WMO	0	0	0	0	0
ICITO	0	0	0	0	0
IAEA	0	0	0	0	0
IMCO	0	0	0	0	0
ITU	0	0	0	0	0
Total	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>



Table 5. Analysis of periodic benefits in payment at 30 September 1971  
Full participants or their beneficiaries

Type of entitlement	In payment as at 30 September 1970	New	Transfer to survivor	Total	Discontinued	In payment as at 30 September 1971
Retirement benefits	1,755	251	(29)	1,977	( 11)	1,966
Life annuities	782	238	( 5)	1,015	( 33)	982
Widows' benefits	558	57	38	653	( 9)	644
Disability benefits	110	23	( 4)	129	( 2)	127
Children's benefits	1,089	253	-	1,342	(128)	1,214
Secondary dependants' benefits	14	1	-	15	( 2)	13
Total	<u>4,308</u>	<u>823</u>	<u>0</u>	<u>5,131</u>	<u>(185)</u>	<u>4,946</u>

Table 6. Analysis of periodic benefits in payment at 30 September 1971  
Associate participants or their beneficiaries

Type of entitlement	In payment as at 30 September 1970	New	Transfer to survivor	Total	Discontinued	In payment as at 30 September 1971
Widows' benefits	98	1	-	99	( 1)	98
Disability benefits	18	-	-	18	-	18
Children's benefits	148	-	-	148	(12)	136
Secondary dependants' benefits	6	-	-	6	( 1)	5
Total	<u>270</u>	<u>1</u>	<u>-</u>	<u>271</u>	<u>(14)</u>	<u>257</u>

## ANNEX III

Table 1

Estimate of administrative expenses for 1973

(In US dollars)

Items of expenditure	1973 estimates	1972 appropriations	1971 expenses
Salaries and wages			
Established posts	313,600.00	293,600.00	251,282.08
Overtime	8,500.00	8,500.00	9,443.82
Temporary assistance	67,400.00	62,700.00	62,491.24
Common staff costs			
Established posts	64,700.00	57,000.00	51,719.08
Temporary assistance	14,500.00	12,500.00	10,797.00
Investment costs			
Contractual investments	775,400.00	369,000.00	300,922.79
Salaries and wages			
Established posts	110,100.00	107,240.00	6,886.36
Overtime	-	-	92.21
Common staff costs	22,200.00	23,590.00	1,513.38
Investments Committee	7,000.00	7,000.00	7,000.00
Investment reference services and banking charges	2,500.00	4,400.00	250.00
Consultants			
Actuarial services	40,000.00	7,000.00	48,301.00
Management	1,500.00	5,000.00	16,522.00
Medical examinations and subscriptions	1,000.00	700.00	279.57
Travel of staff			
To meetings	8,600.00	4,000.00	6,143.16
On official business	4,000.00	3,100.00	2,357.29
On home leave	9,000.00	3,200.00	8,042.65
Cost of external audit	6,000.00	6,000.00	6,000.00
Committee of actuaries	2,500.00	2,000.00	3,029.54
United Nations staff services			
Investment officer	-	-	15,000.00
Computer services	20,000.00	20,000.00	20,000.00
Hospitality	900.00	900.00	718.15
Communications services	4,000.00	4,000.00	4,000.00
Miscellaneous supplies and services	1,200.00	-	14,575.00
Administrative Tribunal	-	-	414.00
	1,484,600.00	1,001,430.00	847,730.32
<u>Less: staff assessment</u>	<u>(98,200.00)</u>	<u>(72,900.00)</u>	<u>(59,464.84)</u>
TOTAL:	1,386,400.00	928,530.00	788,315.48
Increase over 1972	457,870.00		

