



## SIXTEENTH ITEM ON THE AGENDA

**Pensions questions****(a) Decisions of the United Nations General Assembly on the report of the Board of the United Nations Joint Staff Pension Fund**

1. A summary of the meeting of the Board and its report to the United Nations General Assembly is set out below.

**Investment management**

2. The market value of the assets of the Fund had declined to US\$21,789 million on 31 March 2002, from US\$26,056 million on 31 March 2000, representing a decline of US\$4,267 million, or 16.4 per cent. The total investment return was negative (15.0 per cent) for the period 1 April 2000 to 31 March 2001, and positive (0.7 per cent) for the period 1 April 2001 to 31 March 2002. These figures were still slightly better than the benchmark for institutional investors. The Fund was affected adversely both by the general decline in markets and the tragic events of 11 September 2001. During the 41 years that the Fund has been managed, it has experienced only six years of negative returns: 1970, 1974, 1977, 1980, 1982 and 2001.
3. The management of investments continues to rely on broad diversification (by currency, asset class, and geographical area) as the safest means of reducing risk and improving returns over the long term. Although exposure to equities had been reduced during the reporting period because of overall poor market performance, the Fund Investments Committee continues to believe that the viability of the Fund is best sustained by maintaining a higher proportion of equities than bonds. This approach was openly criticized during the Board meeting by several delegations who preferred a more cautious stance in light of increased market volatility. As the Fund is reaching a state of maturity and becoming more dependent upon investment returns to finance benefit payments, it is more sensitive to volatility than it used to be.
4. In accordance with the provisions of the Regulations, Rules and Pension Adjustment System of the UNJSPF, the Secretary-General of the United Nations decides upon the investment of the assets "after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy". The Board, and in particular the representatives of Governing Bodies, invited the Secretary-General to consider further diversification of the Investments Committee's

membership, with the objective of providing more specialized experience in various areas related to the investments of the Fund.

5. At the insistence of the ILO Staff Pension Committee, the Board agreed to examine the resulting implications for the investments of the Fund if a policy were to be implemented to respect United Nations instruments that prohibit forced and child labour. This is the first time that the Board has agreed to review this issue.

## **Report of the Working Group charged with undertaking a fundamental review of the benefit provisions of the Fund**

6. A preliminary report had been presented to the Standing Committee in 2001. The final version of the report was well received by the Board. As the last three actuarial valuations had demonstrated positive results (1998: 0.36 per cent, 2000: 4.25 per cent and 2002: 2.92 per cent), the entire group of participants' representatives, as well as some representatives of other groups, wished to recommend that the United Nations General Assembly implement all of the proposals contained in the report in order to restore the benefits that had been eliminated in the 1980s as an economy measure.
7. The majority of the representatives of governments and administrations were concerned about the negative effects of a fragile market and preferred to be more prudent. After a long discussion, the Board finally decided to endorse the following recommendations to the General Assembly to:
  - (a) apply cost-of-living adjustments to deferred pensions from age 50 (instead of as from age 45, as had been recommended by the Working Group);
  - (b) apply cost-of-living differential factors to deferred pensions from the date of separation; and
  - (c) eliminate the limitation on right to restoration, for existing and future participants.
8. The Board decided to delay the recommendation to eliminate the 1.5 per cent reduction in the consumer price index adjustment that is due in the first year of a benefit being paid. This recommendation will be implemented retroactively, for existing and future participants, provided that the next actuarial valuation at 31 December 2003 is positive.
9. The Secretary of the Fund will study and report on other proposals at the next Standing Committee, including the possible purchase of additional years of contributory service, the adjustment of pensions in payment, the method of calculating the final average remuneration, and the elimination of the one-year time limit for restoration, leave without pay and validation. The Committee, in particular the representatives of governments and participants, emphasized the need for the Fund also to consider alternate means of increasing resources, notably the introduction of a mandatory retirement age of 65 and the reduction of the six-month waiting period for participation in the Fund to the first day of employment. Studies on these issues will be presented at the next meeting of the Standing Committee. Some representatives of administrations insisted on the need to adapt the rules of the Fund to provide for greater flexibility (in recognition of the increasing incidence of short-term participation in the Fund) rather than to continue to focus on staff building long careers in the organizations.

## Budget of the Fund

10. The secretariat of the Fund presented proposals to improve the functioning of the secretariat and its ability to provide quality service to participants and retired persons, as both of these populations continue to increase. Board members were enthusiastic about proposals to facilitate communication with beneficiaries. In spite of strong opposition from participants' representatives, the Board refused to modify the budget for this year to support implementation of these initiatives and deferred a decision on this issue until the meeting of the Standing Committee in 2003.

## Pensioners from the former USSR

11. The Board decided to continue its efforts to improve the situation of former staff and to encourage reinstatement of their pension rights, in proportion to their years of service and the amount of contributions that had been transferred to the (present) Russian Government. The Board supported the recent action of the United Nations Secretary-General and noted that in his letter to the Government he had requested the Secretary of the Fund to intensify efforts with concerned authorities to find a satisfactory solution.

## Structure of the Board

12. The Secretary of the Fund had proposed to increase the number of seats on the Board from 33 to 36, and to allocate these seats to the United Nations Staff Pension Committee on the basis of proportional representation. After a stormy debate, this proposal was accepted with the assurance that a study would be conducted by the secretariat on the quality and significance of representation in the Board in terms of a number of factors, such as the number of participants, retired persons and the actuarial weight of each organization's participation in the Fund.

## Survivors' benefits for non-married couples

13. The Board decided to continue to follow developments on this issue arising particularly from any changes to United Nations contractual arrangements. Since there was no prospect for a fully positive decision to be taken by the Board at this session, the ILO Staff Pension Committee had proposed an approach allowing for recognition of specific rights for beneficiaries of non-married persons in the context of survivors' benefits (residual settlement). The Secretary of the Fund will prepare a study on this proposal for examination by the Standing Committee in 2003.

## Decisions of the United Nations General Assembly on the report of the Board

14. In November-December 2002, the United Nations General Assembly considered the report of the Board and related documents. On 13 December 2002, it adopted draft resolution A/57/653 on the United Nations Pension System. While supporting the recommendations of the Board that are set out in paragraph 7 above, the General Assembly deferred their implementation until "such time as the actuarial valuation of the Fund shows a clear upward pattern of surpluses". Concerning the structure of the Board, the General Assembly decided that the present composition should be maintained until the matter is considered in 2004.

15. With respect to the pensioners from the former USSR, the resolution A/57/653 states that “the issue does not require any further consideration by the General Assembly”.
16. The Standing Committee of the Board will meet in July 2003, in New York.

Geneva, 24 January 2003.

*Submitted for information.*