



Governing Body

332nd Session, Geneva, 8–22 March 2018

GB.332/PFA/INF/7

Programme, Financial and Administrative Section

PFA

FOR INFORMATION

Pension questions

Decisions of the United Nations General Assembly on the report of the 64th Session of the United Nations Joint Staff Pension Board (2017)

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.329/PFA/INF/6/1; UN General Assembly documents (A/72/383, A/C.5/72/2, A/72/5/Add.16, A/72/7/Add.23, A/72/364). The public websites of the United Nations Joint Staff Pension Fund and the UN General Assembly reference these documents.

1. A summary of the 64th Session of the United Nations Joint Staff Pension Board and of the decisions of the United Nations (UN) General Assembly on the Board's 2017 report is set out below. The report of the Board and further information about investments are available on the Fund's website www.unjspf.org.

Investment management

2. The market value of the assets of the Fund had increased from US\$52.1 billion on 1 January 2015 to US\$54.5 billion on 31 December 2016. After adjustment for the US Consumer Price Index, this represented an annualized real (inflation-adjusted) rate of return of 3.1 per cent for 2016, and a negative 1.7 per cent for 2015. The long-term real rate of return assumption for actuarial purposes is 3.5 per cent. The Fund had successfully met or exceeded the 3.5 per cent objective over the past five, 15, 20, 25 and 50-year periods. It had been below the 3.5 per cent objective in 2014, 2015, and 2016.
3. The majority of the Fund's assets are actively managed internally and are diversified by country, currency, asset type and sector. Investments must meet the criteria of safety, liquidity, convertibility and profitability, as set forth by the UN General Assembly. The investment management approach integrates environmental, social and governance factors into investments in all asset classes to improve the risk return characteristics of the total portfolio.
4. Given the Fund's dependence on investment performance for its long-term solvency, the Board expressed concern at the performance of investments for the period from 2014 through 2016 and emphasized the importance of the Fund meeting its target annual real rate of return of 3.5 per cent. The Board endorsed recommendations of its internal Assets and Liabilities Monitoring Committee and recommendations on investment and risk management from an independent review conducted by Deloitte Advisory. The review had concluded that the majority of the Fund's investment practices met or exceeded those of peers within the industry. Although 2015 returns were negative, they were less negative than those of the peer group. At 31 December 2017, the market value of the assets stood at US\$64 billion. The annual nominal rate of return for the year of 2017 was 18.4 per cent.

Actuarial assumptions

5. 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. The Board approved all of the recommendations of the Committee of Actuaries regarding the assumptions and methods to be used in the 2017 actuarial valuation. The results of the 2017 actuarial valuation will be shared with the Governing Body once finalized.

Financial statements and audits

6. The Fund is subject to annual internal and external audits. The United Nations Board of Auditors serves as external auditor. The United Nations Office of Internal Oversight Services serves as internal auditor. The Board of Auditors had issued an unqualified clean audit opinion for the Fund's 2016 financial statements, however they had identified weaknesses related to the filling of vacancies in key positions, investment risk management, and client service.

Administrative and budgetary matters

7. The Board recommended that the Fund's Chief Executive Officer be reappointed for a second term of three years.
8. The Board examined the reports of and appointments to its advisory committees, the budget proposals for the 2018–19 biennium, the revised budget estimates for the 2016–17 biennium, the Fund's strategic framework and its performance indicators, the monitoring of the impact of currency fluctuations on pension benefits, the implementation of the integrated pension administration computer system, and the study on separation procedures to improve client service. The Standing Committee met to examine individual legal appeals.

UN General Assembly action

9. In October–December 2017, the UN General Assembly considered the report of the Board and related documents. On 23 December 2017, it adopted Resolution A/C.5/72/L.17 without a vote, endorsing the recommendations set out in the report of the Board and its related oversight bodies. However, the General Assembly reduced non-post administrative resources by 5 per cent and only approved four of the additional nine posts that the Board had proposed. The General Assembly welcomed the establishment of a pilot service centre in Nairobi as well as the proposed establishment of a regional service centre in Asia. These service centres will provide cost-effective client service to beneficiaries who continue to rely on the Fund for many years after separation from the employing organization.