

# **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 sixty-first session (10–18 July 2014) and the actions taken by the General Assembly.<sup>1</sup>

### **Actuarial matters**

2. The Pension Board welcomed the outcome of the actuarial valuation of the Fund which showed that the required contribution rate as at 31 December 2013 was 24.42% as compared with the current contribution rate of 23.70%, resulting in an actuarial deficit of 0.72% of pensionable remuneration. That represented a significant improvement over the deficit of 1.87% of pensionable remuneration revealed by the prior actuarial valuation as at 31 December 2011.

3. In its report to the Pension Board, the Committee of Actuaries noted that the result represented a significant improvement over the previous deficit and stressed that the reduction in the deficit was due largely to the increase in the normal and early retirement ages for new staff whose participation in the Fund commenced or recommenced on or after 1 January 2014. 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 of financial market volatility on the Fund's long-term solvency, as well as anticipate further maturing of the Fund. The Committee noted that during 2012 and 2013, the investment return objective had been exceeded, which was a key reason for the improvement in the financial health of the Fund. Lastly, the Committee informed the Pension Board that it would continue to review the evolving experience of the Fund and submit its recommendations in 2015 on the assumptions to be used in the next actuarial valuation to be performed on 31 December 2015.

4. The General Assembly welcomed the improvement in the actuarial position of the Fund, which represented a reversal of the downward trend observed since 1999, and, in that regard, emphasized the

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<sup>1</sup> Resolution 69/113.

need to ensure the sustainability of the gains, as well as the importance of the Fund's meeting its target annual rate of return of 3.5% over the long term.

5. The General Assembly also concurred with the Pension Board's recommendation that some assessments of the two-track system should be discontinued, in the light of the comments of the Committee of Actuaries that the assessments were consistent with the initial estimates of the consulting actuary and were subsumed in the overall cost of the two-track feature, which would continue to be monitored in conjunction with each actuarial valuation.

### **Investments**

6. The Representative of the Secretary-General for the investments of the Fund reported that the Fund's market value as at 31 December 2013 was US\$ 51.3 billion, representing a historically high valuation and an increase of US\$ 6.7 billion over the US\$ 44.7 billion for the previous year. As at 31 December 2013, the Fund had investments in 38 countries, seven international/regional institutions and 23 currencies. The Representative of the Secretary-General also referred to the importance of the Fund's meeting its target real rate of investment of 3.5% over the long term and pointed out that the Fund had achieved a 4% real rate of return over the last 50 years, exceeding the target of 3.5% by 0.5%.

7. The General Assembly took note of the Secretary-General's report on the Fund's investments and the measures taken to increase diversification, as well as the Pension Board's observations contained therein. It noted the overall improved investment performance of the Fund for the year ended 31 December 2013 and commended its success in meeting its investment objectives. The General Assembly emphasized the importance of the Fund's policy of broad diversification of its investments by currency, type of asset class and geographical area as that represented a reliable method for improving the risk-return profile of its portfolio over the long term. It encouraged the Secretary-General to continue to explore prospects in all markets, while taking into account risk-return profiles, always applying sound risk management techniques, and giving full consideration to the four main criteria for investment of the Fund, namely, safety, profitability, liquidity and convertibility.

### **Medical matters**

8. The Pension Board considered the report of the Medical Consultant and requested that additional information on the implementation of the new medical clearance process should be submitted at its next session in 2015 after consultation with the Medical Directors of all the Fund's member organizations. The Board decided that the change to article 41 would be considered at its sixty-third session in 2016.

### **Administrative matters**

9. The Pension Board approved the Fund's financial statements for the year ended 31 December 2013.

10. The Pension Board noted the status report on the progress made in implementing the Integrated Pension Administration System, and the report presented by the Fund's secretariat on possible options for strengthening the Fund's client servicing capabilities, which would be considered in the context of the budget proposals for the biennium 2016–2017.

11. The General Assembly approved the Pension Board's recommendation to amend article 4 of the Fund's Regulations in order to establish clear authority and reference to the financial rules. It further emphasized the importance of the Board promulgating rules to govern the financial management of the Fund and looked forward to receiving further information in the Board's next report.

12. The General Assembly did not approve the Pension Board's recommendation concerning the proposed addition of text to article 14 of the Fund's Regulations to state that the agreement with the Board of Auditors on the terms of reference for the annual audits of the operations of the Fund would be set out in an annex to the Fund's Administrative Rules.

### **Audit**

13. The General Assembly noted that the Board of Auditors had issued an unqualified opinion on the financial statements for the year ended 31 December 2013, and its observation that the adoption of the International Public Sector Accounting Standards in 2012 had enhanced the quality of the Fund's financial statements.

### **Governance**

14. The Pension Board approved the strategic framework for the period 2016–2017, as well as several conclusions and recommendations contained in the report of the Assets and Liabilities Monitoring Committee.

15. The Pension Board took note of the Fund's updated internal control policy and approved the revised accountability statement and the revised terms of reference for the staff pension committees and their secretaries.

16. The Pension Board requested the Fund secretariat to prepare a document for its next session in 2015, with a related Administrative Rule, on possible mechanisms for resolving disputes between the Fund and its member organizations over interpretation of the Fund's Regulations and Rules.

17. The Pension Board approved an amendment to Administrative Rule B.4 on confidentiality.

18. The General Assembly requested the Pension Board to keep it informed of the outcome of the revision of the memorandum of understanding between the Office of Human Resources Management of the United Nations and the Fund in the context of its next report to the General Assembly.

### **Benefit Provisions of the United Nations Joint Staff Pension Fund**

19. The Pension Board noted that the local currency track pension amounts continued to be maintained at or near the targeted levels for the countries under review. It requested the Fund to continue monitoring the local currency track benefits and to report to the Board annually. It further requested that any major anomalies arising between annual reports should be reported as required.

20. The Pension Board noted the discontinuation of the application of the local currency track benefits in Argentina.

21. The General Assembly approved the amendment relating to the special adjustment for small pensions to reflect the 10% adjustment to small pension threshold amounts for separations on or after 1 April 2016.

22. The General Assembly approved the technical changes to articles 21, 33, 46, 50 and 51–53 of the Fund’s Regulations in accordance with past decisions and amendments, and took note of the amendments to the Administrative Rules, which refined and aligned them with the Fund’s Regulations.

### **Other matters**

23. The Pension Board, supported by the General Assembly, approved the new transfer agreements between the Fund and the European Organisation for the Exploitation of Meteorological Satellites, the European Union Satellite Centre and the European Union Institute for Security Studies. The Board and the General Assembly noted the withdrawal of the transfer agreement with the African Development Bank.

24. The General Assembly, recalling paragraph 10 of the report of the Advisory Committee, welcomed the initiative taken by the High-level Committee on Management to establish a working group on after-service health insurance and looked forward to receiving information on the group’s findings at its seventieth session.

25. The Pension Board decided to hold its 2015 session from 20 to 24 July in Geneva. A training session would be held on 17 July and the Budget Working Group meeting on 15–16 July. The Board thanked the IAEA for its proposal to host the 2016 session in Vienna.

26. The Pension Board approved the minutes of the 195th meeting of the Standing Committee, held in July 2013 during its sixtieth session.

### **ACTION BY THE WORLD HEALTH ASSEMBLY**

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

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