Table 2

Manning table for 1973

Category and level	1973	1972	1971
<u>Director and Principal Officers</u>			
Director (D-2)	1	1	1
Principal Officer (D-1)	1	1	1
<u>Professional</u>			
Senior Officer (P-5)	2	2	-
First Officer (P-4)	4	3	3
Second Officer (P-3)	1	2	1
Associate Officer (P-2)	5	4	4
Assistant Officer (P-1)	-	-	-
<u>General Service</u>			
Principal Level (G-5)	3	4	4
Senior Level (G-4)	13	13	12
Intermediate Level (G-3)	10	10	7
TOTAL	<u>40<sup>a/</sup></u>	<u>40<sup>a/</sup></u>	<u>33<sup>b/</sup></u>

a/ Includes 3 Professional and 4 General Service posts for investment management provided to the United Nations Office of the Controller.

b/ Does not include the additional staff provided from 1 August 1971 and referred to in foot-note a/ above. The costs for these seven additional posts for 1971 were included in the supplementary estimates submitted for 1971.

Supplementary estimates for 1972, as compared with the appropriations a/ previously approved, are given in table 3 below:

Table 3

Supplementary estimates for 1972

Description	1972 Appropriations	Revised estimate	Net increase or (decrease)
Investment costs			
Contractual investments	369,000.00	658,300.00	289,300.00
Salaries and wages			
Established posts	107,240.00	72,440.00	(35,000.00)
Common staff costs	23,590.00	15,940.00	( 7,650.00)
Consultants			
Actuarial services	7,000.00	14,500.00	7,500.00
Travel of staff to meetings	4,000.00	5,000.00	1,000.00
Miscellaneous supplies and services	-	1,000.00	1,000.00
Administrative Tribunal	-	711.00	711.00
<b>TOTAL</b>	<u>513,930.00</u>	<u>776,741.00</u>	256,861.00
Plus: Staff assessment adjustment			<u>4,000.00</u>
<b>Total net increase</b>			<u><u>260,861.00</u></u>

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

ANNEX IV

REPORT OF THE BOARD OF AUDITORS TO THE GENERAL ASSEMBLY ON THE  
ACCOUNTS OF THE UNITED NATIONS JOINT STAFF PENSION FUND  
FOR THE YEAR ENDED 30 SEPTEMBER 1971

1. In accordance with article 14 of the Regulations and Rules of the United Nations Joint Staff Pension Fund approved by the General Assembly in resolution 2524 (XXIV), an audit of the accounts of the Fund shall be made annually by the Board of Auditors in a manner agreed between the Board of Auditors and the Joint Staff Pension Board. Its report on the accounts shall be included in the annual report of the Joint Staff Pension Board to the General Assembly and to the member organizations.
2. The Board of Auditors, established under General Assembly resolution 74 (I), is required to audit the accounts of the United Nations Joint Staff Pension Fund in accordance with financial regulations 12.1 through 12.12 and the annex thereto.
3. The Secretary of the United Nations Joint Staff Pension Board submitted for audit the following two financial statements as at 30 September 1971 with comparative figures as at 30 September 1970, together with the five related schedules.

Statement 1.	Assets and liabilities
Statement 2.	Income and expense
Schedule 1.	Principal of the Fund
Schedule 2.	Contingency account
Schedule 3.	Administrative expenses
Schedule 4.	Summary of investments
Schedule 5.	Comparison of book value and market value of investments

Scope of the audit

4. The examination of the accounts and financial statements included a general review of the accounting procedures and internal controls and such tests of the accounting records and other supporting evidence and such other auditing procedures as were considered necessary in the circumstances by the Board of Auditors.
5. The Board of Auditors has transmitted a separate long-form report containing its findings and recommendations arising from the audit to the Secretary of the United Nations Joint Staff Pension Board. Distribution of this long-form report will be made solely at the direction of the Secretary of the Pension Board and accordingly copies will be made available by the Secretary of the Board of Auditors only upon receipt of his direction.

### Physical verification of securities

6. The custodian and trustee's auditors have inspected and confirmed the securities during the year. The custodian has provided a certificate that securities were held by him or his overseas agents for the account of the United Nations Joint Staff Pension Fund. The securities of the Fund were also physically counted by the Board on a test basis from 15 to 17 March 1972.

