United Nations Joint Staff Pension Plan

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IN APRIL 1961, significant revisions in the United Nations Joint Staff Pension Plan became effective. The plan covers not only employees of the United Nations but also those of a number of other international governmental organizations (the so-called "specialized agencies" of the United Nations, such as the International Labor Organization) that have elected to participate in it. The 1961 modifications resulted from a comprehensive review made by an Expert Group of eight from Member Nations who considered the matter for about a year.

The General Assembly of the United Nations called for the study in December 1958, after the program had been in operation for about a decade. During that period only minor revisions were made within the general framework of the program's initial form as a contributory, fully funded pension plan, with reserves invested in securities purchased on the open market. The employer-employee contributions (14 percent and 7 percent of salary, respectively) are intended, together with investment income from its reserves, to be sufficient to support the benefit cost of the program.

The size of the pension is directly related to the employee's length of service and average pensionable remuneration during his last 5 years of service, but with provisions governing minimum and maximum benefit amounts. The pensions are payable to employees retiring for age (minimum age 60) or for disability and to surviving widows and minor children. Lump-sum withdrawal payments that are at least equal to the total employee contributions plus interest are available, although employees separating with at least 5 years of service can elect vested deferred life annuities (or, in some cases, immediate pensions).

UNIQUE CHARACTERISTICS OF EMPLOYMENT AND MEMBERSHIP

Many unusual situations and problems arise in connection with the United Nations pension plan because of the unique nature of the organizations and the employment involved. The covered employees are scattered throughout the world, and their pay structure is complex. Not only is there the complication that salaries are paid in many different currencies, but also different types of allowances are added to the base salaries. The possible inclusion of these allowances in the credited pensionable remuneration raises certain problems. Then too, the plan is intended to fulfill some of the functions of a social security system and of a staff pension plan as well.

Pensionable remuneration, on which both contributions and benefits are based, is always calculated in terms of United States dollars, and the benefits accordingly are payable in dollars. Moreover, virtually all investments of the reserves are made (at the recommendation of an Investment Committee composed of outside experts) in securities of the United States Government or of United States private industrial and commercial concerns, although a small amount is in Canadian securities.

Basing the entire plan on United States dollars seems, on balance, to be a desirable course of action, although certain anomalies and inequities can occur as a result. A participant, for example, who spends his entire career (both active and retired) in some other country that has stable price and wage levels might receive relatively low retirement benefits if, at or near the time of retirement, the United States currency depreciated in relation to that of the other country. Conversely, he might be better off than would normally be expected if the currency of the other country depreciated in relation to that of the United States. Such variations are possible, of course, besides the ordinary developments that can affect a pension plan, where changes in the wage or price level immediately before or immediately after retirement can have an important effect on the adequacy of pensions.

Another unique feature of the employment covered by this plan is that there are two distinct categories of employees—general service and professional. (A third, higher category—that of director—exists, but for pension-analysis purposes

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it may be considered the same as professional.) Within each category there are grades (reflecting assigned duties and responsibilities), and within each grade there are steps (based on the length of time in a grade). Most of the general service staff are citizens of the country where they are employed, but the professional staff is necessarily drawn from many countries.

Salary Structure

The base salaries of the general service staff are set at the "best prevailing local rates" and thus vary from time to time and place to place. The base salaries of the professional staff, in contrast, are uniform in all countries and can be changed only by action of the General Assembly of the United Nations and the corresponding bodies of the other participating organizations.

For the professional staff, there is a "post" adjustment, intended to reflect the relative living-cost status for the particular post, that varies with country, grade, and number of dependents. It generally represents an addition to the base salary, but a small downward adjustment is made for duty at a particularly low-cost station. These adjustments are altered periodically for changes in the cost of living in the local area.

Members of the general service staff do not receive post allowances, but such adjustments are, in effect, "built into" their base pay. They may receive nonresident's allowances, if they are not locally recruited, and language allowances for proficiency in several languages. Both of these allowances are a part of pensionable remuneration.

