

# CERN Pension Fund

## Overview

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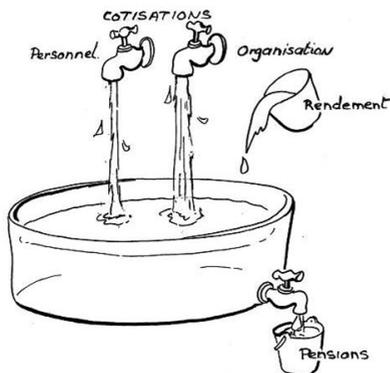
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# Pension schemes

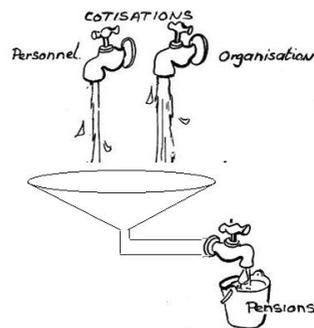
## Capitalized scheme

1st generation accumulated capital:  $\text{income} = \text{contributions} + \text{capital gain}$ :  
"capital investment management"



## Budgetised scheme

Payments are made from the cash-flow:  $\text{income} = \text{contributions}$ :  
"contract between generations"



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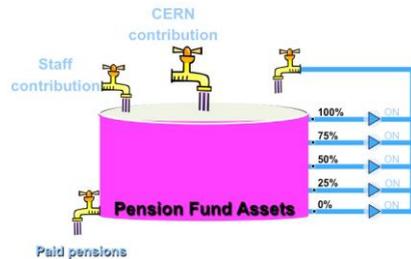
# Why a CERN Pension fund?

- CERN is an International Organisation (Nation + employer)
- Must be independent of Member states
  - Must guarantee equal treatment between all staff members, independently of origin. This applies in particular to the pension rights
  - Staff members are no longer part of a national social insurance scheme



# CERN Pension scheme

- The CERN pension fund is based on a defined benefit scheme
  - The level of benefits is defined upfront and the contributions are calculated to insure that the Fund will be able to pay them:
  - “Guarantee on pensions”
    - Risk shared between (staff member) and sponsor
- The CERN pension fund is a capitalised scheme
  - Funding are contributions and return on investments
  - No legal obligation to reach full funding, but a Council decision following new governance in 2007: “the fund must be fully funded”
- Investment objectives
  - Return: 3% above Geneva inflation over the long term (3 years)
  - Risk: 5% CVaR (Conditional Value-at-Risk) limit of – 8%



# Structure of the Pension Fund

- Status (art. I 2.01)
  - CERN PF is integral part of CERN
  - Under supreme authority of CERN Council
  - Administration + management independent of CERN/ESO
- Assets (art. I 2.02)
  - Deposited and held in fund separately from CERN/ESO
  - To be used exclusively for paying benefits to PF members
- Bodies (art. I 2.03)
  - Governing Board
  - Investment Committee/Actuarial Technical Committee
  - Administrator (also called *CEO*)
  - Consulting actuaries, auditors



# Governing Board

- Functions (art. I 2.04)
  - Apply policy of CERN Council
  - Supervise and monitor management of Fund
  - Define investment policy of assets
  - Submit proposals/opinions to CC and FC concerning PF
- Composition (art. I 2.05, since 1 Nov. 2007) Mandate ≤ 6 yrs
  - Two nominated by CERN Council
  - One nominated by ESO Council
  - One nominated by DG of CERN
  - Two nominated by CERN Staff Association
  - One nominated by ESO Staff Association
  - One nominated by CERN/ESO pensioners
  - **Two professional experts nominated by CERN Council with voting right**

Employer representatives

Employee representatives



# Liability and Membership Overview at 01/07/2017

Dashboard by Conduent



Total Liability: CHF 5,628 million

Total membership: 7,541

- 66% of the liability is in respect of beneficiaries, 54% of these are retirees who joined the Fund before 1 July 1987.
- Members who joined post 30 June 1987 represent 26% of the liability but 48% of the total membership.



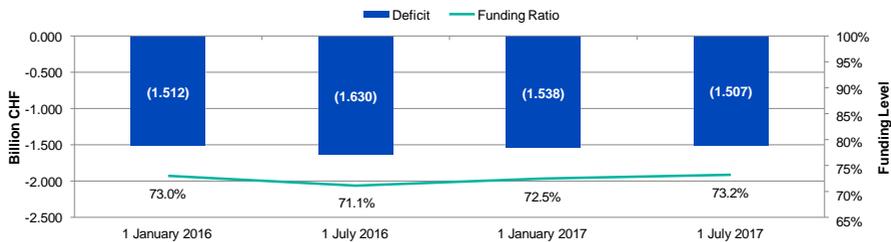
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# Funding Level at 01/07/2017

The funding level at 1 January 2016 was 73.0%. At 1 July 2017 it was 73.2%.



The deficit has been reduced from CHF 1.512 bn as at 1 January 2016 by CHF 50 m to CHF 1.507 bn at 1 July 2017, and the funding level has increased by 0.2%.



