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United Nations pension system

Report of the Fifth Committee

Rapporteur: Mr. Diego Simancas (Mexico)

I. Introduction

1. At its 2nd plenary meeting, on 13 September 2006, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixty-first session the item entitled “United Nations pension system” and to allocate it to the Fifth Committee.
2. The Fifth Committee considered the item at its 20th, 24th and 37th meetings, on 10 and 22 November and 22 December 2006. Comments and observations made in the course of the Committee’s consideration of the item are reflected in the relevant summary records (A/C.5/61/SR.20, 24 and 37).
3. For its consideration of the item, the Committee had before it the following documents:
 - (a) Report of the United Nations Joint Staff Pension Board on its fifty-third session;¹
 - (b) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and steps and efforts undertaken to increase diversification (A/C.5/61/2);
 - (c) Related report of the Advisory Committee on Administrative and Budgetary Questions (A/61/545);
 - (d) Report of the Secretary-General on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/61/577);

¹ *Official Records of the General Assembly, Sixty-first Session, Supplement No. 9 (A/61/9).*



(e) Related oral report of the Advisory Committee on Administrative and Budgetary Questions (see A/C.5/61/SR.24).

4. At the 20th meeting, on 10 November, the Chairman of the United Nations Joint Staff Pension Board introduced the report of the Board and the Controller, on behalf of the Under-Secretary-General for Management, Representative of the Secretary-General for the Investments of the United Nations Joint Staff Pension Fund, introduced the report of the Secretary-General on the investments of the Fund (see A/C.5/61/SR.20).

II. Consideration of draft resolution A/C.5/61/L.29

5. At the 37th meeting, on 22 December, the Committee had before it a draft resolution entitled "United Nations pension system" (A/C.5/61/L.29), which was submitted by the Chairman on the basis of informal consultations coordinated by the representative of the Philippines.

6. At the same meeting, before the adoption of the draft resolution, a statement in explanation of position was made by the representative of the United States of America.

7. At the same meeting, the Committee adopted draft resolution A/C.5/61/L.29 without a vote (see para. 9).

8. The recommendation of the Fifth Committee on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/61/577) and the related oral report of the Advisory Committee on Administrative and Budgetary Questions (A/C.5/61/SR.24) will be contained in the report of the Fifth Committee on agenda item 117, Programme budget for the biennium 2006-2007 (A/61/592/Add.2).

III. Recommendation of the Fifth Committee

9. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolutions 55/224 of 23 December 2000, 57/286 of 20 December 2002 and 59/269 of 23 December 2004 and resolution 60/248, section III, of 23 December 2005,

Having considered the report of the United Nations Joint Staff Pension Board on its fifty-third session to the General Assembly and to the member organizations of the United Nations Joint Staff Pension Fund,¹ the report of the Secretary-General on the investments of the Fund² and the related report of the Advisory Committee on Administrative and Budgetary Questions,³

I

Actuarial matters

Recalling its resolutions 57/286, section I, and 59/269, section I,

Having considered the results of the valuation of the United Nations Joint Staff Pension Fund, which revealed a fifth consecutive actuarial surplus as at 31 December 2005, and the observations thereon by the consulting actuary of the Fund, the Committee of Actuaries and the United Nations Joint Staff Pension Board,

1. *Takes note* of the results of the actuarial valuation of the United Nations Joint Staff Pension Fund, which went from an actuarial surplus of 0.36 per cent of pensionable remuneration as at 31 December 1997 to an actuarial surplus of 4.25 per cent of pensionable remuneration as at 31 December 1999, to an actuarial surplus of 2.92 per cent of pensionable remuneration as at 31 December 2001, to an actuarial surplus of 1.14 per cent of pensionable remuneration as at 31 December 2003 and to an actuarial surplus of 1.29 per cent of pensionable remuneration as at 31 December 2005 and, in particular, of the opinions provided by the consulting actuary and the Committee of Actuaries, as reproduced in annexes VII and VIII, respectively, to the report of the United Nations Joint Staff Pension Board;¹

