

**STAFF UNION BULLETIN**  
**BULLETIN DU SYNDICAT**  
**BOLETIN DEL SINDICATO**



August 2005

**Summary of the 188<sup>th</sup> Meeting of the Standing Committee of the  
United Nations Joint Staff Pension Board (UNJSPB)  
(New York, 5-8 July 2005)**

The ILO delegation to the 188<sup>th</sup> Standing Committee meeting consisted of: Mr. D. Willers, representative of the International Labour Conference; Mr. S. Tabusa, representative of the ILO Director-General; Mr. J.V. Gruat and Mr. P. Sayour, representatives of the Participants. Ms. C. McGarry, secretary of the ILO Staff Pension Committee, accompanied them. The meeting was chaired by Ms. C. Pichon, representative of the Participants of the World Health Organization.

**Investment Management**

The market value of the assets of the Fund had increased to US\$29,252 million on 31 March 2005, from US\$26,589 million on 31 March 2004, representing an increase of US\$2,664 million, or 10 per cent. The total investment return was 7.3 per cent after adjustment for inflation. This overall performance was slightly better than that of the institutional benchmark (comparison to large institutional investors). Both bond and equity investments outperformed their respective benchmarks. The recent strength of the Euro contributed positively to the investment performance.

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. The Investments Committee believes 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 beneficial to the Fund. Some Committee members recommended that the tenets of the UN Secretary-General's Global Compact, which includes a reference to the ILO Declaration on the Fundamental Principles and Rights at Work, be formally incorporated into investment policy guidelines.

As the Fund is reaching a state of maturity and becoming more dependent upon investment returns to finance benefit payments, it is more sensitive to economic and financial market volatility than it used to be. Therefore, the Fund's investment managers are reviewing their policies on performance measurement, risk control, asset liability management, and the possibility of outsourcing some asset management functions. The Board will carefully examine these proposals.

### **Budget**

The Standing Committee examined budget proposals to increase staffing levels in the Fund's Investment Management Service. The Committee did not approve all of the proposed increases and these issues will be discussed at the next Board meeting.

With a few minor modifications, budget proposals related to administrative staffing in the Fund's Secretariat were approved. Committee members asked the Secretariat to present future budget proposals in terms of the objectives defined in the new management charter to ensure that those requirements would be met.

### **Decisions of the UN General Assembly at its 2004 session (benefit provisions)**

In December 2004, the UN General Assembly adopted the Board's recommendations for improvements to the pension adjustment system that were reported in last year's newsletter. The General Assembly noted 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 (a "clear upward trend" of actuarial surpluses).

### **Reform of pay and benefits by the International Civil Service Commission (ICSC) and the effect on pensionable remuneration**

The Standing Committee noted the potential impact of the ICSC comprehensive salary reviews (including, in particular, "broad banding" and "pay for performance") on the nature of the methodology for determining pensionable remuneration, which to date has been based on the principle of guaranteed income replacement.

This item has been placed on the July 2006 agenda of the ICSC. The Board's officers will participate actively in these studies.

### **Other Matters**

The Standing Committee discussed other items related to individual appeal cases, Emergency Fund expenditures, the establishment of a new auditing committee, the financial statements for 2004, the actuarial assumptions for the next valuation, the voluntary purchase of additional contributory service, the methodology for the calculation of Final Average Remuneration and an early retirement protection mechanism, the impact of currency fluctuations on pension benefits, the size and working methods of the Board, and the Fund's management charter. Committee members paid particular attention to the Fund's management charter as it contained proposals to improve efficiency and client service. The number of beneficiaries and the number of participants had increased during 2004 by 3.6 and 2.6 per cent, respectively.

In July 2006, the Pension Board will consider technical studies on other important issues including family entitlements, invalidity pensions, eligibility for Emergency Fund assistance, and protection for initial pensions during periods of strong appreciation of local currency against the U.S. dollar.

[Signed: ILO Staff Pension Committee delegation to the meeting of the Standing Committee of the UNJSPB]