

SSTS PROCESS SERIES

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PENSION OPTION FOR U.S. COST-FREE EXPERTS

1.0 Background:

- 1.1 Prior to 1993, U.S. Cost Free Experts (CFEs) were not eligible to participate in the pension plan provided for the staff of the International Atomic Energy Agency (IAEA). In 1993, the International Safeguards Project Office (ISPO) worked with the IAEA to allow U.S. CFEs to participate in the United Nations Joint Staff Pension Fund (UNJSPF), because some CFE candidates were declining offers to become CFEs.
- 1.2 Currently CFEs are eligible to join the UNJSPF upon accepting a position with the IAEA. If the CFE joins the UNJSPF, the CFE contributes 7.9 percent of the CFE's pensionable remuneration to the plan and the IAEA contributes an additional 15.8 percent. These contributions are governed by the United Nations' JSPB/G.4 "Regulations and Rules of the United Nations Joint Staff Pension Fund" which are available on the Fund's Website www.unjspf.org. The CFE must be employed at the IAEA for five years in order to become vested. If the CFE leaves the IAEA after becoming vested, the CFE is entitled to a pension in the form of a retirement benefit, early retirement benefit or deferred retirement benefit, as the case may be. If the CFE leaves the IAEA before becoming vested, the CFE is entitled to keep the CFE's contribution plus interest accrued, but is not entitled to keep the IAEA's contribution. When a CFE leaves the IAEA before becoming vested, the IAEA's contribution is deposited into the general pension fund.
- 1.3 The UN requires new staff members who choose not to participate in the UNJSPF to participate in a bona fide alternative pension plan. One involves IAEA contributions to pre-existing or national pension funds. However, these contributions, if permissible, may not exceed and are not necessarily at the same level as contributions to the UNJSPF.
- 1.4 At the meeting of the U.S. Subgroup for Safeguards Technical Support (SSTS) on March 10, 2000, the SSTS agreed in principle to arrange with the IAEA an alternative pension option for U.S. CFEs installed in the IAEA Department of Safeguards on or after June 1, 2000. Under this option, the CFE would receive a lump sum pension payment in lieu of IAEA contributions to the UNJSPF and in an amount equal to those contributions. The IAEA would make this payment directly to the CFE in order to provide the CFE a means for retirement savings regardless of the number of years worked at the IAEA. The IAEA has agreed to make this option available to U.S. CFEs, according to the process and procedures set forth in Sections 3 and 4 below.

1.5 Both the Organization for the Prevention of Chemical Weapons (OPCW) and Comprehensive Test Ban Treaty Organization (CTBTO) have established a provident fund whereby a staff member becomes vested shortly after beginning employment. The provident funds of OPCW and CTBTO are not yet qualified pension plans by the U.S. Government, and therefore staff members may be liable for taxes on the money contributed to these funds. These constraints may also apply to the pension option being offered to U.S. CFEs. This pension option does not provide for the reimbursement of taxes related to pension contributions. CFEs bear the full burden of tax liability for the pension payments that they receive. However, under this option the CFEs are vested immediately, which CFEs may consider an advantage over the UNJSPF option.

1.6 In 2005, the U.S. Support Program (USSP) and the IAEA agreed that this pension option should be available to U.S. Junior Professional Officers (JPOs) and U.S. Fixed Term Extra budgetary (FTEs) as well as CFEs.

1.7 In 2006, the U.S. Department of State and the IAEA agreed that this pension option could be extended to U.S. CFEs, JPOs and FTEs in all Departments of the IAEA.

2.0 Purpose:

2.1 This paper outlines a CFE Pension Option for U.S. CFEs in the IAEA Department of Safeguards. This pension option is an alternative to other options available to them. This CFE Pension Option, nicknamed Pension Option C, provides an alternative that is independent of length of service. This option is also available to U.S. FTEs and JPOs, who are positioned at the IAEA under the same rules as U.S. CFEs.

2.2 Pension Option C will ensure that USSP funds allocated for CFE pensions are applied to retirement vehicles that will benefit CFEs.