2. *Notes* that the Committee of Actuaries expressed the view that, based on the continuation of the surplus, a portion of the surplus disclosed in 2005 could be made available at the present time to improve benefits, but that prudence would dictate that most of the surplus should be retained;

3. *Recalls* that the Assembly had already approved in 2002, in principle, the change in the benefit provisions of the Regulations of the Fund that would eliminate the limitation on the right to restoration based on the length of prior service;

¹ *Official Records of the General Assembly, Sixty-first Session, Supplement No. 9 (A/61/9).*

² A/C.5/61/2.

³ A/61/545.

4. *Approves* the change in the benefit provisions of the Regulations of the Fund, as set out in annex XVII of the report of the Board, to eliminate the limitation on the right to restoration for existing and future participants based on the length of prior contributory service;

5. *Takes note* of the Board's decision to amend the Fund's Rules of Procedure to provide for the appointment of ad hoc members to the Committee of Actuaries as well as to the Investments Committee;

6. *Concurs*, in accordance with article 13 of the Regulations of the Fund and with a view to securing continuity of pension rights, with the following:

(a) The revised Agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of participants in the World Bank Group Staff Retirement Plan,⁴ as approved by the Board and set out in annex IX to the report of the Board, which will take effect from 1 January 2007;

(b) The new Agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of participants in the Coordinated Organizations,⁵ as set out in annex IX to the report of the Board, which will take effect from 1 January 2007;

7. *Decides*, upon the affirmative recommendation of the Board, that the International Organization for Migration shall be admitted as a new member organization of the Fund, effective 1 January 2007;

II

Pension adjustment system

Recalling its resolutions 57/286, section II, and 59/269, section II,

Having considered the reviews carried out by the consulting actuary, the Committee of Actuaries and the United Nations Joint Staff Pension Board, as set out in the Board's report, of various aspects of the pension adjustment system,

1. *Takes note* of the recommendation of the United Nations Joint Staff Pension Board that as from 1 April 2007, the current reduction in the first consumer price index adjustments due under the pension adjustment system of the United Nations Joint Staff Pension Fund to benefits in award should be lowered from 1.0 per cent to 0.5 per cent and that a 0.5 per cent increase should be applied on the occasion of the next adjustment to benefits being paid to existing retirees and beneficiaries who have already had the 1.0 per cent reduction applied to their benefits;

2. *Approves*, accordingly, with effect from 1 April 2007, the changes in the pension adjustment system, as set out in annex XVIII to the Board's report;¹

3. *Recalls* its decision in section II of its resolution 59/269 to invite the Board to provide information on the special situation of pensioners living in countries having undergone dollarization and on possible proposals to attenuate the adverse consequences arising therefrom, and notes that the Board did not agree on a

⁴ *Official Records of the General Assembly, Sixty-first Session, Supplement No. 9 (A/61/9)*, annex IX, sect. A.

⁵ *Ibid.*, sect. B.

recommendation to attenuate the adverse consequences of pensioners living in countries having undergone dollarization;

4. *Takes into account* that the Board reached consensus on the fact that dollarization has had adverse effects on the purchasing power of some retirees and beneficiaries living in Ecuador, and requested the Secretary/Chief Executive Officer to visit the Fund's retirees living there;

5. *Invites* the Board to present in 2007 a viable ad hoc measure to adequately attenuate the adverse consequences arising from dollarization in Ecuador after consulting with the Committee of Actuaries;

III

Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

Having considered the financial statements of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2005, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the United Nations Joint Staff Pension Board,¹

Notes that the report of the Board of Auditors on the accounts of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2005 indicated that the financial statements were in compliance with accepted standard accounting principles and that the transactions of the Pension Fund were, in all significant respects, in accordance with the Financial Regulations and legislative authority;⁶

IV

Administrative arrangements and revised budget of the United Nations Joint Staff Pension Fund

