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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 60th Session of the United Nations Joint Staff Pension Board (2013)

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.

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Related documents: GB.317/PFA/INF/4, GB.319/PFA/11, GB.320/PFA/INF/5.

1. A summary of the 60th Session of the United Nations Joint Staff Pension Board and of the decisions of the United Nations (UN) General Assembly on the Board's 2013 report is set out below.

Investment management

2. The market value of the assets of the Fund had increased from US\$39.7 billion as at 31 December 2011, to US\$44.7 billion as at 31 December 2012, representing a nominal rate of return of 12.7 per cent. After adjustment by the US Consumer Price Index, this represented a real rate of return of 10.8 per cent. Investment income is critical to the Fund's ability to meet its long-term obligations. The long-term real rate of return assumption for actuarial purposes is 3.5 per cent. Whereas this rate of return has on average been exceeded over the last ten-year period and beyond, in more recent periods the average has been slightly below 3.5 per cent due to weak financial market performances after the 2008 financial crisis.
3. The investment management follows a prudential strategy aimed at obtaining overall positive returns, while at the same time preserving the principal of the Fund over the long term. The Fund actively manages a diverse portfolio of investments, in which a broad spectrum of asset classes, industries, business sectors, currencies and geographic locations are represented. Most of the assets are managed in-house.¹

Actuarial assumptions

4. The actuarial valuation of the Fund is carried out every two years. Upon the recommendation of the Committee of Actuaries and the Investments Committee, the Board approved demographic and economic assumptions for the next valuation at 31 December 2013. It agreed to change the actuarial asset valuation methodology to provide a better basis for recognizing the underlying market value of assets.

Report of the Working Group on Sustainability

5. The Board had established a tripartite working group to consult with the actuaries to consider measures to ensure the Fund's long-term financial sustainability. The group recommended a change in retirement age for new participants, which is explained below, and made proposals related to: early retirement age and early retirement reduction factors; increasing longevity; and investment return (strengthening risk management and creating an Asset-Liability Management Committee). In addition to the recommendations identified for immediate consideration, the group discussed a number of other topics related to the governance, benefit structure and long-term health of the Fund.

¹ The strategic asset allocation is as follows: 60 per cent equities, 31 per cent fixed income, 6 per cent real assets and 3 per cent cash/short-term investments. These weightings are periodically rebalanced in consideration of risk levels and market conditions. The tactical (short-term) asset allocation range is plus or minus three to ten percentage points from the strategic asset allocation, depending upon the type of asset class. The asset allocations and the market value of the Fund are also affected by currency fluctuations, as more than half of the investments are in non-US dollar currencies and the US dollar is used for reporting purposes. The Fund's website, www.unjspf.org, provides further information about the investments.

Retirement age

6. Since 1990, the Pension Fund's "normal retirement age" had been age 62. Due to the increase in life expectancy of Fund participants, the Pension Board had recommended in 2012 that the Fund's normal retirement age be raised to 65, for new participants only, by 1 January 2014.² Following approval by the UN General Assembly and coordination with the International Civil Service Commission (ICSC), the Pension Board proposed amendments to the Fund's Regulations to change the age of retirement to 65 for participants who join the Fund on or after 1 January 2014. The Board also proposed amendments to the Regulations to modify the early retirement reduction factors and raised the minimum early retirement age to 58 for new participants.
7. The Board agreed that the rights of serving staff would not be affected, as was the case when the age of retirement was changed for new participants who joined the Fund on or after 1 January 1990.
8. In November 2013, the ILO Governing Body provisionally amended article 11.3 of the Staff Regulations to align the mandatory age of separation for staff recruited on or after 1 January 2014, in light of the expected change in the Pension Fund Regulations.³

Other matters

9. The Board revised expenditures for the biennium 2012–13 and approved the budget appropriation for the biennium 2014–15. The latter included provisions to fund a full-time post for the Representative of the UN Secretary-General for the investments of the Fund⁴ and additional posts dedicated to administration, risk and investment management.
10. The Board also examined: financial statements; management strategy and indicators; Secretariat staffing structures; information technology projects; risk management and business continuity arrangements; appointment of the Deputy Secretary/Chief Executive Officer; accountability statements; reports of the Audit Committee and the Board of Auditors; Emergency Fund activities (financial assistance for beneficiaries); UN Appeals Tribunal judgments applicable to the Fund; membership of the external committees that provide investment and actuarial advice; establishment of a standard for medical examinations for participation; and benefit-related issues.
11. The Standing Committee met once to examine individual legal appeals.

² GB.317/PFA/INF/4.

³ GB.319/PFA/11.

⁴ Article 19 of the *Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund* (JSPB/G.4/Rev. 19) assigns ultimate responsibility for the assets of the Fund to the UN Secretary-General. Current arrangements provide for a part-time representative who is funded by the UN member organization.

UN General Assembly action

12. In October–December 2013, the UN General Assembly considered the report of the Board and related documents.⁵ On 27 December 2013, it adopted draft resolution A/C.5/68/L.20, which approved most of the Board’s recommendations, with the exception of a few of the proposed additional posts and the funding for a full-time Representative of the UN Secretary-General for the investments of the Fund. While recognizing the importance of this position, the funding and creation of a full-time representative has been deferred, pending further examination of a detailed job description.

Geneva, 23 January 2014

⁵ A/68/303, A/C.5/68/2 and A/68/7/Add.3.