



NINETEENTH ITEM ON THE AGENDA

Pensions questions**Report of the 186th Meeting (July 2003) of the
Standing Committee of the United Nations
Joint Staff Pension Board (UNJSPB)**

1. A summary of the meeting of the Standing Committee 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\$20,741 million on 31 March 2003, from US\$21,789 million on 31 March 2002, representing a decline of US\$1,048 million, or 4.8 per cent. The total investment return was negative (minus 3.8 per cent). These figures were still slightly better than the benchmark for institutional investors. The Fund was affected adversely by the general decline in worldwide equity markets. Poor equity performance was partially offset by better bond market performance and appreciation of the euro against the dollar. During the 43 years that the Fund has been managed, the cumulative annualized real (inflation-adjusted) rate of return has averaged 3.6 per cent, which is higher than its long-term real return objective of 3.5 per cent. At 31 July 2003, the estimated market value of the Fund had risen to US\$22,932 million.
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, the Fund Investments Committee continues to believe that the long-term viability of the Fund is best sustained by maintaining a higher proportion of equities than bonds, and that the present investment allocation guidelines are beneficial to the Fund.

Benefit improvements

4. As reported to the Governing Body last year,¹ in 2002 the Board had recommended to the United Nations General Assembly that it immediately implement some benefit

¹ GB.286/PFA/16/1, para. 14.

improvements related to the cost-of-living adjustments applied to deferred pensions and the limitation on the right to restore pension rights. Both of these measures would have supported human resource policies and priorities in member organizations. In 2002, the UN General Assembly had decided to defer adoption of these recommendations until the Fund exhibited a clear upward trend of actuarial surpluses – without specifying the practical meaning of such a condition. As the Board had arrived at its recommendations after a lengthy process of technical analysis and tripartite consultations, several members of the Standing Committee, including the ILO delegation, expressed concern about the reaction of the General Assembly to the Board's report. Several Standing Committee members wished to convey their dissatisfaction to the General Assembly. The Standing Committee agreed to informally raise the matter when reporting to the General Assembly. The next actuarial valuation will take place by July 2004, and these recommendations can be considered again by the end of this year.

5. The Standing Committee continued to discuss the issue of survivors' benefits for non-married partners and the ILO delegation proposed a text that will be examined by the Board in 2004, in conjunction with recent developments that have taken place at the common system level in the areas of human resource policy and family dependency. It also reviewed practices on the treatment of invalidity cases in other international organizations and will discuss this further in consultation with the common system medical services and human resource bodies.

Pensioners from the former USSR

6. Although the UN General Assembly had stated that it no longer wished to be informed of this issue, several members of the Standing Committee expressed deep concern about the situation of these beneficiaries and requested the Executive Officer of the Fund to continue his efforts to find a satisfactory solution.

Structure of the Board

7. In July 2002, the Board had held extensive discussions on a proposal to increase the number of seats on the Board from 33 to 36, and to allocate these additional seats to the UN Staff Pension Committee on the basis of proportional representation by number of contributors. The Standing Committee nominated a working group, which includes two members from the ILO delegation, to review the matter and report back to the Board in 2004.

Other administrative matters

8. The Standing Committee discussed other items related to individual appeal cases, new auditing arrangements, the financial statements, the budget, the assumptions that will be used in the next actuarial valuation, and the progress on re-engineering projects to improve client service and ensure efficient operations. Over the past decade, the number of new beneficiaries has increased at an annual rate of 4.7 per cent. During the past year, the number of beneficiaries and the number of active participants have each increased by 3.3 per cent.
9. When discussing the proposed budget of the Fund Secretariat, some objections were raised by the representatives of the UN Secretary-General to the proposed increases which would have indirectly raised their costs for certain administrative services that the Fund Secretariat provides to the UN Secretariat. As other member organizations assume these

administrative costs themselves and the proposed budget increases did not require any increase in pension contribution rates, many Standing Committee members supported the proposals. A tripartite working group arrived at a compromise which was considered acceptable by the Fund Secretariat.

Geneva, 16 February 2004.

Submitted for information.