



## **FOR INFORMATION**

### **ELEVENTH ITEM ON THE AGENDA**

### **Pensions questions**

#### **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 (UN) General Assembly is set out below.

### **Investment management**

2. The market value of the assets of the Fund had fallen from US\$40.6 billion on 31 March 2008, to US\$29 billion on 31 March 2009. After adjustment for inflation, this represented a real rate of return of negative 28.1 per cent. By 31 December 2009, the market value of the assets had risen to US\$37.5 billion. The long-term real rate of return objective that is used in the Fund's actuarial valuations is 3.5 per cent.
3. Investment management follows a relatively cautious strategy of minimizing risk to obtain overall positive returns and preserve the principle of the Fund over the long term. However, the crisis in the financial markets in the 2008–09 period led to the decline in the value of the Fund. Over the longer term, the Fund has achieved its real return objective of 3.5 per cent. The Fund is actively managed through diversification of investments by asset class, sector, industry, currency and geographic location.<sup>1</sup> It is a widely diversified pension plan that maintains its accounts in US dollars but has liabilities in several other currencies. More than half of the Fund's assets are in non-US dollar currencies.

### **Actuarial assumptions**

4. The Board approved demographic and economic assumptions for the next valuation at 31 December 2009, which included provisions to address recent financial market volatility.

<sup>1</sup> During the reporting period, the strategic asset allocation was 60 per cent equities, 31 per cent fixed-income, 6 per cent real estate and 3 per cent cash/short-term investments. The tactical (short-term) asset allocation range was plus or minus three to seven percentage points from the Fund's strategic asset allocation, depending upon the type of asset class.

The actuaries confirmed that the long-term real return objective of 3.5 per cent is still valid for the Fund.

## **Working group on plan design**

5. The Board had created a tripartite working group to examine proposals to change benefit provisions, including those that would support recent human resources trends in member organizations. The Board expressed overall agreement on the interim progress report and recommended a cautious approach. Many proposed modifications had associated cost implications and must be reviewed in the context of the overall structure and long-term financial stability of the plan.

## **Review of the two-track feature of the Pension Adjustment System (PAS) <sup>2</sup>**

6. Although pension entitlements are based on the US dollar, beneficiaries have the right to be paid in the currency of the country of residence. The Board frequently discusses the impact of currency fluctuations on pension benefits and variations in amounts at different dates of separation. The basic principle of the PAS is that all duty stations should have equitable income replacement ratios (initial pension expressed as a percentage of final average salary at the date of separation). In 2007, the Board agreed to review the PAS following the weakening of the US dollar against European currencies. After extensive discussion in 2008, the Board concluded that the existing system should not be modified without a thorough examination of the impact on beneficiaries in all regions of the world. Given the concerns of participants residing in Europe, the Board agreed to carefully monitor income replacement ratios. The analyses to date indicate that the system is functioning well and does not require urgent attention. The Board will examine cost-neutral proposals to limit positive and negative fluctuations at different dates of separation in 2010, respecting the underlying principle of equivalent income replacement in all duty stations.

## **Other issues**

7. The Board examined the budget proposals for the biennium 2010–11. As the number of participants and beneficiaries has been steadily growing, it approved additional posts to strengthen the operations of the Fund. The Board also considered the Fund's financial statements, issues related to information technology services, continuity/disaster recovery plans, judgments of the UN Administrative Tribunal applicable to the Fund, the Fund's management charter and other administrative matters.

<sup>2</sup> The Pension Adjustment System (PAS) is designed to protect the purchasing power of pension benefits. Further information is available on the Pension Fund's web site: [www.unjspf.org](http://www.unjspf.org).

## Decisions of the UN General Assembly on the report of the Board

8. In October–December 2009, the UN General Assembly considered the report of the Board and related documents.<sup>3</sup> On 24 December 2009, it adopted draft Resolution A/C.5/64/L.20,<sup>4</sup> which approved all the Board's recommendations with the exception of the proposals to add posts. The General Assembly decided to establish five out of the 14 additional posts requested.

Geneva, 4 February 2010.

*Submitted for information.*

<sup>3</sup> General Assembly, official records, 64th Session, 2009. A/64/291 and related documents.

<sup>4</sup> To be published at a later date as General Assembly resolution A/RES/64/245.