WORLD HEALTH ORGANIZATION

FIFTY-EIGHTH WORLD HEALTH ASSEMBLY **A58/36**
Provisional agenda item 19.4 **14 April 2005**

Report of the United Nations Joint Staff Pension Board

Report by the Secretariat

BACKGROUND

1. Decisions of the United Nations Joint Staff Pension Board concerning changes to the Regulations and Rules of the United Nations Joint Staff Pension Fund are subject to the approval of the United Nations General Assembly. This document summarizes the main issues discussed by the Board at its 52nd session (13-23 July 2004) and the actions taken by the General Assembly.[1]

ISSUES

Actuarial matters

2. The Board considered the report on the actuarial valuation of the Fund at 31 December 2003 and the observations thereon of the Committee of Actuaries.

3. The valuation had been prepared on the basis of the actuarial assumptions approved by the Standing Committee of the Board in 2003, and in accordance with the Regulations and Administrative Rules of the Fund in effect at the valuation date; it was made with a 4% annual inflation assumption with respect to increases in pensions awarded and a zero participant growth assumption.

4. The valuation at 31 December 2003 showed an actuarial surplus of 1.14% of pensionable remuneration. Although this represented a decrease compared with the surplus of 2.92% at 31 December 2001, the Board was nevertheless encouraged to see a surplus continuing. The Consulting Actuary and the Committee of Actuaries stress once again that caution and prudence should be used in deciding how to manage the surplus.

5. The General Assembly noted the Board's agreement with the recommendation of the Committee of Actuaries that most of the surplus should be retained, and that the current contribution rate of 23.7% of pensionable remuneration should be maintained.

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[1] United Nations General Assembly resolution 59/269, 23 December 2004.

Investments

6. The Board reviewed the investment performance of the Fund on the basis of a report and accompanying statistical data presented by the Representative of the Secretary-General for the investment of the United Nations Joint Staff Pension Fund.

7. The Board noted that the Fund's investments were being managed wisely, as demonstrated by the good investment performance that had resulted in four successive actuarial surpluses. The Fund had performed well with a cumulative return of 10.77%, slightly outperforming the benchmark of 10.6%. In order to manage investment risk, different types of investment instruments are used; at the end of biennium, 59.7% of the Fund was invested in equities to provide long-term growth, 28.9% in bonds to provide a good level of income and 6.3% in real estate, which provides both growth and income.

8. The market value of the Fund's assets increased to US$ 26 589 million at 31 March 2004 from US$ 21 789 million at 31 March 2002, an increase of US$ 4800 million or 22.0%. The total investment return for the year to 31 March 2003 was negative (-3.8%) and positive (28.7%) for the year to 31 March 2004. After adjustment by the United States consumer price index, these returns represented real rates of return of -6.6% and 26.5%, respectively. The total annualized real rate of return for the biennium was therefore positive (8.7%). The Fund reached a record level of US$ 27 100 million during the first quarter of 2004.

9. The General Assembly took note of the significant increase in the market value of the Fund's assets and the positive returns achieved during the biennium; it also noted the increase of investments made by the Fund in developing countries. In addition, the General Assembly reaffirmed its support for the Fund's policy of diversifying its investments across geographical areas, wherever this serves the interests of the participants and beneficiaries of the Fund, in accordance with the four criteria of safety, profitability, liquidity and convertibility.

Budget and financial matters

10. Revised budget estimates for the biennium 2004-2005 were reviewed and the Board approved US$ 5 340 700 for renovation work, the purchase of furniture and equipment for the Fund's new offices and administrative expenses in relation to the implementation of recommendations approved by the Board. The General Assembly approved the additional resources for the biennium 2004-2005.

11. The Board took note of the financial statements and related data on the Fund's operations for the biennium 2002-2003. The total expenditure for benefits, administration and investment management amounted to US$ 2400 million exceeding contribution income by approximately US$ 290 million; this difference was covered by income generated from investments. Contribution income increased by 20% during that biennium, from US$ 1800 million to US$ 2100 million.

Benefit provisions

12. Taking into account the latest actuarial valuation, which showed a surplus at 31 December 2003, and the reports of the Consulting Actuary and the Committee of Actuaries, the Board decided to recommend the partial restoration of the 1.5 percentage point reduction in the first consumer price index adjustment to the pension benefit (an economy measure adopted in 1984). The reduction rate will be 1.0%, with effect from 1 April 2005. In 2006, the Board will review the possible total elimination of the reduction, subject to a favourable actuarial valuation as at 31 December 2005.

In 2006, the Board will also consider the elimination of the limitation on the right to restoration based on the length of prior service.

13. The General Assembly approved the phased approach to the elimination of the 1.5 percentage point reduction in the first consumer price index adjustment. The General Assembly also approved the Board's recommendation to add a new provision under the two-track pension adjustment system, for an adjustable minimum guarantee at 80% of the United States dollar-track amount, to become effective from 1 April 2005 on a prospective basis only.

14. The Board requested the Fund's Chief Executive Officer to consult with the Committee of Actuaries and report to the Standing Committee in 2005 concerning the possible purchase of additional years of contributory service.

Other matters

15. The Board noted numerous enhancements that had already been completed. In particular, the Board recognized the Fund's improved orientation towards servicing all its constituents, including participants and beneficiaries as well as members of the Board. The new communication policy (including the improved web site), the regular publication of an annual report and the availability of Board documents online were among the recent achievements that were noted.

16. The General Assembly noted with satisfaction the progress report on the Fund's management charter, which introduced specific goals and objectives.

17. With a view to securing continuity of pension rights, the General Assembly agreed with the Board's recommendation that, with effect from 1 January 2005, the revised two-way Transfer Agreement with the Organization for Security and Cooperation in Europe would cover the movement of staff from the Fund to that Organization. Coverage was currently limited to staff who transferred from the Organization for Security and Cooperation in Europe to the Fund.

18. The General Assembly concurred with the Fund's Transfer Agreement with WTO approved by the Board. The Agreement would supersede, with effect from 1 January 2005, the Fund's existing Transfer Agreement with WTO.

19. The General Assembly decided upon the affirmative recommendation of the Board that the International Parliamentary Union should be admitted to membership of the Fund, to take effect from 1 January 2005.

Composition of the United Nations Joint Staff Pension Board and its Standing Committee

20. The General Assembly took note of the information set out in the report of the United Nations Joint Staff Pension Board concerning the review of the size and composition of the Board and its Standing Committee, and the Board's decision that the matter should be further studied by the Working Group established to carry out that revision, for consideration by the Standing Committee in 2005 and the Board in 2006.

ACTION BY THE HEALTH ASSEMBLY

21. The Health Assembly is invited to take note of the information contained in this document.

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