

Report of the United Nations Joint Staff Pension Board

Report by the Secretariat

1. Decisions of the United Nations Joint Staff Pension Board on 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-ninth session (3–11 July 2012)¹ and the actions taken by the General Assembly.²

Actuarial matters

2. The Pension Board took note of the actuarial condition of the Fund as reflected in the valuation as at 31 December 2011. That valuation was prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2011, 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 as at 31 December 2011 was 25.57% as compared to the current contribution rate of 23.70%, resulting in an actuarial deficit of 1.87% of pensionable remuneration. This represented an increase of 1.49% in the required contribution rate from the rate disclosed as at 31 December 2009 when the valuation had revealed a deficit of 0.38%.

4. In its report to the Pension Board, the Committee of Actuaries noted, with concern, the downward trend of actuarial results of the past five actuarial valuations. The Committee recalled its previous recommendation that it would be prudent to maintain an actuarial buffer of around 1% to 2% of pensionable remuneration to offset the impact on the Fund's long-term solvency due to financial market volatility, as well as anticipate further maturing of the Fund. The Committee agreed that no immediate action regarding a possible increase in the current contribution rates was necessary, but advised that the Pension Board should consider taking remedial actions in order to avoid the continued deterioration of the deficit.

5. Overall, the Pension Board noted that the deficit was primarily the result of lower than expected returns on investments and recognized the importance of having future long-term real returns at the 3.5% target level in the results of future actuarial valuations.

6. The Pension Board stressed caution and prudence regarding any changes to the United Nations pension system. Consequently, it established a working group that, in consultation with the Fund's consulting actuary, the Committee of Actuaries, the Investments Committee, the Representative of the Secretary-General for the investments of the Fund, and the Secretary of the Pension Board, would

¹ Document A67/9.

² Resolution 67/240.

consider possible measures to ensure the Fund's long-term sustainability. The Board directed its working group not to focus on the cost-cutting measures but rather to concentrate on long-term sustainability, including governance, investment management and asset-liability management. This decision was welcomed by the General Assembly, which looked forward to receiving information on the group's findings and recommendations in the context of future reports to the Pension Board and emphasized the need to make every effort to address the actuarial situation of the Fund in order to ensure its long-term sustainability.

Investments

7. The Representative of the Secretary-General for the investments of the Fund reported on the management of investments, summarizing the economic and financial environment from 1 January 2011 to 31 December 2011, as well as the investment decisions taken and the performance of the Fund.

8. The Fund's market value as at 31 December 2011 was US\$ 39.7 billion, down from US\$ 41.4 billion the prior year: a decrease of US\$ 1.7 billion or 4.1%. The variations in the Fund's value, having reached an all-time high of US\$ 44.5 billion in May 2011, reflected the wide swings in the financial markets in 2011.

9. The Chair of the Investments Committee fully endorsed the responses of the Representative of the Secretary-General and the Investment Management Division. He also observed that investing in the current volatile markets demanded a combination of stamina, patience and courage.

10. The General Assembly emphasized the importance of the Fund meeting its target annual real rate of return of 3.5% over the long term and encouraged the Secretary-General, as fiduciary of the investment of the assets of the Fund, to continue to explore prospects in all markets, taking into account risk-return policies and always applying sound risk-management techniques and taking fully into account the four main criteria for investment of the Fund, namely, safety, profitability, liquidity and convertibility.

Medical matters

11. The Pension Board took note of the report presented by the medical consultant with respect to disability and death benefits awarded during the two-year period from 1 January 2010 to 31 December 2011 and discussed issues related to psychiatric conditions as the leading cause of disability.

12. The Pension Board discussed the proposed standard of "fitness for employment" for certain occupations, and deferred the item for further discussion at its next session in 2013. The General Assembly stressed that any consideration by the Pension Board on medical standard for participation in the Fund should be in full compliance with relevant provisions of General Assembly resolution 66/229 on the Convention on the Rights of Persons with Disabilities.

13. The Pension Board approved and the General Assembly took note of the amendments to Administrative Rules H.6 (b), H.8 and H.10 to increase the interval between review periods for adult and child awards and to include deadlines on the submission of child disability cases to the staff pension committees.

Administrative matters

14. The Pension Board approved the Fund's financial statements for the biennium ending 31 December 2011.

15. The Pension Board acknowledged, with appreciation, the significant progress made in the implementation of the International Public Sector Accounting Standards and welcomed the increased transparency to be provided in future financial statements.

16. It took note of the status report and progress achieved towards the implementation of the Integrated Pension Administration System, the status of the Fund's business continuity measures, and approved the updated enterprise-wide risk management policy.

