Pension Fund

New Governance Structure

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Background

- 2004-2005: OSNES I (5 Council Delegates; nobody from PFGB)
 - Review chairman election process and PFGB terms of office
 - Council decides 6-year limit on PFGB mandates
 - Council decides PFGB Chairman always a Council Delegate
- 2005: OSNES II (5 Council Delegates; 3 PFGB members; 1 ESO)
 - Review whole Pension Fund Governance structure
 - Proposal (agreed by everyone in the OSNES II WG)
 - Diverging views expressed (by Council Delegates, by CERN DG)
 - Council asks 3 independent experts for advice
- Sept 06: experts report submitted to Council
 - Alternative governance structure outlined
 - Council endorses Panel's recommendations
 - Council appoints OSNES III to draft proposals

Background

- 2006: OSNES III (4 Council delegates + 1 ESO)
 - PFGB members want to participate -> rejected
 - Staff Association asks to participate -> rejected too
 - Proposals submitted to CERN Council in December

- Strike at CERN to oppose to the OSNES III report
- New WG "Levaux" decided by Council

"Levaux" Working Group

■ 9 members:



P. Levaux, chairman



F. Ferrini



F. Bello



S. Lettow

CERN Council



ESO Council

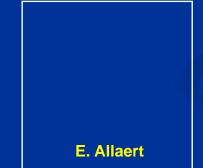
CERN Management





P. Williams

Ph. Lambert





CERN Staff Assoc.

Expert

- **ESO Staff Assoc.**
- 1 observer from the Pensioners
- with the help of CERN Services (Legal, Translation)

- Reaffirmation of the roles of CERN Council
 - Regulator
 - Supreme authority
 - Sponsor
- The Fund remains under the sole legal framework of the Organization (CERN)
 - CERN Council remains the ultimate authority
 - The management of the Fund is delegated to an executive structure, separate from the CERN Management

- Clarification of roles/responsibility/line of reporting of each of the organs of the Fund
 - The GBPF reports directly to the CERN Council
 - The CERN DG has no responsibility as far as governance is concerned, but:
 - If the proposals may have a direct impact on the staff policy, the Council shall instruct the DG to elaborate concerted concrete proposals (SCC, TREF loops, ...)
 - If the proposals have a direct impact on the budget of the Organisation, the Council shall consult the DG before any decision
 - ESO to be consulted as described in the agreement between CERN and ESO

Funding Policy to be established

- must be clearly defined and incorporated into the Rules and regulations of the Fund
- must define the funding ratio, the Fund's objective being to reach and maintain this ratio
- must define the mechanisms and duration of the recovery period to reach these objectives in case of underfunding
- must reinforce the guarantees in the event of dissolution of the Organisation or withdrawal of one of the Member States

- A smaller GBPF
 - 10 members instead of 20
- The professional character of the bodies of the Fund is reinforced
 - 2 experts in the GBPF (with voting rights)
 - 2 experts in the Investment Committee
- A code of conduct for the members of the GBPF

Governing Board: Composition

- 10 members and 10 akernates
- ✓ 2 members appointed by Council
- ✓ of which the President
 - X representative ESO DG
 - 1 ESO Council/DG, 1 ESO Staff Association
 - 1 appointed by CERN Management
 - 4 directly-elected members
- new 1 appointed by CERN and ESO Pensioners Association (CEPA)
- new 2 experts (with voting rights)
- 1 XVice-presidents, 1 "employer", 1 "employee"
- ✓ General Manager (ex-officio)

Governing Board: Mandate

- Entrusted by Council with responsibility for overseeing the operation of the Fund
- Secure and maintain the actuarial balance of the Fund in order to meet the Organisations's pension obligations to the members and beneficiaries
- Define the Funding Policy, incl. risk level

Investment Committee: Composition

- Maximum 8 members minimum 6 members
- 1 member appointed by CERN Council
- 2 "employer" members of GBPF
- 2 "employee" members of GBPF
- Administrator ex-officio without right to vote
- 2 External Professional Experts appointed by GBPF
- ✓ President chosen from among the members of the GBPF
 - 2 members of GBPF, with expertise in investment policy and practice
 - 1 member from Investment Unit (without right to vote)
 - GBPF may widen the composition if necessary

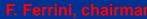
Investment Committee: Mandate

- Advises GBPF on investment matters
- Draws up an annual investment plan new
- Defines tactical investment
- Supervises performance of Fund managers
- Reports to GBPF

The New Governing Board



D. Duret





Ph. Lambert



S. Lettow

J.A. Schneider



G. Deroma



F. Derie



F. Wittgenstein



K. Van Riel



D.-O. Riska

Next steps

- Appointment of the Vice-president (for approval by CERN Council in December)
- Definition of the Funding Policy and decision on SAA
- Code of Conduct
- Appointment of the General Manager
- Appointment to the Investment Committee
- Actuarial review: proposals to CERN Council
 - Indexation of pensions for 2008-2010
 - Increase of Contributions?
- And make the new governance structure a success