All staff—professional and general service—receive dependents' allowances that vary according to category, locality, and number of dependents. These allowances are not part of pensionable remuneration.

Staff Assessment Deductions

The United Nations and the International Civil Aviation Organization (with headquarters in Canada) have the same net base-salary scale for the professional staff as the other organizations that participate in the pension plan. They set their official salary scale, however, in terms of so-called gross salaries that correspond to the various net base salaries. The pay structure for these two organizations is such that the salaries of the entire staff are subject to a "staff assessment deduction" that is in the nature of an income tax, as described subsequently. Members of the professional staff actually receive net amounts corresponding to the base-salary scale used by the other organizations. Similarly, for the general service staff of these two organizations, a gross-salary scale is constructed; from these salaries the staff-assessment is deducted, and the base salaries arrived at.

The staff-assessment deduction for employees of the United Nations and the International Civil Aviation Organization is computed from the gross salary by the application of progressively increasing rates. Under the schedule in effect before 1962, these rates ranged from 15 percent on the first $4,000 of annual gross salary to 50 percent on salary in excess of $15,000. When the salary scale for the professional staff was increased at the beginning of 1962, their rates were changed to produce either the same or lower assessments for a given gross salary. The new rates will also be used for the general staff when their salary scale is next adjusted.

In the process of fixing salary scales for both general service and professional staff, the United Nations rates after staff assessment are compared with outside salary rates after income tax. After the appropriate net salary (used by all organizations) is determined, the gross salary is obtained by working backward, using the assessment rates prescribed.

For the professional staff the various allowances and the post adjustment are not changed to a gross basis. The pensionable language allowance for the general service staff is computed initially on a net basis and staff assessments are then determined, but the nonresident and dependents' allowances for this category are not changed to a gross basis.

The staff-assessment deduction is similar to a national income tax (at approximately the level of United States income taxes). The deductions are retained by the employing organization and are ultimately credited to Member Nations, according to the employee's nationality. For the United Nations, these operations are performed by a tax equalization fund, to assure relief from double taxation for any employee whose salary is subject both to a national income tax and to the staff-assessment deduction. The employee receives an amount from the tax equalization fund sufficient to pay his income tax (including any additional tax due on the amount received from the fund).[1] At the same time, any income tax paid by the fund, through transfers to the individual employee, is offset against the particular Member Nation's share of the credits otherwise due from the staff-assessment deductions in the fund.

Illustrative Problems

A specific example[2] of the "pension planning" difficulty arising from the salary structure may be seen by considering the hypothetical cases of two professional staff members, with dependents, who have identical work histories in the United Nations headquarters in New York City. One is a United States citizen, and the other is a citizen of a country with a low cost of living.

Professional staff of the United Nations working in New York receive, in addition to the net base salary, a uniform allowance for each dependent ($200 for a spouse and $300 for each child) and a substantial post adjustment, varied according to whether or not they have dependents, to take into account the high cost of living there. In addition, in order that the United States citizen should not be doubly taxed, he receives a sum equal to the income taxes (Federal and State) that he must pay on his total remuneration, including the allowances and the payment for income tax. Pensionable remuneration, before the revision of the plan, was determined only from the net base salary. (An arbitrary 5-percent increase was included beginning in 1959, to recognize partially the fact that some of the increase in post adjustments results from worldwide changes in cost of living and earnings levels.)

The post adjustment and dependents' allowance in a typical case ($8,000 net base salary at grade P-4, with wife and two children) together amount to 33 percent of net base salary, and income tax (paid by the United States citizen) reimbursed by the United Nations represents about 30–35 percent of the net base salary. Thus, for the United States citizen, total remuneration (net base pay, plus all allowances, plus the actual income-tax payment) is about 165 percent of his base pay, or conversely his base pay is approximately 60 percent of total remuneration.

For the employee who is not a United States citizen, the post allowance might represent only the difference between the cost of living in New York City and in his own country. Since he might have no income tax to pay, his net base pay is a reasonable approximation of his comparable total remuneration in his own country.