Recalling section IV of its resolution 57/286, section X of its resolution 58/272 of 23 December 2003, section IV of its resolution 59/269 and section III of its resolution 60/248 concerning the administrative arrangements and expenses of the United Nations Joint Staff Pension Fund,

Having considered chapter VII of the report of the United Nations Joint Staff Pension Board¹ on the administrative arrangements of the Fund,

1. *Takes note* of the information set out in paragraphs 132 and 133 of the report of the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2006-2007;¹

2. *Approves* the increase in total additional resources for the biennium 2006-2007 from 108,262,500 United States dollars to 110,665,500 dollars for the following:

(a) Reclassification of two information technology posts in the Fund secretariat;

⁶ See *Official Records of the General Assembly, Sixty-first Session, Supplement No. 9 (A/61/9)*, annex X.

- (b) Travel expenses related to the newly established Audit Committee;
 - (c) Enhancement of the Investment Management Service through the addition of five new posts, indexed management costs, including the costs of transition management services, and consultant costs;
 - (d) Enhancement of the external audit functions of the Fund and expansion of the Fund's internal audit coverage;
 - (e) Administrative costs to implement the approved modifications in the benefit provisions;
3. *Notes* that the Board requested the Fund to continue its efforts to consolidate the information technology services of the secretariat of the Fund and those of the Investment Management Service;
4. *Also notes* that the Board agreed that its expenses would continue to be shared and charged to the member organizations of the Fund under the current methodology until 1 January 2008, at which time all Board expenses would be included in the Fund's budget and charged as administrative expenses;

V

Survivors' benefits

Recalling its resolutions 55/224, section V, 57/286, section V, and 59/269, section VI,

1. *Notes* that the Board requested the Secretary/Chief Executive Officer to present to the Board in 2007 a comprehensive study on the benefit provisions related to family members of the United Nations Joint Staff Pension Fund participants and retirees;
2. *Also notes* that the Board agreed that the Fund would record, for the purposes of eventually determining entitlements to pension benefits under articles 34 and 35 of the Regulations of the Fund, the personal status of a participant as recognized and reported to the Fund by the participant's employing organization;

VI

Size and composition of the United Nations Joint Staff Pension Board and its Standing Committee

Stressing the importance of fair representation of participating organizations in the United Nations Joint Staff Pension Board and its Standing Committee,

1. *Takes note* of the information set out in the report of the United Nations Joint Staff Pension Board¹ on the review of the size and composition of the Board and its Standing Committee, in particular the Board's decision not to recommend any change in its size and composition;
2. *Notes* in this regard that the Board recognized that its decision to retain the current size of the Board, and its composition and allocation of seats did not fully respond to General Assembly resolution 57/286 regarding the size and composition of the United Nations Joint Staff Pension Board to achieve fairer representation;

3. *Also notes* that the Board agreed to review its size and composition after it had had adequate time to assess the results of its other decisions under this item, which focused primarily on improving efficiency;

4. *Notes with satisfaction* the recommendations adopted by the Board with a view to improving the efficiency of its work and its intention to consider a policy paper in 2007 on membership and attendance at meetings of the Board and its Standing Committee;

5. *Takes note* of the Board's decision to amend the Rules of Procedure of the Fund in order to make formal provision for the additional alternate representative of the General Assembly to attend the meetings of the Standing Committee, as approved provisionally by the Board in 2004;

6. *Also takes note* of the Board's decision that the costs related to two retiree representatives attending the sessions of the Board and one retiree representative attending the sessions of the Standing Committee would be shared as an expense of the Board on a provisional basis until its session in 2008, at which time the Board would consider means for duly electing the representatives for the retirees;

7. *Notes* that the Board also decided to revert to annual sessions as from 2007 with the aim of completing its work within five working days; the Board's focus during the odd-numbered years will be on the budget of the Fund;

