**Action to be taken**

**For Approval**

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<th>RESTRICTED COUNCIL</th>
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<td>142nd Session</td>
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<td>21 June 2007</td>
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**Voting Procedure**

Simple Majority

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**CERN PENSION FUND**

**GOVERNANCE PRINCIPLES AND STRUCTURE**

**REPORT OF THE STUDY GROUP ON PENSION FUND GOVERNANCE**

This document contains the Report of the Study Group on Pension Fund Governance with proposals for the future governance of the CERN Pension Fund.

The Council is invited:

1. to take note of the Study Group’s Report;

2. to adopt the Resolution set out in Annex 3.
I. Background to the present report

In December 2004, the Council\(^1\) decided to set up a Working Group on Pension Fund Bodies, chaired by Professor E. Osnes, with the remit "...to submit to the Council, in a timely fashion, an exhaustive list of issues and comments thereupon relating to the scope composition and operation of the various entities of the CERN Pension Fund...".

In December 2005, following examination of the Working Group’s Draft Interim Report (White Paper) and in the light of its members’ conclusion that further expert input on pension fund governance was needed, the Council decided to authorize the President to set up a Panel consisting of three outside pension fund experts\(^2\) entrusted with the task of:

- “assessing the structure proposed in the White Paper in the light of the OECD guidelines, taking into account the views of delegations,
- proposing any adjustments to the direction proposed it considers appropriate,
- providing advice on possible further steps to be implemented,
- submitting its conclusions to the March 2006 Council Session.”

The Expert Panel submitted its report to the Council in September 2006\(^3\). At its October 2006 Restricted Session, the Council agreed to proceed with the Expert Panel’s recommendations and to invite the CERN Council delegates and ESO representative on the Working Group on Pension Fund Bodies (Professor E. Osnes, Chair, Dr I. Corbett (ESO), Professor J. Niederle, Mr C. Van Riel and Mr P. Williams):

i) “to review the Panel's recommendations and come forward in December 2006 with a formal proposal for a Council decision to establish basic principles relating to CERN Pension Fund governance on the basis of those recommendations, and

ii) to propose a plan of work, composition and remit for a technical working group that would prepare for implementation of those basic principles, including drafting the corresponding amendments to the Pension Fund Rules and Regulations.”

\(^1\) “The Council” refers to the CERN Council throughout the document.
\(^2\) G. Inderst, P. Lambert and J. Yermo.
A report was submitted by this Group to the Council in December 2006\footnote{Review of the CERN Pension Fund Expert Panel Report (CERN/2702).} recommending the implementation of the principles advocated by the Expert Panel. At its Restricted Session in December 2006, the CERN Council decided to set up a Study Group on Pension Fund governance with the following remit:

“… to elaborate concrete and detailed proposals, for submission to Council for a new governance structure of the CERN Pension Fund based on the recommendations of the Expert Panel as examined by the Review Group, taking into account the special technical and legal aspects of the proper functioning of the Pension Fund in the particular framework of CERN as an international organisation;”.

The Study Group held a preparatory meeting on 24 January and has formally met four times: at CERN on 7 February, in Brussels on 20 February, and at CERN on 3 and 31 May. The composition of the Study Group is set out in Annex 1 to this report.

The Study Group submitted an interim report\footnote{White Paper, CERN Pension Fund Governance, Implementation of the basic principles outlined in the Report of the Expert Panel dated 5\textsuperscript{th} March 2007.} to the Council at its March session, based on the Expert Panel’s recommendations with further clarifications deemed necessary by the Study Group. The Council took note of the White Paper, of the oral presentation by the Study Group’s Chairman, Mr Levaux, and of the work timetable envisaged by the Study Group, namely: final report on the basic principles of the governance structure for approval by the Council in June 2007; corresponding amendments to the Pension Fund Rules and Regulations to follow approval in June.