Determining Pensionable Remuneration

The treatment of income tax in the pay structure creates problems from a pension standpoint. Because other pension plans use total salary, inequity arises if pensionable remuneration consists solely of net base salary unless this factor is otherwise recognized—for example, by a higher benefit rate.

The question then arises as to what is the proper and reasonable base for pensionable remuneration for professional employees. For the employee, in the illustration given above, who is not a citizen of the United States, it would appear reasonable to use base pay. This arrangement, however, would not be reasonable for the United States citizen since his counterpart in private or public employment in New York City would have his pension based on total remuneration, which includes the portion spent for income tax and recognizes the high cost of living in New York City. Thus, for the United States citizen the total remuneration would seem to be the proper base for pensionable remuneration. For other participants it would seem unreasonably high, since part of the total remuneration reflects the high cost of living in New York City, to which they will not be subject when they retire and return to their own country. Yet different pensionable remunerations for individuals in the same job would be unfair. Accordingly, a compromise uniform base, which obviously cannot give equity to all, must be used.

The position of the general service staff with respect to pensionable remuneration differs significantly from that of the professional staff—a difference that creates further problems of con-

[1] Citizens of the United States who work for the United Nations in the United States are subject to both Federal and State income taxes.

[2] This example and those that follow are based on the situation in 1961.

sistency and equity. The general service staff has a pay structure that, on the whole, is similar to that of the professional staff except that post allowances are not granted but rather are incorporated in base pay. Thus the pensionable remuneration included proportionately more of total remuneration for the general staff than for the professional staff before the 1961 revision of the plan. Some of this difference continues, however, under the new plan.

Distinction is also made between permanent and temporary employees. Many individuals necessarily are given only limited contracts of employment. The pension plan provides a special class of membership (associate participant) for the latter category so that they have immediate protection against the risks of death and disability but do not acquire any retirement-benefit rights.

Characteristics of Employees

The demographic characteristics of the participants in the United Nations pension plan also create certain problems that require solutions and procedures different from those in the usual staff pension plan. Because of the specialized nature of the employment, especially among the professional staff, the average age at entry is rather high—about 35 for the professional staff. As a result, many individuals enter employment—often as outstanding experts in their field—when they are already near the minimum retirement age and can accumulate only short periods of service that is creditable toward a pension. Consequently, the pension amounts may be relatively small. Many of these individuals may not have brought with them any vested rights from previous employment and so may not have adequate total retirement income.

Moreover, the high average age at entry has serious actuarial-cost implications. Even though the benefits are generally proportional to length of service, the cost per year of service for a given salary is greater at the older ages than at the younger ones. This is the case because the present value (lump sum) of a deferred pension of fixed amount declines as the period of deferment lengthens. There are two factors in this inverse relationship. One is the decreasing probability for younger persons, as a group, of surviving to the pension age, and the other is the longer period during which interest can accumulate on the initial lump sum.

Under such circumstances, a particular set of benefit provisions has a greater cost for a group with a higher-than-average age at entry. Conversely, for a given amount of money available from a fixed contribution rate, lower benefits will be provided for a group with a high average entry age than for a group with a more nearly normal average. A conflict thus arises between the overall cost element and the provision of a reasonably adequate benefit structure for the group, which should not be "penalized" because of its high-cost demographic structure.

Still another unique characteristic is that many of the participants plan, when they retire, to leave the country of employment and return to their home country, where they may no longer have any economic ties. To be suitably reestablished, the expenditure of a sizable lump sum for purchase of a home may, for example, be necessary in countries where mortgage facilities are not widely available or developed. The same situation also prevails among individuals who withdraw from service after a considerable period of employment, although before reaching retirement age. These situations are recognized in the United Nations pension plan by provisions for relatively large cash withdrawal benefits and for partial commutation of pension benefits into lump-sum cash payments.