### Financial statement summary

7. A comparative summary from the financial statements of the more significant figures is presented below:

	<u>(In millions of US dollars)</u>			
	<u>30 September</u>		<u>Increase</u>	<u>Per cent</u>
	<u>1971</u>	<u>1970</u>		
Total assets	622.0	533.3	88.7	17
Investments (at cost)	605.1	521.1	84.0	16
Investment income	24.4	20.2	4.2	21
Excess of income over expense	84.3	70.4	13.9	20

### Summary of major findings and recommendations

#### Investments

8. The total portfolio of investments of the Fund at cost amounted to \$605,051,036 as at 30 September 1971 compared to \$521,119,180 as at 30 September 1970. The increase in the level of investment during the period under review was the same as during the corresponding previous period, that is, 16 per cent.

9. Investments in bonds and convertible bonds have declined during the period under review with a corresponding increase in investments in stock. This is in line with the long-term objective of increasing the proportion of stocks in the Fund.

10. The proportion of investments in currencies other than United States dollars has gone up from 11.9 per cent as at 30 September 1970 to 13.8 per cent as at 30 September 1971.

11. The percentage of market value of the total investment to its book value was 106.1 as at 30 September 1971 as against 93.2 on 30 September 1970 and 98.6 on

30 September 1969. Bonds, convertible bonds and stocks have all contributed to this general improvement though the market value of bonds and convertible bonds (United States dollars) as at 30 September 1971 was still below the cost value. This improvement in the market value of total investments was due to an increase in the market value of stocks, particularly United States stocks, the market value of which was 124.5 per cent of the cost value on 30 September 1971.

#### Payment of direct taxes on purchase/sale of stocks

12. Under section 7 of the Convention on the Privileges and Immunities of the United Nations, assets, income and other property of the United Nations are exempt from all direct taxes. Accordingly, assets, income and other property of the Fund which, in terms of article 18 of the Regulations of the United Nations Joint Staff Pension Fund are to be acquired, deposited and held in the name of the United Nations on behalf of the participants and beneficiaries of the Fund, should be exempt from the payment of all direct taxes. Notwithstanding this provision, the Fund was paying a stock transfer tax levied by the State of New York on sales of stock as well as a tax on the purchase of stocks in the United Kingdom and other European countries. The incidence of such taxes during the period under report amounted approximately to \$60,000. As the payment of taxes by the Fund is inconsistent with the provisions contained in section 7 of the Convention, the matter was taken up with the Administration, which promised to review the position fully during the current year. The Administration also expressed the hope that a satisfactory solution to the problem would be found. The Board expects that this vital question, involving as it does the payment of substantial amounts to various Governments, will be pursued vigorously in order to arrive at a satisfactory solution in the near future.

#### Framing and execution of investment policies

13. The existing procedures relating to the framing and execution of investment policies assign a significant role to the Fiduciary Trust Company. The Board considers that the present arrangements do not wholly fulfil the spirit envisaged in the General Assembly's resolution under which the primary responsibility for the investment of funds of the Joint Staff Pension Fund rests with the Secretary-General. It is, therefore, of the view that, in order to comply with the spirit of the General Assembly's resolution, the responsibility for decision making on investment proposals should be assumed more fully by the duly authorized representatives of the Secretary-General and there should be a thorough and independent screening of the recommendations with regard to the buying and selling of securities, made by the Fiduciary Trust Company, from time to time. Action in this direction is being taken by the Administration and one senior as well as a junior investment officer were recently appointed.

14. The Board further recommends that:

(a) The existing system of giving standing approval for buying and selling by the Investments Committee to the Fiduciary Trust Company may be reconsidered;

(b) A percentage limit (say 20 per cent or so either way) may be fixed after crossing which the buying and selling of a stock be stopped until a reappraisal of the security has been made by the Investments Committee;

(c) A detailed monitoring of the appraisal of future prospects of stocks submitted by the Fiduciary Trust Company, should be carried out by qualified staff in the Treasurer's Office on a continuous basis;

(d) The factors responsible for the non-receipt of sale proceeds of securities sold, on official settlement dates, should be investigated with a view to eliminating such delays as far as possible.

