



NINETEENTH 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.

Investment management

2. By 31 March 2004, the market value of the assets of the Fund had risen to US\$26.6 billion, from US\$21.8 billion on 31 March 2002, representing an annual inflation-adjusted investment return of 8.7 per cent. The comparable return for the previous biennium had been -9.5 per cent. This performance was fairly close to the benchmark for institutional investors, although the Fund had a better risk return profile.¹
3. The annual inflation-adjusted investment return of the Fund has averaged 4.1 per cent during the last 44 years, as compared to the long-term investment objective of 3.5 per cent. Over the past decade, the assets of the Fund have grown from US\$12.5 billion to US\$26.5 billion. As total benefit payments have exceeded total contributions since 1994, for several years the Fund has been becoming increasingly dependent upon investment returns 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 ensuring that returns meet actuarial assumptions. 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 present investment allocation guidelines are appropriate.
4. Upon the initiative of the ILO Staff Pension Committee, the Board had agreed at its prior session to consider an investment policy which would respect United Nations instruments that prohibit forced and child labour. The Board decided to follow an approach that is

¹ At 31 December 2004, the market value of the assets of the Fund had risen to US\$29.4 billion.

based on the United Nations Global Compact, which includes a reference to the ILO Declaration on Fundamental Principles and Rights at Work. This is supported by the Fund Investments Committee, with the understanding that fiduciary responsibilities and existing investment criteria (safety, profitability, liquidity, and convertibility) will not be compromised.

Actuarial situation, recommendations of the Board

5. As the Fund had exhibited a positive actuarial surplus for three consecutive actuarial valuations (1998: 0.36 per cent; 2000: 4.25 per cent; and 2002: 2.92 per cent), in 2002 the Board had recommended that the General Assembly restore some of the benefits that had been eliminated in the 1980s as an economy measure. While the General Assembly had supported the Board's recommendations, it had deferred their implementation until "such time as the actuarial valuation of the Fund shows a clear upward pattern of surpluses".
6. The Board reconsidered its earlier recommendations in light of the results of the actuarial valuation at 31 December 2003 (surplus of 1.14 per cent). The participants' representatives wished to implement the package of benefit improvements that had been recommended in 2002. However, several representatives of the Governing Bodies and the Administrations wished to proceed more cautiously considering the weak US dollar and the uncertain economic environment. The Board decided to recommend:
 - (a) that paragraph 23 of the Pension Adjustment System be amended to provide for an adjustable minimum guarantee at 80 per cent of the US dollar track amount (effective for new pensions awarded from 1 April 2005);
 - (b) that the 1.5 per cent reduction of the first adjustment applicable to pensions after separation be reduced to 1.0 per cent (applicable to all existing and new pension benefits), and that the Board would address the elimination of the balance in 2006, in a phased approach, subject to a positive actuarial valuation at 31 December 2005;
 - (i) that the Board would address in 2006, on an equal footing, the elimination of the limitation on the right to restoration (the case of former participants who rejoin member organizations and start new periods of contributory service after having received reimbursement of their own contributions for the prior period of contributory service);
 - (ii) that the other outstanding recommendations of 2002 that the Board had recommended for immediate implementation be considered as priority items in 2006.

Review of General Service Pensionable Remuneration (GSPR)

7. As agreed by the United Nations General Assembly and the International Civil Service Commission (ICSC), the Board is to cooperate closely with the ICSC on working methods and technical matters during the comprehensive review of GSPR that began at the end of 2004. The ICSC concurred with the Pension Board's proposals on arrangements for joint

cooperation.² The General Assembly will consider the joint ICSC/Pension Board recommendations in 2006.

Survivors' benefits for unmarried couples (domestic partners)

8. The ILO Staff Pension Committee had proposed an amendment to article 38 (residual settlements for unmarried persons upon death). In light of the other implications of modifying article 38 and recent United Nations human resource policy developments, the Board will examine this and alternative proposals in 2006, including family entitlements.

Pensioners from the former USSR

9. Although the United Nations General Assembly had stated that it no longer wished to consider this issue, some Board members continued to express concern about the situation of these former officials. The ILO Staff Pension Committee proposed changes to the Emergency Fund guidelines, to be finalized in 2005, which will enable the Fund to assist these former participants. For several years, the ILO administration and the ILO Staff Union have jointly provided a small amount of financial assistance to former ILO officials who belong to this group of pensioners.

Structure and meetings of the Board

10. After extensive discussions on a proposal to increase its size, in 2002 the Board had formed a working group to examine its composition and structure, taking account of the need for tripartite and democratic representation. The Board requested the group to report again in 2005. The Board also discussed how it might improve its working methods, in line with directives in member organizations to operate more efficiently.

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

11. In October-December 2004, the United Nations General Assembly considered the report of the Board³ and related documents. On 23 December 2004, it adopted draft resolution A/C.5/59/L.14 on the United Nations pension system.⁴ The General Assembly approved the Board's recommendations that are set out in paragraphs 6(a) and the first part of 6(b)(i) above (to amend paragraph 23 of the pension adjustment system to provide for an adjustable minimum guarantee at 80 per cent of the US dollar track amount and to change the 1.5 per cent reduction of the first adjustment applicable to pensions after separation to 1.0 per cent).

² Official records of the General Assembly, Fifty-ninth Session, Supplement No. 30, Vol. I, A/59/30, report of the International Civil Service Commission for 2004.

³ Official records of the General Assembly, Fifty-ninth Session, Supplement No. 9 (A/59/9 and Add.1), report of the United Nations Joint Staff Pension Board for 2004 to the General Assembly and the member organizations of the Fund.

⁴ The same text will be published as General Assembly resolution A/RES/59/269, in March 2005.

12. The General Assembly took note of the Board's intention to address the remaining parts of paragraphs 6(b)(i) and 6(b)(ii) in 2006, subject to a positive actuarial valuation at 31 December 2005 (elimination of the 1.0 per cent reduction that is applied to the first adjustment applicable to pensions after separation and elimination of the limitation on the right to restoration). The General Assembly decided that it would not consider any further proposals to enhance or improve pension benefits until the conditions that it had specified in its earlier resolutions were met.

13. As indicated in paragraph 7 above, the ICSC concurred with the Pension Board's proposals for joint cooperation on the review of General Service Pensionable Remuneration. On 22 December 2004, the General Assembly adopted draft resolution A/C.5/59/L.26 on the report of the International Civil Service Commission for 2004.⁵

Geneva, 20 January 2005.

Submitted for information.

⁵ Official records of the General Assembly, Fifty-ninth Session, document A/59/647, United Nations common system, Report of the Fifth Committee.