HISTORY OF THE PLAN

When the United Nations was being established in 1945, it was recognized by the Preparatory Commission that there should be an adequate staff retirement system. While such a plan was being developed, a provident fund (a savings-bank arrangement with employee contributions matched by employer contributions) was instituted on a temporary basis, pending the establishment of a pension plan into which it would be absorbed.

A provisional retirement plan was introduced early in 1947 and, with certain modifications, was adopted on a permanent basis in 1948. This program was developed by a committee that included Arthur J. Altmeyer, then Commissioner for Social Security in the United States.

The pension plan as originally developed applied only to the United Nations, but it was provided that other international organizations could be admitted. Shortly after its inception the International Labor Organization, the Food and Agriculture Organization, and the United Nations Educational, Scientific and Cultural Organization were admitted to membership. Since then, seven other specialized agencies have been admitted (World Health Organization, International Civil Aviation Organization, World Meteorological Organization, Interim Commission for the International Trade Organization, International Atomic Energy Agency, Inter-Governmental Maritime Consultative Organization, and International Telecommunication Union). Agreements were also concluded for the transfer of pension rights between this plan and the plans of the International Bank for Reconstruction and Development and the International Monetary Fund.

Certain major changes were made in the plan during its first decade of operation: (1) The administrative expenses were charged against the finances of the system instead of paid from the general budget; (2) pensions were based on the average remuneration over the last 5 years of service instead of the last 10 years; and (3) the basic pension rate (percentage of pensionable remuneration per year of service) was increased by about 10 percent, and a provision was introduced for minimum widow's pensions in case of death in service. These pension liberalizations were made possible largely by a change in the valuation interest rate from 2½ percent to 3 percent, along with changes in certain other actuarial assumptions, made in line with the limited experience developing.

Pension Review Group

In 1959–60, a pension review group, with George F. Davidson, of Canada, as chairman, made a study of the program. The other members of the group were from Austria, Czechoslovakia, Ecuador, India, Israel, the United Kingdom, and the United States. They recommended a number of significant changes in the plan, all within the general framework in which it had been originally established and was operating.

Perhaps the major problem was the determination of a logical basis for the level of pensionable remuneration. The review group found that there was no single, neat solution to this problem and as a reasonable compromise suggested that the basic salary for pension purposes should be the average of the net base salary and the gross base salary. Since the gross base salary includes the allowance for presumed income tax, in typical cases it is close to the amount resulting when the Federal and State tax rates are applied.

The group decided, in principle, that post adjustments for the professional staff should not be pensionable remuneration. As a practical matter, it recognized that to a certain extent worldwide salary adjustment to reflect increases in the cost of living had entered into this element, rather than into the base salaries themselves. The group therefore recommended that the "half-gross" pensionable remuneration for the professional staff should be increased by 5 percent to reflect the change in the worldwide average post adjustment in the 4-year period following January 1956. It also recommended that there should be further 5-percent increases each time that the average post adjustment throughout the world rises by an additional 5 percent from its level at the beginning of 1956.[3] Certain allowances for special skill in languages would continue to be included as pensionable remuneration.

With respect to the general benefit structure of the plan, the group recommended the following changes to strengthen the program:

(1) The maximum number of years of service that can be used for benefit purposes would be increased from 30 to 33, and the limit removed completely whenever sufficient financing becomes available.

(2) A minimum would be established for the old-age retirement benefit—a flat $120 for each year of service (up to a maximum of 10 years) or, if smaller, 1/30 of the final average salary for each year of service (up to a maximum of 10 years). This proposal was designed to provide a minimum absolute floor of protection for late entrants.

(3) The minimum widow's benefit available

[3] This principle was accepted in the plan adopted. When the salary scales were revised, effective in 1962, the increase in the worldwide average post adjustment since the beginning of 1956 was incorporated, and the base point was changed to January 1962. As a result, pensionable remuneration of the professional staff for 1962 is on the "half-gross" basis only.

when the employee's death occurred in active service would also be made applicable in cases of death after retirement for age or disability.

(4) Disability pensions, previously based on a benefit rate about 10 percent lower than old-age retirement pensions, would be raised to the same rate.

