

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 Pension Board at its fifty-seventh session (15–23 July 2010) and the actions taken by the General Assembly.¹

ISSUES

Actuarial matters

2. The Pension Board took note of the actuarial condition of the Fund as reflected in the valuation as at 31 December 2009. That valuation was prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2009, and in accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund in effect as of the valuation date.

3. The valuation showed that the required contribution rate to achieve balance as at 31 December 2009 was 24.08%, compared with the current contribution rate of 23.70%. There was thus an actuarial deficit amounting to 0.38% of pensionable remuneration. This represented an increase of 0.87% in the required contribution rate over the rate disclosed as at 31 December 2007 when the valuation had revealed a surplus of 0.49%.

4. In its report to the Pension Board, the Committee of Actuaries noted that although the valuation had revealed a deficit, the overall results indicated that the United Nations Joint Staff Pension Fund continued to be adequately funded and was assumed to meet its short- and long-term pension payment commitments. However, the Committee noted with concern that the Fund's investments showed considerable volatility and that the investment return objective had not been met in recent years.

¹ United Nations General Assembly resolution 65/249.

The Committee recalled its recommendation that it would be prudent to maintain an actuarial surplus of between 1% and 2% of pensionable remuneration.

5. Overall, the Pension Board stressed the need for caution and prudence regarding any changes to the Fund's Regulations and Rules, particularly in light of the deficit revealed by the current actuarial valuation. With regard to Article 26 of the Regulations, there is no requirement for deficiency payments by member organizations.

6. The Pension Board noted that the periodic review of the costs and/or savings relating to the modifications to the two-track feature of the Pension Adjustment System of the Fund showed consistency with the past assessments. The Pension Board therefore decided that no changes were currently needed. It also agreed that consideration of the costs and/or savings of the modifications to the two-track system since 1992 should continue to be monitored and requested the secretariat of the United Nations Joint Staff Pension Fund to report to the Pension Board at its fifty-ninth session in 2012.

Audit

7. The Board of Auditors presented its report on the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2009. The Pension Board and the General Assembly noted with concern that the Board of Auditors had issued a modified audit opinion on the financial statements with one emphasis of matter on the management of investments.

8. The General Assembly supported the recommendations of the Pension Board that more detailed disclosures in financial statements regarding the investments of the United Nations Joint Staff Pension Fund be provided in the future.

Investments

9. The Representative of the Secretary-General for the investments of the United Nations Joint Staff Pension Fund introduced the report on the management of investments, summarizing the economic and financial environment during the period from 1 April 2009 to 31 March 2010, as well as the investment decisions taken and the performance of the Fund. The Representative of the Secretary-General described how efforts to meet objectives and pursue the investment strategy were conducted against the background of the prevailing economic, political and financial conditions and pointed out that since the fifty-sixth session of the Board, the markets had recovered, although the process of recovery had been uneven.

10. During the reporting period ending 31 March 2010, the total market value of the Fund had increased to US\$ 38 300 million from US\$ 29 000 million one year earlier. That represented a higher return than the Fund had achieved in any previous year. The Investment Management Division had captured the benefits of the positive market trends, while at the same time working to strengthen the investment infrastructure and to reduce transaction costs. The unaudited market value of the Fund's assets as at 31 December 2010 was estimated at US\$ 41 100 million.

11. The Chairman of the Investments Committee stated that the Committee fully supported the investment actions taken by the Representative of the Secretary-General and the Investment Management Division during very turbulent times in the financial markets.

12. The Pension Board noted the report by the Representative of the Secretary-General. The General Assembly took note of the Secretary-General's report on the investments of the Fund and on the measures undertaken to increase diversification. It also noted the observations of the Pension Board. The General Assembly requested the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to diversify the Fund's investments between developed, developing and emerging markets, wherever that served the interests of the participants and beneficiaries of the Fund. The General Assembly also requested the Secretary-General to ensure that decisions concerning the investments of the Fund in any country were implemented prudently, taking fully into account the four main criteria for investment – namely, safety, profitability, liquidity and convertibility – under current volatile market conditions.

Medical matters

13. The Pension Board took note of the report presented by the medical consultant to the Board with respect to disability and death benefits awarded during the two-year period from 1 January 2008 to 31 December 2009 and discussed the issue of standards for medical examinations required for taking up employment in a member organization and the requirements pursuant to Article 41 of the Regulations of the United Nations Joint Staff Pension Fund. The Pension Board requested the Secretary/Chief Executive Officer to coordinate with the medical consultant to look into the possibility of establishing a standard for medical examinations for purposes of participation in the Fund.