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## Strategic Asset Allocation

Asset class	2017	2016	2015
Fixed Income	36.5%	30.0%	35.0%
Equities	15.0%	25.0%	20.0%
Real Estate	20.0%	20.0%	20.0%
Timberland/Farmland	3.5%	5.0%	0.0%
Private Equity	6.0%	5.0%	5.0%
Hedge Funds	8.0%	10.0%	10.0%
Commodities/Gold	4.0%	0.0%	0.0%
Cash	7.0%	5.0%	10.0%

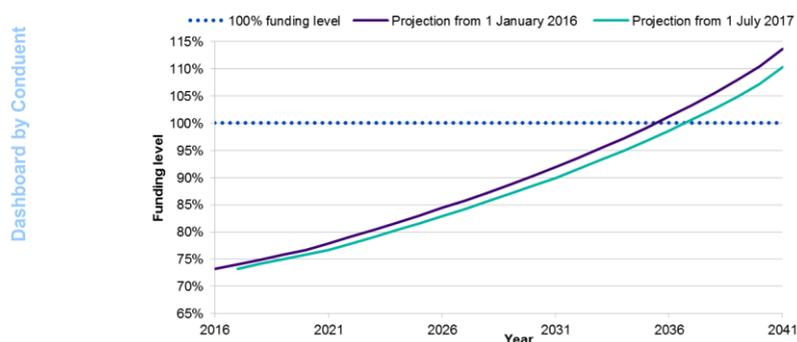


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## Projection of the Funding Level to 01/01/2041



The above projections allow for the following assumptions:

- 1.0% p.a. until 2024 and 1.5% from 2025 onwards for pension and inflationary increases
- 83% VZ 2010 Generational mortality
- Withdrawals of active members from the Fund of 0.92% p.a. on average for all members
- 4.0% p.a. investment return until 2019, 4.5% p.a. investment return from 2020 to 2024 and 5.0% p.a. investment return from 2025 onwards
- Special contributions of CHF 61.3 m p.a., based on current levels of ESO special contributions (which are under review)

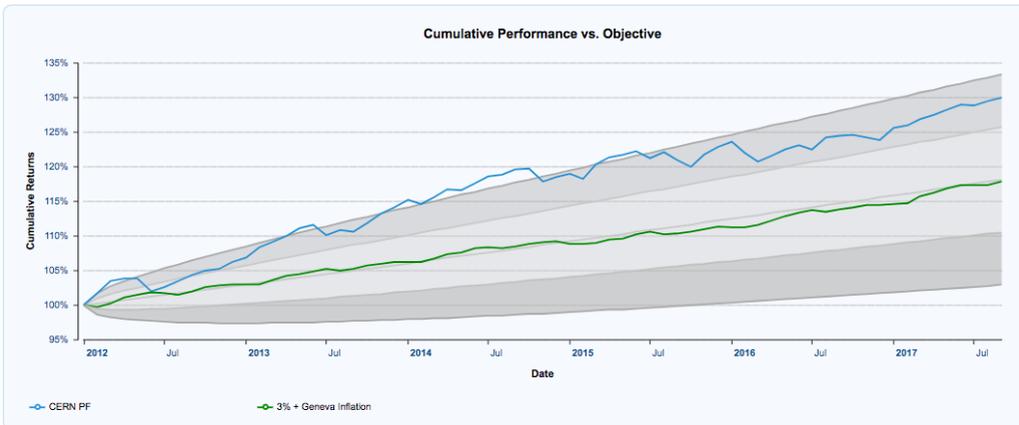


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## Pension Fund Performance 31/08/17



**Return (YTD): 3.48%**

**Risk (5% CVaR): -7.5% (above the limit of -8%)**



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## CERN Pension Fund

- The projection of the Funding Level to 01/01/2041 remains above full funding, as planned and expected;
- The performance rate YTD stands at 3.48% which is in line with the objective of 3% annual performance above inflation;
- WG on the guarantee of pensions in the event of the dissolution of the Organization started its work, discussion for including also the Health Insurance coverage;
- No present difficult discussions;
- **The next triennial actuarial study will be held next year and could lead to new discussions.**



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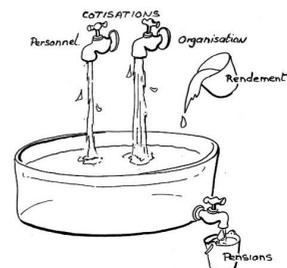
## Working Group on the PF Governance

- Mandate: achieve a comprehensive review of the Fund's Rules ;
- Members – CERN Council: 1, ESO Council: 1, SA: 1, GAC: 1, external: 1, SACA: 1, 2 external experts;
- The draft is essentially completed;
- **Most important remaining item to be addressed: the composition of PFGB to be discussed during the next three meetings**
- The SA asks to comment the final version of the working group report after its submission to the Council for comments;
- The SA defends the principle of joint representation within the PFGB
  - voting rights reserved for stakeholders.



## Thank you for your attention

### Any questions?



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