(5) When neither a spouse nor dependent child was present at the time of the employee's retirement, survivor benefits would be provided for one secondary dependent—a parent, brother, or sister—who was dependent on the employee when he retired.

(6) Child survivor benefits would be changed from flat rates to amounts related to the participant's basic benefit, but subject to a minimum and maximum within a relatively narrow range.

(7) A lump-sum death benefit ("guarantee of return of contributions") would be provided when a participant dies in active service and leaves survivors eligible for a pension or dies after disability retirement. (Under the old plan, benefits might be smaller if an individual died shortly after disability retirement than if he had died in active service. Benefits could also be smaller if an individual died in active service and left survivors who could draw benefits for only a short time than if he had left no eligible survivors.) At the same time, participants retiring for age would be able to elect such a refund by taking a small reduction in pension.

(8) The basis of the withdrawal benefits for those with at least 5 years of service would be changed from the payment, as a lump sum, of the full actuarial value of the deferred annuity based on the service rendered. Withdrawing participants would be encouraged to leave their contributions in the fund so that they could receive a deferred annuity with survivor protection, without reduction in the participant's annuity. As an alternative, they would be permitted to withdraw their own contributions with interest but nevertheless receive a deferred annuity of reduced amount, without survivor protection. A third choice would permit the withdrawing participant to receive not only his own accumulated contributions but also an additional amount ranging from 10 percent of such accumulated contributions for 6 years of service up to 100 percent for 15 years or more; there would then be no deferred pension rights. Transitional provisions would be provided to recognize the generally larger withdrawal benefit available under the old plan at the effective date.

(9) Actuarially reduced pensions for early retirement (between age 55 and age 60), carrying full survivor-benefit protection, would be made available. Under the previous provision, such reduced pensions were somewhat more liberal with respect to the age at which an immediate annuity was available, but no survivor benefits were payable.

(10) Pensions currently being paid would be recomputed, taking into account all the foregoing changes.

(11) In the future, all pensions currently being paid would be automatically increased by 1 percent each year. This procedure would be a recognition of the possible future trend of the cost of living and of general productivity. The increases would be financed from the anticipated surplus interest to be earned in excess of the actuarial-valuation rate.

The financing of all the above changes (except the last) would be accomplished within the previously existing 21-percent contribution rate (7 percent from the participant and 14 percent from the employing organization). The liberalizations would be supported by the higher remuneration base subject to contributions, by an increase in the actuarial-valuation interest rate from 3 percent to 3¼ percent, and by the effects of a revision of other actuarial cost factors to reflect more closely the actual past experience.

The recommendations of the Pension Review Group, following customary procedure, were reviewed and discussed by several bodies within the United Nations and the other participating organizations. Final action was not taken by the General Assembly until December 1960. Because of the administrative problems involved, the effective date of January 1, 1961, originally proposed, could not be adopted and was postponed for 3 months.

PROVISIONS OF PRESENT PLAN

The accompanying chart summarizes the principal benefit and financing provisions of this pension plan as it applies to full participants. A number of relatively minor provisions, such as the one concerning former members who return to service, are not included.

On the whole, the plan finally adopted adheres closely to the recommendations of the Pension Review Group. The principal differences are as follows:

(1) The transitional provision relating to the withdrawal benefits for participants in service on the effective date was modified to make it more liberal. The old basis will be continued through 1966. Thereafter, the withdrawal benefit will be the larger of the amount based on the permanent

Principal benefit and financing provisions of the United Nations Joint Staff Pension Plan

A. Computation of employee annuity

1. "Average salary" is average salary for pension purposes (see text) in last 5 years of service. For those in service before Nov. 3, 1955, last 10 years may be used, if more favorable.
2. Normal annuity: 1/55 of average salary times years (up to 30) of contributory service.
3. Maximum family benefit (applicable only when child benefits are payable): average salary plus children's allowances paid to active employee.