14. The Pension Board approved the proposed amendment to Administrative Rule H.6 (b) to increase the interval between review periods for adult disability awards in exceptional cases from three to five years.

Administrative matters

15. The Pension Board concluded that International Public Sector Accounting Standard 25 would be the new accounting standard for the Fund as from 1 January 2012.¹

16. The Pension Board considered a status report on the Emergency Fund and requested the Fund's secretariat to conduct a study on enhancing the scope, flexibility and administrative response time of the Emergency Fund.

17. The Pension Board reviewed the proposed revision to the budget estimate for the biennium 2010–2011, in the amount of US\$ 301 600. It decided that the total appropriation should remain unchanged and that the requirements of the Fund be met through redeployment, with revised administrative costs, investment costs, audit costs and Pension Board expenses. The General Assembly approved the Pension Board's recommendation.

18. The Board was presented with the results of the business impact analysis, together with the new business continuity plan for the Fund's secretariat, which it welcomed.

¹ The International Public Sector Accounting Standards are financial reporting standards for application by governments and international public sector entities, such as the United Nations. The Standards require accounting on a full accrual basis.

Governance

19. The Pension Board was presented with a comprehensive report on the two-year study completed by the Working Group on Plan Design. The Working Group had proposed that a number of studies should be carried out. The Pension Board agreed that studies should be performed on enhancing the scope and flexibility of the Emergency Fund, early retirement reduction factors and negative cost-of-living adjustments. The Pension Board also agreed that, before any other plan changes would be considered for implementation, two economy measures effective since the 1980s would be restored, as agreed to in principle by the General Assembly.¹ The Pension Board noted that increasing the normal retirement age to 65 would yield actuarial savings, but that such a change should be made in coordination with the human resources policies of member organizations on the mandatory age of separation.

20. The Pension Board took note of the draft job description for the next Chief Executive Officer of the United Nations Joint Staff Pension Fund presented by the Search Committee and developed in relation to the expiration of the term of office of the current Chief Executive Officer at the end of 2012.

21. The General Assembly did not approve the Pension Board's recommendation in respect of amendments to the Regulations and Administrative Rules of the Fund that would allow additional contributions to be made by part-time staff.

22. The Pension Board established a working group to review the proposed budget for the biennium 2012–2013.

23. The Pension Board requested the Fund's secretariat to submit a report for the Board's consideration at its next session. The following subjects were to be covered: the Pension Board's size and composition; its working methods and effectiveness; and draft terms of reference for a possible working group to study the matter further in the future.

Benefit provisions of the United Nations Joint Staff Pension Fund

24. The Pension Board recalled that the impact of currency fluctuations on pension benefits and the variations in amounts due as a result of different dates of separation had been studied frequently throughout the history of the Fund's pension adjustment system. The 2010 review prepared by the Fund's secretariat addressed the specific request of the Pension Board that a study be conducted on whether wide fluctuations in local currency track benefits could be mitigated through the use of 120-month average exchange rates, instead of the current 36-month average. The Pension Board confirmed that the use of a 120-month average would be the preferred solution to the currency fluctuations problem, but concluded that, in any change to the pension adjustment system, the following should be taken into account: (a) the actuarial implications for the long-term funded position of the Fund; and (b) whether failing to make such a change would result in higher costs for the Fund than those incurred by making the change.

¹ The two measures relate to (i) the elimination of the remaining 0.5% reduction in the first consumer price index adjustment due after retirement, and (ii) the commencement of the cost-of-living adjustments applicable for deferred retirement benefits as from age 50.

25. The General Assembly approved the Pension Board's recommendation that the special index provision under the Fund pension adjustment system be suspended for all separations as from 1 January 2011.

Other matters

26. The Pension Board considered the notes of the International Civil Service Commission and the Fund's secretariat regarding the forthcoming review of pensionable remuneration.

27. The General Assembly approved the Pension Board's recommendation of funding for the cost-sharing arrangement for the use of the new administration-of-justice system of the United Nations with respect to matters arising out of decisions of the United Nations Joint Staff Pension Board.

ACTION BY THE HEALTH ASSEMBLY

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

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