At its March 2007 Session, the Council:

“welcomed the progress achieved and encouraged the Group to proceed on that basis with a view to presenting a set of proposals for a new Pension Fund governance structure for approval by the Council at its June 2007 Session.”
On the one issue where consensus had not been reached in the Study Group, the Council advised the Group to recommend that the composition of the Governing Board should include two professional trustees, with voting rights, preferably to be appointed by a consensus of all the other Board members.

Finally, the Council requested the Study Group to submit a proposed schedule for implementation of the new governance structure, including appointments and milestones, and also to produce an outline of the operational aspects of a typical year with the new Pension Fund governance to illustrate the interaction between the different actors including the Council.” (CERN/2718/Draft)

In line with the Council’s wishes, this document contains:

1) proposals for a new Pension Fund governance structure based on the principles highlighted by the Expert Panel (Sections II to VI),
2) proposed implementation measures and schedule (Section VII),
3) proposed amendments to the Rules of the Pension Fund relating to the composition, Chairman and Vice-Chairman of the Governing Board (Annex 2),
4) the draft Resolution relating to the proposals under 1), 2) and 3) above for adoption by the Council (Annex 3).

II. Legal status and position of the Pension Fund within the Organization⁶.

With reference to the conclusions of the Expert Panel that "although legal separation is desirable for pension funds in general ... the establishment of the CERN pension fund as a separate legal entity may be lengthy and complex and may not even be legally feasible because of the international organisation nature of CERN”, the Study Group accepts that at this stage the Pension Fund will not have separate legal status and will remain an integral part of CERN. In particular, this would ensure that the Fund can benefit from the privileges and immunities conferred on the Organization.

In order to ensure that the Fund can fulfil its role as a provider of pension benefits and that its assets are protected from other use, the Pension Fund governance structure must approximate as closely as possible to that of a pension fund with separate legal personality, thus constituting “a proxy for legal separation through an effective ring-fencing mechanism that meets international best practice”⁷. It must therefore have internal administrative autonomy and its assets must be held separately from those of the Organization.

This means that the Pension Fund must be under the final authority of the Council whilst all matters relating to the administration of benefits and management of its assets, must be entrusted to an administrative structure whose executive authority is separate from that for the rest of the Organization. This means that the Director-General is relieved of all responsibility for governance of the Fund.

⁶ “Organization” refers to CERN.
Accordingly, the Pension Fund bears its own administrative (including personnel) costs and manages its own operating budget and staff. The General Manager and the staff of the Fund receive the necessary instructions on the exercise of their duties exclusively from the Fund's bodies. In practical terms, this means that: a) the Governing Board is competent to set the profile and the work objectives of the General Manager and to evaluate his performance and b) the General Manager is responsible for assessing the Pension Fund’s staff requirements, for submitting corresponding staffing proposals to the Governing Board for approval, and then for selecting, appointing and managing the staff of the Management Unit. However, for administrative matters resulting from their employment relationship with the Organization (i.e. contract extension, award of an indefinite contract, merit recognition, etc.), the General Manager and the staff of the Fund remain under the authority of the Director-General, in application of the Staff Rules and Regulations.

Given the Council’s direct responsibility for the Fund and its role as supreme supervisory authority and guarantor of the pension benefits, the Pension Fund governance structure must also ensure that Council is regularly provided with the necessary input to allow it to fulfil these responsibilities.

In view of the fact that the CERN Pension Fund does not have a separate legal personality from that of the Organization, in 1996 the Council decided that, in the event of dissolution of CERN, the Pension Fund (as a closed fund) would be converted into a Foundation under Swiss law. This would enable the Fund to continue its mission until the expiry of the entitlement of the last beneficiary of the rights acquired under the Rules of the Fund and guaranteed by the Organization. The detailed arrangements for implementation of the guarantee of pensions, in particular in the event of withdrawal of Member States from, or dissolution of, one of the participating Organization, are still pending and need to be finalized.