B. Types of benefits available to employee in service at time of retirement, disability, or death

1. Retirement benefits (for immediate pension):
   a. At age 60 (voluntary)—normal annuity, with minimum the smaller of 1/30 of average salary times years (up to 10) of contributory service or $120 per year (up to 10) of contributory service; terminating at death.
   b. At ages 55-59 (voluntary, with 5 years of service)—actuarially reduced normal annuity; terminating at death.
   c. Disability at any age before 60 (for condition that precludes performance of duties appropriate to grade)—normal annuity, with minimum of 1/3 of average salary (or, if less, retirement benefit payable at age 60 if service continued to then, based on same average salary); terminating at death or upon recovery or restoration of earning capacity before age 60.
   d. For age or disability retirant, benefit payable to unmarried child under age 18, aged 18-20 if in school, or regardless of age if disabled—1/3 of employee annuity, with minimum of $300 and maximum of $600 a year (overall family maximum of $1,800).
   e. Lump-sum payment in lieu of age retirement benefit—up to 1/3 of normal annuity (but no part of survivor benefits) may be commuted (that is, paid in a lump sum rather than in monthly installments). If normal annuity is less than $300 a year, entire normal annuity and survivor spouse annuity may be commuted. Any increase resulting from application of minimum provisions must be waived.
2. Survivor benefits at death in service or after retirement:
   a. Spouse benefit (payable to widow or disabled widower)—50% of employee annuity, with minimum of $750 per year (or, if less, 100% of employee annuity); terminating at death, remarriage (with lump-sum payment of 2 years' benefits), or recovery of widower from disability. If annuity is less than $200 a year (after application of minimum), it may be commuted.
   b. Child benefit—same as for child of retirant, except that if no surviving eligible spouse is present, an additional amount is payable for each of first 2 children—25% of employee annuity, with minimum of $300 each, pro-rated when 3 or more children are present.
   c. Secondary-dependent benefit payable to parent, brother, or sister (one such dependent only), if at death (or earlier retirement) such person was dependent and there was no eligible spouse or child. Parent benefit is same as spouse benefit, except termination on remarriage is discretionary. Brother or sister benefit is same as child benefit.
3. Lump-sum death benefit:
   a. At death in service or after disability retirement if survivor eligible for annuity is present—any excess of accumulated employee contributions [1] over total disability and survivor benefits; payable upon termination of last survivor benefit.
   b. At death in service or after disability retirement if no eligible survivor is present—any excess of accumulated employee contributions over any disability benefits.
   c. At death after age retirement—none, unless retirant had elected to take reduction (½ of 1% for married male retirant and 1½% for other retirant) in his annuity to provide refund of any excess of accumulated employee contributions over total retirement and survivor benefits.

C. Severance benefits

1. Withdrawal with less than 5 years' contributory service—refund of accumulated employee contributions.
2. Withdrawal with at least 5 years' contributory service, choice of:
   a. Refund of accumulated employee contributions, plus an additional 10% thereof for each year of contributory service in excess of 5, with a maximum of twice the accumulated employee contributions. For participants in the system before April 1961, the amount may be determined for those who withdraw before 1967 under previous basis somewhat modified and for those who withdraw after 1966, under combination of methods.
   b. Refund of accumulated employee contributions plus deferred annuity, which is normal annuity minus annuity purchasable from accumulated employee contributions and which is payable at age 60 or, actuarially reduced, at age 55 or any time thereafter before age 60. Annuity of less than $300 per year is commuted at time of withdrawal. No survivor benefits.
   c. No refund. Deferred annuity—normal annuity at age 60, or actuarially reduced annuity payable at age 55 or any time thereafter before age 60. Lump-sum death benefit—at death before annuity begins if no eligible survivor is present, refund of accumulated employee contributions; death under any other circumstances, none. Survivor widow or parent benefit at death before employee annuity begins—50% of actuarially reduced employee annuity that would have been payable at date of death if payment had been permitted beginning then; parent is eligible only if there was no widow or child at date of separation from service, and parent was dependent on the employee at that time. Survivor widow or parent benefit at death after employee annuity begins—50% of employee annuity; parent must be eligible as indicated above. Survivor annuity of less than $200 may be commuted.