2.3 This procedure describes the mechanism for choosing this CFE Pension Option, documenting compliance with its requirements, and receiving payments.

3.0 Process:

3.1 U.S. CFEs shall be offered three pension options. They are:

- a. United Nations Joint Staff Pension Fund (UNJSPF)
- b. Pre-existing or national pension fund that qualifies for IAEA or U.S. government contributions on behalf of the CFE
- c. U.S. Cost-Free Expert Pension Option (Option C)

3.2 U.S. CFEs shall not participate in Option C if they are participating in the UNJSPF or another pension plan into which the IAEA or the U.S. government contributes on their behalf.

3.3 Under Option C, CFEs accepting employment after June 1, 2000, shall receive a lump pension sum payment based on their yearly pensionable remuneration. Pension payments shall be made by the IAEA directly to the CFE on a monthly basis, beginning with the completion of the first month period of employment. These payments will continue until the end of the employment.

3.4 The lump sum pension payment provided under Option C will be a percentage of the CFE's pensionable remuneration as defined in the "Regulations and Rules of the United Nations Joint Staff Pension Fund," in Article 54. The percentage will be the Employing Member Organization percentage defined in Article 25 (currently equal to 15.8 percent).

3.5 The CFE shall accept all tax liability for payments received under Option C.

3.6 CFEs participating in the Option C must state their intention to invest the payments received under this pension option in a financial instrument intended for retirement savings using the statement printed in Attachment 1.

4.0 Procedure:

4.1 A CFE desiring to participate in Option C shall complete and sign Attachment 1, "U.S. Cost- Free Expert Pension Option Statement" and submit it to the IAEA's Human Resources Staff Administration Office. Such transmittal shall confirm to the IAEA that payments under Option C are authorized for each CFE who elects this option.

Caution: CFEs must notify the IAEA when signing their employment contract that they will not participate in the UNJSPF. Once the CFE has elected to participate in the UNJSPF, he/she cannot opt out of it. If the CFE fails to make this notification to the IAEA, he/she will not be eligible for participation in Option C.

4.2 The CFE shall identify the account into which the IAEA shall deposit the lump sum pension payments or agree with the IAEA on another method of payment.

4.3 The payments shall begin after the first month of employment and occur every month thereafter.

Attachment 1:

U.S. Cost-Free Expert Pension Option Statement

- A.1 I have read and I understand “Pension Option for U.S. Cost-Free Experts,” SSTS Process Series Number 8, Rev. 5.
- A.2 I have informed the International Atomic Energy Agency (IAEA) in writing (copy attached) that I will not participate in the United Nations Joint Staff Pension Fund (UNJSPF).
- A.3 I understand that the IAEA will not contribute to the UNJSPF on my behalf because I have elected not to participate in the UNJSPF.
- A.4 I am not participating in any other pension program to which the IAEA or the U.S. government makes contributions on my behalf.
- A.5 I elect to participate in Option C. Under this option I will receive a lump sum pension payment every month from the IAEA in lieu of participation in any other pension program. The amount of the payments will be computed based on my pensionable remuneration as defined by the United Nations in JSPB/G.4, “Regulations and Rules of the United Nations Joint Staff Pension Fund.”
- A.6 I understand that I am responsible for paying U.S. taxes on payments I will receive under Option C.
- A.7 I agree to invest the payments received from the IAEA in a financial instrument intended for retirement savings.
- A.8 I agree to abide by these terms during the time I am employed by the IAEA as a CFE*.

Name of CFE: _____

Signature: _____

Date: _____

Please submit the signed form to the Social Security Office in the IAEA’s Division of Personnel to ensure that your decision to opt out of the UN pension system is properly registered in the IAEA’s accounting system.

* The term CFE also applies to extrabudgetary U.S. Junior Professional Officers (JPOs) and Fixed Term Extrabudgetary (FTEs) in all Departments of the IAEA who are positioned at the IAEA under the same rules as extrabudgetary U.S. CFEs.

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