



# WORLD HEALTH ORGANIZATION

FIFTY-SIXTH WORLD HEALTH ASSEMBLY  
Provisional agenda item 18.5

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## Report of the United Nations Joint Staff Pension Board

### Report by the Secretariat

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 51st session (10-19 July 2002) and the actions taken by the General Assembly. Copies of the full report and of the General Assembly resolution<sup>1</sup> are available on request.

#### ISSUES

##### Financial statements

2. The Board noted that total expenses for benefits, administration and investment costs amounted to US\$ 2200 million for the biennium 2000-2001, exceeding contribution income by about US\$ 367 million; this excess was covered by income generated from investments. Contribution income increased from US\$ 1600 million to US\$ 1800 million (about 10.6%) during that biennium.

3. The Board also noted that the number of benefits being paid (49 416) had increased by 7% over the biennium, and the increase in the number of participants over the same period, from 68 935 to 80 082 (16.2%).

##### Actuarial matters

4. The Board noted that the actuarial valuation at 31 December 2001 indicated a surplus of 2.92% of pensionable remuneration as compared to a surplus of 4.25% at 31 December 1999. This means that the contribution rate required for a balanced actuarial situation was 2.92% lower than the current contribution rate of 23.7%.

5. Given the current outlook of investment markets, the Board supported the cautious approach adopted by the Committee of Actuaries and the Consulting Actuary, namely that a portion of the surplus should be set aside for adverse contingencies.

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<sup>1</sup> United Nations General Assembly resolution 57/286, 20 December 2002.

## Investments

6. In reviewing the investments of the Fund, the Board was conscious of the fact that performance over the biennium 2000-2001 should be viewed in the context of the long-term investment strategy, which is geared towards maintaining a careful balance between risk and reward over the medium to long term. During the years ending 31 March 2001 and 31 March 2002, the Fund, despite negative performances, had outperformed its benchmark, with an overall lower level of risk compared to the benchmark. The main negative contribution to performance came from equities, reflecting a broad correction in global equity markets since the peak in March 2000. This negative performance by equities was partially offset by positive performance in all other asset classes.

7. Because of the decline in the markets and the decision to sell equities, exposure to equities decreased during the biennium, from 69% on 1 April 2000 to 57% on 31 March 2002. The bond portfolio increased to 27.9% on 31 March 2002 from 21% on 1 April 2000. Exposure to real estate increased to 5.5% from 3.8% while short-term investments increased to 9.6% from 6.2% during the period. The Board noted that, in the long-term context, equities have outperformed other asset classes.

8. The market value of the Fund's assets decreased to US\$ 21 789 million on 31 March 2002 from US\$ 26 056 million on 31 March 2000, a decline of US\$ 4267 million or 16.4%. The total investment return was negative (-15.0%) for the year to 31 March 2001 and positive (0.7%) for the year to 31 March 2002. After adjustment by the United States consumer price index, these returns represent real rates of return of -17.4% and -0.8%, respectively. The total annualized return for the biennium was therefore negative (-7.5%).

9. The United Nations General Assembly noted the concern expressed by the Board over the reduction in the market value of the Fund's investments but also that continuing efforts were being made by the investment management service to deal with market turbulence.

10. The General Assembly recognized that the Fund's policy of broad diversification of its investments by currency, types of asset classes and geographical areas continues to be the most reliable method of reducing risk and improving returns over long periods of time. It also reaffirmed the policy of diversification of the 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.

## Report of the working group appointed by the Board at its 50th session in July 2000

11. The Fifty-fourth World Health Assembly noted<sup>1</sup> that the Board had established a working group to undertake a fundamental review of the benefit provisions of the Fund, taking into account developments in staffing and remuneration policies in the member organizations and in pension arrangements at national and international levels. This review was required to determine what measures should be taken in the light of the actuarial surplus indicated by the actuarial valuation at 31 December 1999.

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<sup>1</sup> See document WHA54/2001/REC/3, summary record of the second meeting of Committee B.

12. The working group made recommendations to the Standing Committee of the Board in 2001 on the future long-term needs of the Fund and its constituent groups, and submitted its final report to the Board in 2002. The Board endorsed the working group's recommendations on changes to benefit provisions to take effect as from 1 April 2003 as follows:

- cost-of-living adjustments to be applied to deferred retirement benefits as from age 50 (instead of age 55 at present)
- cost-of-living differential factors for deferred retirement benefits to be applicable as from the date of separation
- elimination of the limitation on right to restoration for existing and future participants.

13. In the light of the cautious approach adopted by the Committee of Actuaries and the Consulting Actuary on use of the Fund's actuarial surplus, the General Assembly approved these recommendations on the understanding that implementation would begin when the actuarial valuation of the Fund shows a clear upward pattern of surpluses.

14. The General Assembly noted that the Board had approved the working group's recommendation to eliminate the 1.5 percentage point reduction in the first consumer price index adjustment due to existing or future beneficiaries and that this would be implemented if the next actuarial evaluation as at 31 December 2003 revealed a sufficient surplus.

15. The General Assembly took note of the Board's recommendation that the current contribution rate and ratio be maintained but kept under review.

### **Other matters**

16. The General Assembly approved the Board's recommendations to increase the ceilings applicable in the commutation of minimum benefits as well as amendments to the Regulations of the Fund concerning end of participation after non-contributory leave without pay.

17. The General Assembly concurred with the two new transfer agreements, with the European Organization for the Safety of Air Navigation and the Organization for Security and Cooperation in Europe, approved by the Board.

18. The Board reviewed the report on activities related to former participants from the former Union of Soviet Socialist Republics, and the Ukrainian and Byelorussian Soviet Socialist Republics. The Board decided to request the United Nations Secretary-General to continue to seek a satisfactory and comprehensive resolution, including a personal visit to Moscow by the Secretary/Chief Executive Officer of the Board. The Standing Committee would then review the matter again in 2003. The General Assembly decided that this matter did not require its further consideration.

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

19. The Board had recommended an increase in the size of the Board from 33 members to 36 with the allocation of three additional seats to the United Nations.

20. The General Assembly decided that there should be no change at the present time in the size and composition of both the Board and the Standing Committee. The Board was requested to submit further proposals in this regard to the General Assembly in 2004.

**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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