SIXTIETH WORLD HEALTH ASSEMBLY **A60/37**
Provisional agenda item 17.3 **22 March 2007**

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, Rules and Pension Adjustment System 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 53rd session (13–21 July 2006) 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 2005 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 2005, 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 ten-year 0.5% participant growth assumption.

4. The valuation at 31 December 2005 showed an actuarial surplus of 1.29% of pensionable remuneration. This represented an increase compared with the surplus of 1.14% as at 31 December 2003. The Board was 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 scale of 23.7% of pensionable remuneration should be maintained.

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[1] United Nations General Assembly resolution 61/240, 22 December 2006.

Investments

6. The Board noted that the Fund's investments were being well managed, as demonstrated by the good investment performance that had resulted in a trend of actuarial surpluses. In comparison with the investment performance benchmark, the Fund has performed well with a cumulative return of 13.3%, slightly outperforming the new and the old benchmarks of 12.3% and 8.8% respectively. In order to manage the risk of investment, different types of investment instruments are used; at the end of 2005 60% of the Fund was invested in equities which provide long-term growth, 31% in bonds which provide a good level of income, 6% in real estate which provides both growth and income, and 3% cash and short-term investments.

7. The market value of the Fund's assets increased to US$ 33 118 million at 31 March 2006 from US$ 26 589 million at 31 March 2004, an increase of US$ 6529 million or 24.6%. The total annualized real rate of return for the biennium was therefore a positive 11.8% representing a real rate return of 8.3%.

8. The Board reviewed the investment performance of the Fund and endorsed the intention of the Representative of the Secretary-General to manage North American equities in the passive mode using the current benchmark index.

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 approved the funding requested to implement the decision to manage the North American portfolio through an indexation policy.

10. The General Assembly noted the increase of investments made by the Fund in developing countries. It also 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

11. The Board recommended and the General Assembly approved additional resources for the biennium 2006–2007. The increase is primarily related to the cost of investment authorized to enhance the Investment Management Service of the Fund, including implementation of the indexation policy. The additional resources will also cover the implementation costs of changes in the Regulations and Pension Adjustment System and increased audit costs, including the costs related to the new Audit Committee established by the Board.

12. The Board took note of the financial statements and related data on the Fund's operations for the biennium ending 31 December 2005. The total expenditure for benefits, administration and investment managements amounted to US$ 2.8 billion, exceeding contribution income by approximately US$ 197 million. Contribution income increased by 24% during the biennium 2004–2005, from US$ 2100 million to US$ 2600 million. Investment income was used to meet the difference between contribution income and expenditure.

13. The Board expressed appreciation for the quality of services provided by the Fund to its participants and beneficiaries.

Benefit provisions

14. Taking into account the latest actuarial valuation, which showed a surplus at 31 December 2005, and the reports of the Consulting Actuary and the Committee of Actuaries, the Board recommended the partial restoration of the current 1.0 percentage point reduction in the first consumer price index adjustment to the pension benefit. The reduction rate will be 0.5% with effect from 1 April 2007. The Board also recommended the elimination of the limitation on the right to restoration based on the length of prior service for existing and future contributing participants.

15. The General Assembly approved the phased approach to the elimination of the 1.0 percentage point reduction in the first consumer price index adjustment.

16. The General Assembly also approved the Board's recommendation to change the benefit provision of the Regulations of the Fund to eliminate the limitation on the right to restoration for existing and future participants.

17. The General Assembly took note of the Board's decision to record, for the purposes of eventually determining entitlements to pension benefits under Articles 34 and 35 of the Regulations of the Fund, the personal status of a participant, as recognized and reported to the Fund by the participants' employing organization.

Other matters

18. The Board decided to establish an Audit Committee to provide an enhanced communications channel for the internal auditors, the external auditors and the Pension Board.

19. The General Assembly noted the decision of the Board to establish an Audit Committee as an integral part of the Board's machinery.

20. With a view to securing continuity of pension rights, the Pension Board approved and the General Assembly concurred with the revised Transfer Agreement between the Fund and the World Bank Group and with the separate Transfer Agreements between the Fund and each of the six Coordinated Organizations, all with effect as from 1 January 2007.

21. The General Assembly decided upon the affirmative recommendation of the Board that the International Organization for Migration be admitted to membership of the Fund, effective 1 January 2007.

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

22. 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 decision of the Board not to recommend any change in its size, composition and allocation of seats. The General Assembly also noted the recommendation adopted by the Board to revert to annual sessions as from 2007, with the aim of completing its work within five days and to improve the efficiency of its work.

ACTION BY THE HEALTH ASSEMBLY

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

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