Audit

17. The Pension Board endorsed the Audit Committee's recommendations that the Fund adopt its accounting policy under International Public Sector Accounting Standard 3.12 to incorporate the guidance provided in International Accounting Standard 26 in its entirety for the adoption of International Accounting Standards starting 1 January 2012 and that the timing cycle of the financial statement preparation and audit be adjusted to the extent possible so that the Audit Committee would receive the external auditor's opinion and report before the preparation of the Committee's annual report to the Board.

18. It took note of the draft report of the Board of Auditors and requested the Chief Executive Officer and Representative of the Secretary-General to implement fully the recommendations.

Governance

19. The Pension Board approved the strategic framework for the biennium 2014–2015 and requested the Chief Executive Officer to report to the Board at its sixtieth session, in 2013, on the indicators of achievement contained in the corresponding framework for 2012–2013.

20. The Pension Board decided by acclamation to recommend that the Secretary-General of the United Nations, in accordance with article 7(a) of the Regulations of the Fund, appoint Mr Sergio Arvizú as Chief Executive Officer of the Fund and Secretary of the Board, with effect from 1 January 2013 for a fixed term of five years, replacing Mr Bernard Cochemé, whose term of office ended on 31 December 2012.

21. The Pension Board requested the Secretary/Chief Executive Officer to review the section on the role and responsibilities of the staff pension committees and their secretaries, following consultations with each member organization's staff pension committee, and to present to the Board at its sixtieth session, in 2013, a revised accountability statement.

Benefit provisions of the United Nations Joint Staff Pension Fund

22. The Pension Board took note of the report on small pension adjustment provisions and requested the Secretary/Chief Executive Officer to study further the issue of the overlap in benefit amounts between the small pension and minimum benefit provisions in a view to simplifying the process.

23. The Pension Board did not reach a consensus on the item of the verification of marital status under articles 34 and 35 of the Fund's Regulations, and requested the contact group to provide further clarification and administrative guidance. Meanwhile, the Chief Executive Officer was to continue the practice of interpretation of articles 34 and 35 on the basis of the Board's guidance given in 2006, as reaffirmed in 2007.

24. The Pension Board noted that the issue of using pension entitlements as a possible source of reimbursement for financial losses caused by staff members who have defrauded their employing organization had been discussed before and that the current proposal was much more narrow in scope. As a result, it approved a new article 45 *bis* on the disposition of pension benefits in case of conviction for fraud against an employing organization. This new article was subsequently approved by the General Assembly.

25. The Pension Board acknowledged that both the Fund's consulting actuary and Committee of Actuaries had determined that, given the serious impact that increased longevity had on the actuarial situation of the Fund, raising the Fund's normal retirement age to 65 years would improve the actuarial situation of the Fund. Accordingly, the Board was ready to decide to increase the normal retirement age for new participants of the Fund with effect not later than from 1 January 2014. The Board urged the International Civil Service Commission and the member organizations of the Fund to raise the mandatory age of separation to age 65 for new staff of the Fund's Member Organizations. The General Assembly authorized the Board to increase the normal retirement age to 65 years for new participants in the Fund, with effect no later than 1 January 2014, subject to a decision of the General Assembly on a corresponding increase in the mandatory age of separation.

26. The Pension Board could not reach consensus on resubmitting the proposal to allow purchase of years of contributory service for part-time staff.

27. The Pension Board took note of the decision to suspend the application of the local currency track benefits in Kenya and Venezuela (Bolivarian Republic of). It also took note of the fact that the local currency track pension amounts continue to be maintained at or near the targeted levels for the other countries under review.

28. The Pension Board approved a series of changes to the Fund's Regulations, Administrative Rules, and Pension Adjustment System. However, the Board did not approve the authority for the Secretary/Chief Executive Officer in the future to amend the Administrative Rules of the Fund.

Other matters

29. The Pension Board approved the minutes of the 193rd meeting of the Standing Committee held in July 2011 during its fifty-eighth session.

30. It also approved, and the General Assembly concurred, the new transfer agreements of pension rights of the Fund with the Organisation for the Prohibition of Chemical Weapons and the African Development Bank.

31. The Pension Board took note of the update on the joint study completed by the International Civil Service Commission and the Pension Fund on pensionable remuneration.

32. The Pension Board considered a note submitted by the Secretary/Chief Executive Officer on recovery of amounts paid as death and disability benefits from third parties found liable by a court for injury or death of a participant, and deferred consideration of the matter to its next session, in 2013.

ACTION BY THE HEALTH ASSEMBLY

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

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