D. Financing

1. Employee contribution: 7% of salary for pension purposes (see text); voluntary deposits permitted, to purchase (on an actuarial basis) additional annuity, limited to a total annuity of 60% of average salary.
2. Regular employer contribution: 14% of salary for pension purposes (see text).
3. Employer deficiency contribution: if actuarial valuation shows that assets are less than liabilities, considering future contributions and benefits, the deficiency must be met by immediate lump-sum payment.
4. Investment of assets: in predetermined types of securities (with appropriate review and control by Investments Committee consisting of outside experts).

[1] "Accumulated contributions" means the actual amount of contributions, plus compound interest (2½% through 1957, 3% for 1958 through March 1961, and 3¼% thereafter) up to the date of separation from service.

provisions or the sum of (a) the amount that he would have received if he had withdrawn at the end of 1966, (b) the accumulated employee contributions made after 1966, and (c) a multiple, ranging from 10–100 percent (depending on length of creditable service), of such accumulated employee contributions, representing a return of part of the employer contributions.

(2) The recommendation for annual adjustment of pensions was not adopted; it was decided that this subject should have further study.

(3) The proposed increase in the maximum creditable service for pension purposes—from 30 years to 33 years—was not adopted on the grounds that its nonadoption meant savings for all future years that would offset the loss of additional contributions resulting from the 3-month postponement of the effective date of the revision. Because the 3-month loss in contributions is relatively small in comparison with the long-range cost of permanently instituting a higher maximum on creditable service, the argument is not valid from an actuarial standpoint.

RELATIONSHIP WITH OASDI

The 1960 amendments to the Social Security Act (Public Law 86–778) provided for the compulsory coverage under old-age, survivors, and disability insurance of United States citizens employed within the United States by a foreign government or international organization entitled to privileges, exemptions, and immunities under the International Organizations Immunities Act. The individuals concerned are treated as self-employed and pay the required contributions with their income-tax returns. Such coverage is effective for taxable years ending on or after December 31, 1960.

The United Nations Joint Staff Pension Plan does not provide for any coordination with the old-age, survivors, and disability insurance system, and its participants who are United States citizens employed in the United States are fully covered by both programs. Thus, such participants must pay not only the 7-percent contribution under the United Nations plan but also the self-employed tax rate under old-age, survivors, and disability insurance—4.7 percent of taxable income up to $4,800 in 1962 and then rising gradually until it reaches 6.9 percent in 1968.

At first glance, the combined effect of these two contribution rates may seem heavy. As indicated earlier, however, much of the real remuneration of the professional staff who are United States citizens, when considered on a comparable basis with earnings in private industry and national and local government employment, is not actually subject to pension assessment under the United Nations plan. The same condition prevails, to a somewhat lesser extent, for the general service staff. Accordingly, the situation may be viewed from the standpoint that only United Nations contributions are payable on part of the total remuneration; that old-age, survivors, and disability insurance contributions are payable on part; and that in some cases both contributions are payable on part.

As an example, consider a professional staff member (P-4) who has a wife and two children and whose net base salary is $8,000, which corresponds to a gross base salary of $10,150 (before deduction of staff assessment). He is receiving actual take-home pay of $10,625, made up of a net base salary of $8,000, a net post adjustment (or cost-of-living allowance) of $1,825, and a net dependents' allowance of $800. If this take-home pay were grossed under the United Nations staff-assessment system, it would total $14,375, which is the gross salary that somebody outside the organization would have to be earning to get a net take-home salary of $10,625 (at income-tax rates corresponding to the staff-assessment system). His pensionable remuneration is $9,530—105 percent of the average of his net base salary of $8,000 and his gross base salary of $10,150.

