



FOR INFORMATION

TWENTIETH 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.

Actuarial situation, benefit changes

2. The actuarial valuation at 31 December 2005 indicated a surplus of 1.29 per cent of total pensionable remuneration. This was the fifth consecutive valuation that had exhibited a surplus. The Board had decided previously¹ to maintain approximately 1 per cent of the actuarial surplus as a reserve and to consider two benefit improvements provided that the actuarial situation remained stable. Considering the new actuarial results and the fact that recent investment performance had been better than had been assumed in the long-term actuarial assumptions, representatives of participants wished to use most of the actuarial surplus to restore those benefits that had been reduced during the 1980s to correct the then existing actuarial deficit. However, as the actuaries indicated that the full impact of a weak US dollar might not yet have been fully realized and, as the Fund is sensitive to external financial and economic conditions, representatives of Governing Bodies and Administrations favoured a more cautious approach. Therefore, the Board recommended the following changes, effective 1 April 2007:
 - (a) To lower the current reduction in the first consumer price index adjustment due under the Pension Adjustment System to benefits from 1 per cent to 0.5 per cent, for existing and future beneficiaries.
 - (b) To remove the limitation on the right to restoration to permit the restoration of all periods of prior contributory service, regardless of length.

¹ GB.292/PFA/19/1.

3. The Board agreed that the Fund would record, for the purposes of eventually determining entitlements to pension benefits under articles 34 and 35 of the Regulations of the Fund, the personal status of a participant as recognized and reported to the Fund by the participant's employing organization.
4. The Board recommended that the International Organization for Migration (IOM) should be admitted as a new member organization of the Fund. It recommended several new transfer agreements with the pension plans of other international organizations. These changes support human resource policies on inter-organizational recruitment and mobility by ensuring continuity of pension rights.

Investment management

5. The market value of the assets of the Fund had increased to US\$33,118 million on 31 March 2006, up from US\$26,589 million on 31 March 2004, and representing an increase of 24.6 per cent during the biennium. The total investment return was 8.3 per cent after adjustment for inflation. This overall performance was better than that of the benchmark for institutional investors.²
6. The Fund's assets have doubled during the last ten years. Investment income first exceeded contribution income in 1994, and the Fund is becoming increasingly dependent on investment income to finance benefit payments. 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 long-term returns. The Fund Investments Committee believes that the long-term viability of the Fund is best sustained by maintaining a higher proportion of equities than bonds, and that present investment allocation guidelines are beneficial.
7. The Board had agreed previously to undertake a comprehensive asset-liability management study, which would include assessment of financial risks and recommendations on asset allocation. Upon the endorsement of the Fund Investments Committee and after analysing the costs involved, the Board endorsed the proposals of the representative of the UN Secretary-General for the investments of the Fund, i.e. to increase investment management staffing levels and to manage the North American equity portfolio in the passive mode using the current benchmark indices. Representatives of participants supported the increased staffing, but were strongly opposed to the passive management of the North American equity portfolio. They requested that a decision be postponed until after the completion of the asset-liability management study and, in general, felt that the Board should have a stronger role in determining the investment policies of the Fund. On the other hand, the investment experts stated that the passive management of the North American equities was not dependent upon the completion of the asset-liability management study.

² At 31 December 2006, the market value of the assets of the Fund had risen to US\$36 billion.

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

8. In October–December 2006, the United Nations General Assembly considered the Report of the Board³ and related documents. On 22 December 2006, it adopted draft resolution A/C.5/61/L.29 on the United Nations pension system,⁴ which approved the recommendations of the Board.

Geneva, 2 February 2007.

Submitted for information.

³ Official records of the General Assembly, 61st Session, Supplement No. 9(A/61/9).

⁴ Adopted by consensus. To be published at a later date as General Assembly resolution A/RES/61/240.