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Programme, Financial and Administrative Section

PFA

FOR INFORMATION

Pension questions

Decisions of the United Nations General Assembly on the report of the 61st session of the United Nations Joint Staff Pension Board (2014)

Summary: This report summarizes the major issues discussed by the United Nations Joint Staff Pension Board and the decisions of the UN General Assembly on the Board's report.

Author unit: Human Resources Development Department (HRD).

Related documents: GB.320/PFA/INF/6; UN General Assembly documents (A/69/9; A/C.5/69/2; A/69/528; A/69/637).

1. A summary of the 61st Session of the United Nations Joint Staff Pension Board and of the decisions of the United Nations (UN) General Assembly on the Board's 2014 report is set out below.

Investment management

2. The market value of the assets of the Fund had increased from US\$44.7 billion as at 31 December 2012, to US\$51.4 billion as at 31 December 2013, representing a nominal rate of return of 15.5 per cent. After adjustment by the US Consumer Price Index, this represents a real (inflation-adjusted) rate of return of 13.3 per cent. The long-term real rate of return assumption for actuarial purposes is 3.5 per cent. This rate of return has on average been exceeded over the last 10-year period and beyond.
3. Investment income is critical to the Fund's ability to meet its long-term obligations. Most of the investments are actively managed and the portfolio is diversified by asset type, currency and geographical distribution. Further information is available on the Fund's website www.unjspf.org.

Actuarial valuation

4. An actuarial valuation of the Fund is carried out every two years. Its main purpose is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities at the present contribution rate of 23.7 per cent of total pensionable remuneration (7.9 per cent paid by the employee and 15.8 per cent paid by the employer). The valuation as at 31 December 2013 exhibited a deficit of 0.72 per cent of pensionable remuneration. This was a significant improvement over the deficit of 1.87 per cent observed in the prior valuation carried out as at 31 December 2011, and represented a reversal of the downward trend observed in valuations since 1999.
5. The decrease in the deficit was due largely to the actuarial impact of the increase in normal and early retirement age for new staff whose participation in the Fund commences, or recommences, on or after 1 January 2014. As the actuaries had previously recommended that a surplus of 2 per cent of pensionable remuneration be retained as a safety margin to withstand the effects of future volatility, the Board was not able to recommend any benefit improvements.

Assets and Liabilities Monitoring Committee

6. The Board approved recommendations of its Assets and Liabilities Monitoring Committee to better define and manage risk. These measures are vital for the Fund's long-term solvency and are part of a set of strategies approved in recent years to strengthen the Fund's long-term financial stability.

Other matters

7. The Board also examined governance, financial, medical and administrative matters, and proposed amendments to the Regulations. The Standing Committee met once to examine individual legal appeals.

UN General Assembly action

8. In October–December 2014, the UN General Assembly considered the report of the Board and related documents.¹ On 10 December 2014, it adopted Resolution A/RES/69/113, endorsing the recommendations set out in the Report of the Advisory Committee on Administrative and Budgetary Questions and approving all of the Board's recommendations.

9. The General Assembly welcomed the significant improvement in the actuarial position of the Fund and commended the Fund for its success in meeting its long-term investment objectives over the past 50 years. It stressed the need for the Fund to address all the weaknesses identified by the Board of Auditors in relation to financial management and financial statement disclosure, investment management, information system management and other administrative processes. The Board had proposed an amendment to article 14 of the Regulations to clarify the mandate of the Board of Auditors vis-à-vis the Fund and to establish terms of reference for the Fund's annual audits. While emphasizing the importance of promulgating financial rules that would govern the financial management of the Fund, the General Assembly did not approve this amendment.

Geneva, 12 February 2015

¹ The following official records of the 69th Session of the UN General Assembly are available upon request: A/69/9; A/C.5/69/2; A/69/528; A/69/637.