III. Position of ESO with respect to the governance principles and structure

By virtue of an international agreement between CERN and ESO concluded on 13 March 1991, ESO’s international staff is admitted to the Fund, under the Rules of the Fund as defined by the CERN Council. CERN and ESO are under the obligation to consult each other for the purposes of the Pension Fund. The representation of ESO on the Pension Fund Governing Board (PFGB) is determined by the 1991 CERN-ESO Agreement.

The Study Group recognizes that the current representation of ESO in the PFGB should be enhanced. However, it was agreed that there should be no fundamental change to the principles on which the Agreement is based, under which ESO is admitted to CERN’s Pension Scheme and accepts its terms as defined by CERN’s decision-making bodies.

In accordance with Articles III and VIII of the CERN-ESO Agreement, the participating Organizations must examine the implications of the proposed changes in the Pension Fund.
governance principles and structure, and propose any corresponding amendments to their respective Councils for approval.

IV. Funding policy and principles

Given that there is no guarantee of perennity of the Organizations and thus of CERN and ESO as employers and as sponsors of the Pension Fund, the Fund must be fully funded in order to meet its long-term obligations. Consequently, the Study Group reaffirms the Expert Panel’s advice that the following issues must be specified in the Fund Rules and/or policy statements and decisions:

- the aim of full funding;
- the definition of full funding;
- a possible recovery period in case of underfunding resulting from market volatility;
- the ways and means to re-establish full funding in case of underfunding resulting from insufficient contributions in the past, from rising liabilities that are not funded by returns on investment;
- the extent and legal status of CERN and ESO guarantee for pension entitlements and benefits (in proportion to their respective members and beneficiaries);
- the extent and legal status of a Member State guarantee for pension entitlements and benefits;
- the enforcement of the guarantees;
- the applicable rules specifying the obligations of a Member State towards the Pension Fund in the event of withdrawal from, or dissolution of, the Organization;
- the applicable rules governing the financial implications of reductions in workforce and redundancies decided by the employer, i.e. the supplementary contributions to be paid by the employer.

The drafting of proposals relating to the implementation of the above-mentioned funding policy and principles, in particular the definition of full funding and the mechanisms to achieve it, should constitute one of the initial major tasks of the PFGB.

V. Interaction between the Council and the Director-General in the decision-making process on Pension Fund matters

Since the Council entrusts executive authority for Pension Fund governance to a separate structure, the Director-General is responsible for all matters relating to the mission of the Organization (including definition of employment conditions under Article IV 2.07 of the Staff Rules10 and preparation of all the Organization’s budgetary decisions), but not for those related to the proper functioning of the Pension Fund, which are within the specific remit of the Pension Fund’s bodies.

10 “The Council, on the proposal of the Director-General and after discussion in the Standing Concertation Committee, shall fix the benefits and contributions relating to social insurance cover measures taken by the Organization. The prior consultation of the Governing Board of the Pension Fund shall be required in matters relating to benefits and contributions of the old-age and disability insurance scheme.”
The aforementioned distribution of executive powers between the Pension Fund bodies and the Director-General implies that the PFGB must directly inform the Council of the need for measures to secure and maintain the financial balance of the Fund. However, when any such measures submitted to Council relate to employment conditions (including pension benefits and contributions), the decision-making procedure followed by the Council must respect the executive authority of the Director-General and must be compatible with the applicable procedures (Standing Concertation Committee, TREF). Similarly, if the proposals by the PFGB could have an impact on the Organization’s budget, Council must consult the Director-General before taking any final decision.

VI. Pension Fund structure and bodies (remit and composition):

A - The CERN Council has three main roles with respect to the Pension Fund

1. Regulator of the Fund

As the Fund does not fall under any national legislation, the Council determines the governance structure of the Pension Fund, i.e. provides a legal framework for the independent operation of the Pension Fund within the Organization, and reviews it regularly, thereby creating a proxy for legal separation.