VII

Other matters

1. *Takes note* of the Board's decision to establish an Audit Committee to provide an enhanced communications channel for the internal auditors, the external auditors and the Pension Board, with the consequent revision in the Rules of Procedure of the Fund. In this regard, it endorses the recommendation of the Advisory Committee on Administrative and Budgetary Questions that the Audit Committee be composed of members with relevant expertise in accounting, financial management, including risk management, and audit;

2. *Notes* that the Board endorsed the Fund's enterprise-wide risk management policy;

3. *Takes note* of the observations of the United Nations Joint Staff Pension Board, as set out in its report,¹ on the review and conclusions reached by the International Civil Service Commission on the changes in average tax rates at the headquarters duty stations, which formed the basis for the development of the current common scale of staff assessment for pensionable remuneration;

4. *Notes* that the Board considered a detailed report of the medical consultant covering the period from 1 January 2004 to 31 December 2005;

5. *Also notes* that the United Nations Joint Staff Pension Board intends to review the current provisions for special adjustments for small pensions and the current arrangements regarding the periodicity of cost-of-living adjustments at its sessions in 2007 and 2008, respectively;

6. *Requests* the Pension Board to consider, during its review of small pensions, the negative impact of administrative expenses, transaction fees or bank

commissions regarding the benefits in order to remedy such impact and to report to it thereon at its sixty-third session as part of the Board's review, and invites the Board to explore the possibility of further diversifying banking transactions;

7. *Notes* that the Board intends to keep the possible provision for the purchase of additional years of contributory service under periodic review;

8. *Also notes* that the Board decided to maintain both the current system for establishing benefits in respect of locally recruited staff in the Professional category and the methodology currently used in the determination of final average remuneration for staff in the General Service category; both issues will continue to be monitored by the Fund secretariat;

9. *Takes note* of the other matters dealt with in the report of the Board;

10. *Calls* on the Investment Management Service to expeditiously implement the recommendations of the Board of Auditors with regard to the determination of the level of tolerance for risk, improvement in internal review of performance and the trade order management system;

11. *Requests* that all vacant Professional posts, including the five new posts in the Investment Management Service endorsed by the present resolution, be expeditiously filled;

VIII

Investments of the United Nations Joint Staff Pension Fund

1. *Takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund² and the observations of the United Nations Joint Staff Pension Board, as set out in its report;¹

2. *Notes* the increase in the market value of the assets of the Fund and the positive returns achieved during the biennium and, in particular, the 4.3 per cent annualized real rate of return over the 46-year period ending on 31 March 2006;

3. *Stresses* the need for a comprehensive asset-liability management study, including assessment of financial risks and recommendations on asset allocation, and a study of the Fund's governance, with special regard to the relationship between the Fund secretariat and the Investment Management Service, the results thereof to be provided to the Board for consideration;

4. *Notes* that the Board endorsed the intention of the representative of the Secretary-General for the investments of the fund to manage the North American equities portfolio in the passive mode using the current benchmark indices;

5. *Requests* the Secretary-General to fully adhere to the Financial Rules and Regulations of the United Nations⁷ and General Assembly resolutions on procurement when procuring services for the passive management and report to the Board thereon at its next session;

6. *Notes* that the Board encouraged the Investment Management Service of the Fund to adhere to the principles of the Global Compact to the extent possible without compromising the four established investment criteria of safety,

⁷ ST/SGB/2003/7.

profitability, liquidity and convertibility, and urged the Investment Management Service to continue its efforts to collect tax refunds from several Member States;

IX
Diversification

Recalling its resolutions 36/119 A, B and C of 10 December 1981 and 59/269 of 23 December 2004,

1. *Takes note* with concern of the modest increases in investments of the United Nations Joint Staff Pension Fund in developing countries, and requests the Secretary-General to report to the General Assembly at its sixty-third session on further steps and efforts undertaken to increase, to the maximum extent possible, investments in developing countries;

2. *Reaffirms* the policy of diversification of the investments of the Fund across geographical areas, wherever this serves the interests of the participants and beneficiaries of the Fund, in accordance with the four criteria of safety, profitability, liquidity and convertibility.
