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Decisions of the United Nations General Assembly on the report of the 66th Session of the United Nations Joint Staff Pension Board (2019)

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.

Author unit: Human Resources Development Department (HRD).

Related documents: Official records of the UN General Assembly, 74th Session: A/RES/74/263. Further information about the Pension Fund and its investments are available on the Internet websites www.unjspf.org and oim.unjspf.org.

1. A summary of the 66th Session of the United Nations Joint Staff Pension Board and of the decisions of the United Nations (UN) General Assembly on the Board's 2019 report is set out below. In October–December 2019, the UN General Assembly considered the report of the Board and related documents. On 27 December 2019, it adopted the UN General Assembly Resolution A/RES/74/263 without a vote, accepting most of the Board's recommendations.

Investment management

2. The market value of the assets of the Fund had decreased from US$64.1 billion on 1 January 2018 to US$60.8 billion on 31 December 2018, representing a real (net of inflation) return of minus 4.7 per cent for the calendar year of 2018, as compared to the policy benchmark performance of minus 4.9 per cent. In spite of the challenges of global financial markets and associated volatility, the market value of the assets of the Fund had remained above the actuarial asset value of US$60.4 billion used in the most recent actuarial valuation to determine the financial soundness of the Fund. The Fund's market value recovered in early 2019, reaching US$67.8 billion on 30 September 2019. Average performance for the recent two-year period and beyond continues to exceed the real (net of inflation) investment return objective of 3.5 per cent that is used to project the long-term financial solvency of the Fund.

3. The majority of the Fund's assets are managed internally and are diversified by country, currency, asset type and sector. Investments must meet the criteria of safety, liquidity, convertibility and profitability, as set forth by the UN General Assembly. The Fund's Office of Investment Management integrates environmental, social and governance factors in their decision-making processes. More detailed investment information is available on the public website https://oim.unjspf.org.

Actuarial assumptions and asset-liability management

4. The external consulting actuary prepares an actuarial valuation of the Fund every two years. The valuation determines whether the current and estimated future assets of the Fund will be sufficient to meet projected liabilities at the present contribution rate. The Fund was close to perfect actuarial balance as at 31 December 2017. The Board approved the recommendations of the Committee of Actuaries for the next actuarial valuation as at 31 December 2019.

5. The asset-liability management (ALM) study is a different type of financial modelling exercise that is prepared by external consultants every four years to assist with long-term financial planning. The Board examined the results of the 2019 ALM study and endorsed the recommendations of its Assets and Liabilities Monitoring Committee. The real rate of investment return earned by the Fund continues to be the most significant factor in maintaining long-term financial solvency.

Budgetary, financial and auditing matters

6. The Board noted the unqualified audit opinion of the Board of Auditors (external auditors) and approved the financial statements for the year ended 31 December 2018. It considered recommendations of its Audit Committee with the reports of the internal and external auditors of the Fund.

7. The Fund presents its accounts in an annual reporting format. The General Assembly approved budgetary expenditures for 2020 totalling US$92,899,100, chargeable directly to the Fund. As the largest member organization and the host of the Fund Secretariat, the UN organization has a separate cost-sharing arrangement with the Fund. The General Assembly approved the amount of US$7,782,200 for the UN’s share of the administrative expenses of the Secretariat of the Fund for 2020, based on a new cost-sharing methodology that the General Assembly had requested.

Chief Executive of Pension Administration and Secretary of the Board positions

8. In 2018, the General Assembly separated the position of Chief Executive Officer/Executive Secretary of the Board into two independent posts. The Chief Executive of Pension Administration (CEPA) and the Secretary of the Pension Board positions continue to report directly to the Pension Board. The restructuring is funded by internal resources and does not entail any additional costs.

9. The Board interviewed candidates selected by its Succession Planning Committee for the CEPA post and nominated Ms Rosemarie McClean, who assumed her functions on 1 January 2020. The Board expressed its appreciation to the outgoing acting Chief Executive Officer, Ms Janice Dunn Lee, who had temporarily assumed the former combined post during 2019.

10. The General Assembly decided to redeploy the Chief of the Geneva Office as Secretary of the Pension Board on a temporary basis, until the Succession Planning Committee could complete the selection process for this position.

Governance

11. The General Assembly extended the mandate and membership of the Board’s tripartite Governance Working Group. The General Assembly requested CEPA to engage an independent external entity with expertise in pension fund governance matters to conduct a comprehensive and objective analysis of the governance structure of the Fund, giving due regard to best practice standards of pension funds.

12. The Board modified the voting rights of the member organizations to reflect the current number of participants in each organization. The total number of votes remains the same and the changes do not affect the ILO. The General Assembly decided that alternate members of the Board should only be entitled to attend Pension Board sessions when the titular member cannot attend, with the exception of the elected alternates of the UN General Assembly.

Proposed amendments to articles 6 and 48 of the Regulations of the Fund

13. The Board had proposed changes to articles 6 and 48 to address conflict of interest and to clarify the scope of the jurisdiction of the UN Appeals Tribunal in relation to the Regulations of the Fund. For article 6, the General Assembly asked to the Board to address all questions of ethics, including conflict of interest and confidentiality matters. For article 48, the General Assembly requested further analysis by the Board and input from the UN Secretary-General and the Sixth Committee of the General Assembly in the context of the corresponding amendments to the Statute of the UN Appeals Tribunal.

Pension administration

14. The Fund continues to reduce initial separation payment delays that had accumulated after a major computer systems change in 2015. The General Assembly emphasized the importance of adhering to the target-processing rate of 15 business days and of providing quality client services in the both the Fund’s New York and Geneva offices. The Fund is presently processing ILO separation cases within approximately 20 business days.

Other matters

15. The Board discussed reports of and appointments to its advisory committees, information and communications technology, the Emergency Fund for beneficiaries suffering financial hardship, the impact of currency fluctuations and the pension benefits adjustment system, proposals on benefit provisions, the Fund’s strategic framework and performance indicators, the report of the Standing Committee, relevant UN Appeals Tribunal judgments and other administrative matters.

16. The Standing Committee met once to examine individual legal appeals.