2. Supreme supervisory body of the Fund

The Council:
- has ultimate responsibility for the Fund,
- supervises and grants discharge to the PFGB, which it entrusts with the governance of the Pension Fund,
- appoints the General Manager of the Pension Fund on the proposal of the PFGB,
- approves the key policies (e.g. funding policy, investment policy and Code of Conduct),
- decides on the PFGB’s annual indexation proposals,
- reviews the annual performance and approves the annual report and accounts submitted by the PFGB,
- appoints two members to the PFGB and the Chairman of the Governing Board from among those two members,
- appoints the Vice-Chairman of the Governing Board on the latter’s proposal,
- appoints two professional members of the PFGB, on the proposal of the other members of the PFGB;
- determines standard terms of appointment of members of the PFGB.

3. Sponsor

The Council:
- acts, together with the ESO Council, as ultimate guarantor and underwriter of pension benefits for their respective employees,
- ensures, together with the ESO Council, that contributions are paid with required regularity for their respective employees,
- examines and decides on scheme design proposals (e.g. benefits and contributions).
B - The Pension Fund Governing Board (PFGB)

The PFGB is entrusted by the Council with responsibility for overseeing the governance of the Fund. It reports directly to the Council on all matters within its remit, in particular concerning the Fund’s actuarial balance and all parameters affecting it. The PFGB must inform Council of any measures it deems necessary to secure and maintain the actuarial balance of the Pension Fund in order to meet the Organization’s pension obligations to the members and beneficiaries.

The Main tasks of the PFGB shall be:

1. to ensure implementation of the Council’s decisions in pension matters,
2. to develop and update regularly a funding policy (including actuarial basis, risk management, accounting rules, funding pace, deficit recovery period, etc.) for approval by the Council,
3. to develop and update regularly an investment policy congruent with the funding policy, covering strategic asset allocation, internal versus external management and selection of external managers, on the basis of the Investment Committee’s recommendations, for approval by the Council,
4. to develop and update regularly a statement of investment principles which describes the main parameters of the decisions made on the Fund’s investments, on the basis of the Investment Committee’s recommendations, for approval by the Council,
5. to draw up a Code of Conduct applicable to all members of the Pension Fund bodies and the Pension Fund staff, for approval by the Council,
6. to appoint the master custodian bank and the other external service providers, such as asset managers,
7. to supervise and to grant discharge to the General Manager and to oversee management of Pension Fund operations and of the assets by the General Manager and the investment activities of the Fund and the Investment Committee,
8. to approve the proposals of the Investment Committee relating to the appointment of the external providers,
9. to inform the Council on all matters pertaining to the financial position of the Fund, including via the commissioning of regular actuarial reviews, with a yearly update,
10. to propose to the Council any measures it deems necessary to restore/maintain the financial balance of the Fund,
11. to submit proposals for amendments to the Pension Fund Rules and Regulations (PFRR) relating to the Pension Fund governance to the Council and Finance Committee,
12. to submit proposals to the Council regarding the actuarial parameters to be used for actuarial reviews,
13. to present to the Council for approval the annual pension adjustment, calculated according to the method laid down in the PFRR,
14. to submit a recommendation to the Council for the appointment of the General Manager,
15. to appoint the members of the Investment Committee,
16. to oversee the operations of the Investment Committee,
17. to submit the Annual Report to the Council for approval and discharge,
18. to examine appeals against the decisions by the General Manager,
19. to appoint the actuary and the Fund’s consulting medical practitioner,
20. to determine a policy for communications between the Fund and the members and beneficiaries,
21. to select by consensus two professional trustees as members of the PFGB and to recommend their appointment by the Council,
22. to draw up the rules relating to signature rights,
23. to submit any other proposal, advice, opinion or information relating to the operation of the Fund to the Council,
24. to take any other measures necessary for the operation of the Pension Fund that do not fall within the direct competence of the Council.

Composition of the PFGB:

As underlined by the Expert Panel, the PFGB must have the technical competences to oversee Pension Fund investment activities, monitor the funding ratio, issue investment and other instructions to the Manager, commission actuarial and other studies and supervise day-to-day Pension Fund operations, etc.