#### Implementation of previous recommendations

15. In its report to the General Assembly on the accounts for the year ended 30 September 1969, the Board had recommended that:

"(a) The co-ordination of functions with respect to the investment of assets by the Fund should be reviewed;

"(b) The investment function, including the agreement with and instructions to the custodian and agent, registration of securities, amortization procedures, cash flow analysis and forward investment planning should be re-examined by the Fund;

"(c) The accounting system and procedures relating to investments by the Fund should be re-examined in the interests of improving internal financial controls;

"(d) The financial statement presentation of income and expense principal of the Fund and the contingency account should be revised so as to show the excess of total income and total expenses before transfers to the principal of the Fund and the contingency account." a/

16. The Board is of the opinion that a greater degree of attention and emphasis is required to implement its recommendations. The Board has noted that, whereas the recommendation at item (d) above has been implemented, the recommendation at item (c) has received the attention of the "study group" set up for the purpose, whose report on the subject is currently under examination by the Administration. With regard to recommendations at items (a) and (b), the Administration has promised to review these recommendations during the course of the current year.

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a/ Official Records of the General Assembly, Twenty-fifth Session, Supplement No. 9 (A/8009), annex II, para. 7.



17. In paragraph 12 of its report to the General Assembly on the accounts for the year ended 30 September 1970, b/ the Board had mentioned that the position with regard to the recovery from the Fund of that part of its administrative costs, which were initially incurred by the United Nations, was being reviewed by the Administration. This review has not been completed as yet, and the Board would urge that this work be completed as soon as possible.

Acknowledgement

18. The Board appreciates the co-operation it received from the Secretary of the Joint Staff Pension Board, his staff and the Secretariat of the United Nations in the discharge of its duties.

(Signed) A. M. HENDERSON  
Auditor-General of  
Canada

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

(Signed) A. I. OSMANY  
Auditor-General of  
Pakistan

19 June 1972

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b/ Ibid., Twenty-sixth Session, Supplement No. 9 (A/8409), annex III.

ANNEX V

Draft resolution proposed for adoption  
by the General Assembly

REPORT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD

The General Assembly,

Having considered the report of the United Nations Joint Staff Pension Board to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund for 1972, and the related report of the Advisory Committee on Administrative and Budgetary Questions,

I

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

Decides

(a) To extend for a further period of three years from 1 January 1973 the system of adjustments to benefits in payment contained in General Assembly resolution 2122 (XX) of 21 December 1965 as amended by resolution 2887 (XXVI) of 21 December 1971;

(b) To apply the above system, with effect from 1 January 1973, to all benefits payable in periodic form previously excluded therefrom, with the exception of benefits derived from voluntary deposits in the Fund, provided that for the purpose of adjustments under this paragraph benefits shall be deemed to have commenced in 1972;

(c) To vary the system further with effect from 1 January 1973, in such manner that benefits resulting from separation during the first quarter of a calendar year shall be adjusted by three quarters of the rate applicable to that year, benefits resulting from separation during the second quarter by one half of such rate, and benefits resulting from separation during the third quarter by one quarter thereof;

(d) To apply, as a transitional measure during 1973, 1974 and 1975, the following additional adjustments to periodic benefits in payment:

<u>Date of separation</u>	<u>Additional annual index adjustment</u>		
	<u>1973</u>	<u>1974</u>	<u>1975</u>
Prior to 1973	9	6	3
1 January - 31 December 1973	-	6	3
1 January - 31 December 1974	-	-	3

Provided that these additional adjustments shall be limited to benefits not exceeding \$3,000 per year, and to the first \$3,000 of any higher annual benefit, and that the total payment for any year shall not be less than that applicable in the previous year.

## II

### Administrative expense

Approves expenses totalling \$1,386,400 (net) for 1973 and supplementary expenses totalling \$260,861 (net) for 1973 for the administration of the Fund, as estimated in annex III to the report of the United Nations Joint Staff Pension Board to the General Assembly for 1972.

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