Eleventh Session

Working Party on Budgetary Questions

Section I

Information received from a private
Insurance Company regarding disability,
survivors and orphans benefits

1. Disability benefits

Payment of 36 per cent of salary if totally disabled. A disability of less than 25 per cent is not considered. A proportion of 36 per cent is paid for disability of 25 per cent through 75 per cent. If the disability is more than 75 per cent it is considered to be a total disability.

Note The benefit paid by the insurance is higher, during approximately the first five to eight years of service, than the one paid by the United Nations Pension Fund; thereafter the UN Pension Fund is more favourable.
Furthermore, the insurance company will pay this benefit only up to the age of normal retirement.

2. Survivors benefits

For male staff members only. No provision is made for female staff members with surviving dependents. Payment of 24 per cent of the salary to the widow of the deceased staff member.

Note The insurance's benefit is higher during approximately twenty-five years. However, as for the disability benefit, all payments cease on normal retirement age. In the case of death of a staff member on disability benefit, the surviving widow will receive a payment of 24 per cent per annum of the last salary of the deceased husband; this until the deceased husband would have reached the age of 60. No payments are made after that.

3. Orphans benefit

Payment by the insurance of SF.1,200.- per annum per child, if the father only is deceased. A payment of SF.2,400.- per annum and per child is made if both parents are deceased. In both cases payment is made until the child is 18.

Note This represents approximately the same benefit paid by the United Nations Pension Fund.

Spec/170/56
English only
4. **Cost of the insurance**

The cost of such insurance based on actual staff and salaries would be:

(a) if normal retirement age is fixed at 60: SF. 22,995.- per annum which represents approximately 3 per cent of each staff member's salary;

(b) if normal retirement age is fixed at 65: SF. 32,590.- per annum which represents approximately 4 per cent of each staff member's salary.
Section II

Insurance scheme based on a normal life insurance, including risks of disability and premature death

1. Disability benefit

If a disability of less than 25 per cent occurs, no payment is made. A person is considered totally disabled if a disability of more than 75 per cent has been determined.

Benefits

(a) In case of total disability the insurance premium is not payable any more.

In addition to this 45 per cent of the staff member's salary is paid. The payment should, however, not exceed 20 per cent of the capital of the life insurance.

(b) A proportion of these benefits is payable if a disability of 25 through 75 per cent is determined.

(c) If a staff member on disability benefit dies, his widow would receive the capital of the life insurance normally due to the staff member at the age of 60 - but no other payments.

2. Death benefits

In case of premature death of a staff member, surviving widow would receive a lump sum representing the amount the staff member would have received, had he lived until the age of normal retirement. Upon death of a female staff member, only 40 per cent of this amount is paid.

3. Payment to the staff member at the age of normal retirement

At the age of normal retirement staff member will receive a lump sum payment representing the capital of his life insurance.

4. Withdrawal

If a staff member leaves the organization before reaching the normal age of retirement, he would receive:

(a) no payment at all during approximately the first four years;

(b) thereafter approximately 60 per cent. In other words he is receiving repurchase value of his life insurance.
5. **Cost of this insurance**

SF.166,705.- per annum, in other words approximately 21 per cent of each staff member's salary.

*Note* This insurance is very unsatisfactory in cases of withdrawal prior to reaching the normal retirement age.
Withdrawal and pensions under
the regulation of the U.N. Pension Fund
and a private insurance company

For both schemes we have taken the case of a staff member born on
12 September 1914 with a final average remuneration of SF.35,088.-.

UNITED NATIONS PENSION FUND

Entered in the Fund on 16.5.1948
Date of normal retirement: 12.9.1974
Final average remuneration:
SF. 35,088.-

He would receive:
(a) Pension at the age of
60: SF. 15,399.-

(a)(i) Surviving widow 50 per cent of above amount.

(b) Withdrawal at the age of
55 he would receive a lump sum of: SF.139,959.-

PRIVATE INSURANCE

(effective date 1.1.1957)
Date of normal retirement: 12.9.1974

He would receive:
(e) The capital of SF.145,000 he would
normally receive at the age of
60 would give him a life annuity
of approximately SF.9,800.- per
annum. (The surviving widow
would not be entitled to any pay­
ments in case of death of her
husband.)

(a)(i) There is a possibility to pur­
chase a reduced life annuity
which would amount to approxi­
mately SF.8,250.- per annum.
In this case the surviving
widow would be entitled to the
difference between the capital
her husband would normally have
received at the age of 60 and
the life annuity already paid
to the deceased husband at the
time of his death.

(b) Withdrawal at the age of
55: SF.85,213.-
Combinations of private insurance for disability, survivors and orphans benefits (see document 1) and I.S.E.F.

As you will see in Section I of this document, 3 per cent of each staff member's salary (a contribution of 1 per cent by the staff, and a contribution of 2 per cent by the organization) could be used to cover the staff against disability and premature death by the letting out of a policy with a private insurance company.

It would be possible to build up a retirement fund with the remaining 18 per cent (21 per cent paid now less 3 per cent which would be paid to the private insurance company).

Upon separation the staff member would receive his own contribution of 6 per cent, the 12 per cent contribution of the organization, plus compound interest on both contributions.

The staff member mentioned in Section III (who joined on 10 May 1948) would receive under this scheme:

(a) If he were to retire at the age of sixty SF. 216,000.- and could purchase with that amount a life annuity of SF. 14,600.- p.a. (with no payment to his surviving widow), or

(b) A reduced life annuity of SF. 12,300.- with payment to his widow in case of death the difference between the capital her husband would normally have received at the age of sixty and the life annuities already paid to the deceased husband at the time of his death.

If the staff member were to retire at the age of fifty-five, the corresponding amounts would be:

(a) Capital of SF. 161,500.-
    life annuity (with no payment to the survivor) of SF. 11,000.- p.a.

(b) Reduced life annuity of SF. 9,200.- p.a.