This employee pays old-age, survivors, and disability insurance contributions on $4,800, which is slightly less than the $4,845 difference between his total remuneration and his pensionable pay. In this case it may be said that none of the total remuneration is subject to contributions under more than one system. His total contribution for 1961 is $883 ($667 under the United Nations plan and $216 under old-age, survivors, and disability insurance), or 6.1 percent of his total remuneration.

The situation is different for the general service staff, since their pay is lower. The $4,800 maximum for the old-age, survivors, and disability insurance contributions has less effect, and a greater proportion of their total remuneration is pensionable under the United Nations plan.

Consider, for example, a general service participant (intermediate grade) whose net base salary is $4,090 a year and who, like the professional staff member described above, has a wife and two children. His gross base salary corresponding to this net base salary is $4,860. His total net remuneration is $4,890 (made up of a net base salary of $4,090 and a dependents' allowance of $800). The gross salary under the staff-assessment plan necessary to produce a net of $4,890 would be $5,860. His pensionable pay is $4,480—the average of his net base salary ($4,090) and his gross base salary ($4,860)—and his taxable pay for old-age, survivors, and disability insurance purposes is $4,800. Accordingly, it may be considered that he pays only old-age, survivors, and disability insurance contributions on $1,380 ($5,860 minus $4,480, the amount of his total remuneration that is not pensionable under the United Nations plan), and that he pays contributions under both systems on $3,420 ($4,800 minus $1,380), or 58 percent of his total remuneration. His total contributions for 1961 are $530 ($314 under the United Nations plan and $216 under old-age, survivors, and disability insurance), or 9.0 percent of his total remuneration.

PLAN OPERATIONS

At the end of September 1960, the United Nations Joint Staff Pension Plan had about 11,000 full members and 3,400 associate members. At that time, 366 age-retirement pensions and 49 disability pensions were being paid. Survivor pensions were being paid to 127 widows and 198 children. During the course of the year ended September 30, 1960, 729 individuals withdrew from active service before retirement and received a lump-sum payment. In addition, there were 21 deaths in active service in the year.

On September 30, 1960, the assets of the fund totaled about $110 million. Income during the fiscal year amounted to about $15.6 million, of which $12.6 million was from contributions and the remainder was net investment and interest income. Expenditures during the year totaled about $2.9 million—$640,000 in pensions, $2.1 million in lump-sum withdrawal benefits, and $120,000 for administrative expenses.

Notes and Brief Reports

State and Local Government Employees Covered by OASDI and Staff Retirement Systems*

About 3.8 million[1] or 60 percent of the estimated 6.4 million State and local government employees in January 1961 were covered by the old-age, survivors, and disability insurance program. Of the 2.6 million State and local government employees not covered by old-age, survivors, and disability insurance, an estimated 1.8 million were under a staff retirement system only and 0.8 million were not covered by any retirement system. A total of 4.4 million State and local government employees were estimated to have been members of staff retirement systems.[2]

TABLE 1.—State and local government employment covered by both OASDI and staff retirement systems, selected periods

[Number in thousands]

Period	United States (50 States)					All areas covered under OASDI[1]
	Total number	Covered under OASDI				
		Number	Percent of total	Dual coverage		
				Number	Percent of total covered	
October 1954	4,825	960	20	300	31	1,000
October 1956	5,245	1,935	37	1,000	52	1,985
October 1958	5,870	3,200	54	2,200	69	3,295
January 1961	[2] 6,350	3,780	60	2,620	69	3,870

[1] Includes Puerto Rico and the Virgin Islands.
[2] Estimated.

Approximately 2.6 million, or 69 percent, of the 3.8 million employees covered by old-age,

* Prepared by Joseph Krislov, Robert N. Heller, and Philip R. Lerner, Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

[1] Almost all State and local government employees (except policemen and firemen in 33 States, Puerto Rico, and the Virgin Islands) are eligible for coverage. Only the employees for whom coverage has been arranged have been included in this figure. All figures exclude the District of Columbia, which is not included in the statutory definition of a State.

[2] Estimated on the basis of the *1957 Census of Governments*, Bureau of the Census.