

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 Board at its 55th session (10–18 July 2008) and the actions taken by the General Assembly.¹

ISSUES

Actuarial matters

2. The Board took note of the actuarial condition of the Fund, as reflected in the valuation as at 31 December 2007, and the observations thereon on the Committee of Actuaries.

3. This valuation was prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2007, and in accordance with the Regulations, Rules and Pension Adjustment System of the Fund in effect as of the valuation date. It used three economic assumptions: (a) a rate of increase in pensionable remuneration of 4.5% per annum; (b) a rate of nominal investment return of 7.5% per annum; and (c) a rate of inflation of 4% per annum. It also assumed a participant growth of 0.5% per annum for 10 years, followed by zero growth thereafter.

4. The regular valuation as at 31 December 2007 showed a sixth consecutive actuarial surplus of 0.49% of pensionable remuneration. This represented a change of 0.80% from the rate as at 31 December 2005 when the valuation had revealed a surplus of 1.29%. The Committee of Actuaries concluded that caution and prudence should be used in deciding how to manage the surplus.

5. The Committee of Actuaries and the Consulting Actuary were of the opinion that the entire surplus should be retained, and that the current contribution scale of 23.7% of pensionable remuneration is sufficient to meet the benefits requirements under the Pension Fund scheme.

¹ Resolution 63/252, 23 December 2008.

6. The Board noted that the findings of the periodic review of the costs and/or savings of modifications to the two-track feature of the pension adjustment system showed consistency with those of past assessments and therefore decided that no change was needed at that time. It requested that the Pension Fund Secretariat, together with the Fund's actuaries, continue to monitor this before the Board's fifty-sixth session in 2009.

Investments

7. The Board noted that the Fund's investments were being well-managed. For the year ended 31 March 2008, the Fund had a return of 8.1%, outperforming the 5.3% return of the new benchmark adopted in 2006 and 6.2% return of the old benchmark. In order to manage the risk of involvement, different types of investment instruments are used; at 31 March 2008, 57% of the Fund was invested in equities, 36.8% in bonds, 1.8% in real estate and 4.4% in cash and short-term investments.

8. Despite the turbulent market environment, the market value of the Fund's assets increased from US\$ 37 600 million on 31 March 2007 to US\$ 40 600 million on 31 March 2008. This return, after adjustment by the United States consumer price index, represented a real rate of return of 4%, which exceeded the Fund's long-term objective of 3.5% after adjustment for inflation. The Board was informed that the Fund's value as at 9 July 2008 had gone down to US\$ 39 100 million as a result of the financial turmoil.

9. The Board took note of the various reports on the study regarding the introduction of alternative asset classes.

10. The General Assembly welcomed the continued effort of the Secretary-General, as fiduciary for the investments of the assets of the United Nations Joint Staff Pension Fund, to diversify its investments between developed markets and emerging markets, and requested the Secretary-General to ensure that, in the current volatile market conditions, decisions concerning the Fund's investments in any country should be implemented very cautiously, fully taking into account the four main criteria for investment: safety, profitability, liquidity and convertibility.

11. The General Assembly approved the inclusion of contractual settlement provisions in the agreement with the Global Custodian of the Fund.

Administrative matters

12. The Board considered the financial statements and related data on the operations of the Fund for the biennium ended 31 December 2007.

13. The General Assembly approved an increase, recommended by the Board, in total additional resources in respect of the budget for the 2008–2009 biennium to cover costs related to the whole office review, contractual services, working group, furniture and equipment, and Board expenses.

14. The total expenditure for benefits, administration and investment management of US\$ 3300 million exceeded contribution income by about US\$ 153 million. Contribution income increased from US\$ 2600 million for the biennium ending 31 December 2005 to US\$ 3100 million for the biennium ending 31 December 2007. Investment income is used to meet the difference between contribution income and expenditure.

Benefit provisions

15. The General Assembly approved the changes in benefit provisions that would streamline the application of the relevant provisions governing family and former family members under Articles 35 *bis*, 35 *ter* and 36.

16. The General Assembly approved the Board's recommendation to amend Article 24(b) which would allow participants who return to active contributory service after a period on disability to count such periods of disability as contributory service without requiring additional contributions for that period.

17. The General Assembly also approved the agreement of the Board to clarify that the scope of the revision in 2006 of Article 24, concerning the elimination of the limitation on the right to restoration based on years of prior service, did not cover only those participants who had received a withdrawal settlement but also those who had elected a deferred retirement benefit as long as no periodic benefit payments of their deferred benefit had been made and as clarified in the technical amendments to the Regulations of the Fund.

18. The General Assembly endorsed the decision taken by the Board in 2007 that the Fund should determine entitlements to pension benefits, in particular Articles 34 and 35 which cover widow's and widower's benefits, in accordance with the personal status of a participant as recognized and reported to the Fund by the participant's employing organization, on the understanding that the final verification that the status has remained the same will be done by the Fund at the time of granting such pension benefit.

19. The Board took note with appreciation of the study on the impact of currency fluctuation on pension benefits prepared by the Secretariat, together with the comments thereon made by the Consulting Actuary and the Committee of Actuaries and decided that the situation should continue to be monitored and reported on to the Staff Pension Committees quarterly during the following 12 months. A further report on concrete, workable and sustainable solutions/options to mitigate the impact of currency fluctuations at a cost compatible with actuarial results should be presented to the Staff Pension Committees by 31st March 2009 for consideration by the Board at its fifty-sixth session in 2009. Depending on the situation, the Board will consider recommending to the General Assembly, for adoption at its sixty-fourth session, such solution or combination of solutions to be implemented as soon as can be effected after 1 January 2010.

20. The General Assembly took note of the information provided by the Fund on the status of implementation of resolution 62/241 regarding the one-time, *ex gratia*, exceptional payment to retirees residing in Ecuador.

ACTION BY THE WORLD HEALTH ASSEMBLY

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

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