



THIRTEENTH ITEM ON THE AGENDA

Pensions questions**(a) Report of the Board of the
UN Joint Staff Pension Fund**

1. The Board held its fiftieth session at the World Meteorological Organization, in Geneva, from 5 to 14 July 2000. The main items on the agenda were: the management of the Fund's investments; the results of the actuarial valuation of the Fund as at 31 December 1999; entitlement to survivors' benefits; the pension situation of former international civil servants in the ex-USSR; the selection of the next Secretary/Chief Executive Officer of the Fund; and the Fund's long-term administrative arrangements and strategy. The UN General Assembly will discuss and approve the Board's recommendations in December 2000.

Investment management

2. The financial situation of the Fund is excellent. The market value of the portfolio at 31 March 2000 was US\$26 billion, representing a 17 per cent increase during the reporting year. The nominal average return for the year was 18 per cent, which is a very good return for a fund with a low risk profile.

Actuarial valuation

3. The actuarial valuation as at 31 December 1999 indicated a surplus of 4.25 per cent of pensionable remuneration over the required contribution rate, as compared to a surplus of 0.36 per cent as at 31 December 1997. This represents a significant improvement in the financial health of the Fund, which had previously experienced an actuarial deficit for 20 years. At its last session, in 1998, the Board had recommended implementation of two benefit improvements subject to a favourable actuarial valuation as at 31 December 1999. At that session, the Board confirmed its earlier recommendations to reduce the discount factor used to commute part of a retirement benefit to a lump sum from 6.5 per cent to 6.0 per cent for contributory service from 1 January 2001; and to reduce the threshold for annual cost of living adjustments from 3 to 2 per cent, effective 1 April 2001. As investment performance, moderate inflation and a strong US dollar had contributed to the positive actuarial result the Board felt that it would be premature to add other benefit improvements at this time. It appointed a tripartite working group to assess the major

developments to be taken into account in defining the future needs of the Fund; to examine the economy measures adopted since 1982 as well as any additional measures that might arise from the assessment referred to above; and to make proposals to meet the future needs of the Fund. The working group will submit a report to the Standing Committee in 2001, for consideration by the Board in 2002. The Board also examined the operation of transfer agreements and ILO proposals to facilitate the transfer of pension entitlements between the member organizations of the Fund and other employers (most commonly, international organizations outside the UN system). This will be studied further by the Secretary in cooperation with the ILO Staff Pension Committee and will be considered by the Board in 2002.

Entitlement to survivors' benefits

4. In 1998 the Board introduced a survivors' benefit for former spouses (i.e., for divorced widows or widowers), effective 1 April 1999, and agreed to continue efforts in this direction. At its present session the Board decided to: extend the "payment facility" to honour spousal support obligations upon national court orders; introduce a minimum divorced survivor's benefit for deaths prior to 1 April 1999; remove the remarriage penalty for deaths prior to 1 April 1999 (in 1998 the Board had decided to remove this remarriage penalty for future widow/er's benefits); and eliminate the partial commutation option for participants electing to receive a deferred retirement benefit (which resulted in a de facto deprivation of a surviving spouse's benefit). The Board requested its Standing Committee to study two other questions, namely the pension situation of children born after separation from service and domestic partnership at its next meeting in 2001.

Pensioners in the ex-USSR

5. As requested by its Standing Committee in 1999, the Board considered the possibility of granting assistance on an exceptional basis from the Emergency Fund to some 450 former international civil servants concerned pending a more permanent solution. The ILO Staff Pension Committee had proposed this in 1994. After a great amount of discussion, the Board was still not able to support this proposal. As there were indications that the Government of the Russian Federation would give an official response on the matter of restoration of pension rights for consideration by the UN General Assembly before the end of the year, the Standing Committee will review the situation in 2001.

Selection of the next Secretary of the Fund

6. The post of Executive Secretary and Chief Executive Officer of the Fund will fall vacant from 1 January 2001. In 1999, the Standing Committee designated a tripartite search group to oversee the recruitment process and pre-select a limited number of candidates. On this basis, the Board chose Mr. Bernard Cochemé, an external candidate of French nationality.

Long-term administrative arrangements and strategy of the Fund

7. The Board examined a paper on the Fund's long-term administrative arrangements, including computer systems and process re-engineering requirements. This is an ongoing project that will be reviewed annually over the next few years.

8. The next session of the UNJSPF Board will take place in 2002. The next session of the Standing Committee of the Board will be held in New York in 2001.

Geneva, 9 October 2000.