In line with the Expert Panel’s recommendation that members of the PFGB be subject to suitability criteria, thereby establishing "a requirement for a sufficient degree of experience and knowledge for the Board as a whole, including as far as possible a diverse skill set in investment, actuarial and legal issues", the Study Group recommends that the PFGB should ensure that new members are provided with appropriate training in pension fund trusteeship before taking up their term of office on the PFGB.

All PFGB members must undertake to act solely in the best interests of the Pension Fund and not as representatives of their respective constituencies. All members must accept standard terms of appointment. The responsibilities of members of the PFGB will be set out in a Code of Conduct.

The PFGB should consist of:

a) 2 members appointed by the CERN Council, one of whom shall be a Council Delegate and the other shall be either a Council Delegate or a member of the Finance Committee,
b) 1 member appointed by the ESO Council,
c) 1 member appointed by the CERN Director-General from among the CERN staff members,
d) 2 members appointed by the CERN Staff Association from among the CERN staff members,
e) 1 member appointed by the ESO Staff Association from among the ESO staff members who are members of the CERN Pension Fund,
f) 1 member appointed by the CERN and ESO Pensioners Association (CEPA) from among the CERN and ESO beneficiaries of the CERN Pension Fund11,
g) 2 professional members specialized in pension fund matters.

The Chairman of the PFGB shall be appointed by the CERN Council from the two members appointed by the latter.

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11 The Committee of the CERN Pensioners Association has decided to amend the Rules of the Association to admit former ESO staff members.
The Vice-Chairman is appointed by the Council on the proposal of the PFGB from the members in d) and e) above.

The professional members are appointed by the Council on the recommendation of the other members of the PFGB and are remunerated by the Pension Fund for their work on the Board. The Board should strive to recommend the professional members by consensus.

The Manager attends the PFGB in an ex officio capacity and may raise any issue he considers to be within the PFGB’s competence. He is the Secretary of the PFGB.

In the event of absence, a representative must inform the Chairman of his position with regard to any decisions to be taken on the agenda of a PFGB meeting, requesting him to inform the Board of that position, which does not count as a vote. No alternates shall be appointed.

The term of office of members on the PFGB is three (3) years, renewable once for a further maximum consecutive period of three (3) years. No further terms of office on the Board are possible. A quorum for any meeting shall be constituted by the presence of the majority of all the members and must include at least one of the professional members.

C - Investment Committee

The Investment Committee is the expert advisory body of the PFGB on investment matters with the general objective of maximising return on the Fund’s assets within the risk profile set by the PFGB.

Main tasks of the Investment Committee:

The Investment Committee:

1. proposes an annual investment plan to the PFGB for approval,
2. makes proposals to the PFGB concerning its investment policy congruent with the funding policy covering strategic asset allocation, internal versus external management and selection of external managers,
3. makes proposals to the PFGB concerning its statement of investment principles,
4. decides on tactical asset allocation and on the asset managers’ mandates,
5. selects all external providers for approval by the PFGB,
6. issues the General Manager with instructions on investments,
7. undertakes examinations and commission and prepares reports for the PFGB,
8. supervises the performance of the asset managers,
9. responds to any request by the PFGB.

Composition of the Investment Committee:

The Investment Committee consists of the following members appointed by the PFGB:
- the Pension Fund General Manager,
- two members of the PFGB selected for their expertise in investment policy and practice,
- two external professional experts independent from the asset managers,
- a member of the Fund’s internal investment unit.

The General Manager and the member of the Fund’s internal investment unit do not have voting rights.

The PFGB may increase the membership of the Investment Committee, if it is deemed necessary.

The Chairman is appointed by the PFGB from the two PFGB members on the Investment Committee and has a casting vote.

The PFGB and the Investment Committee hold at least one joint meeting each year.

D - General Manager

The General Manager is the head of the Pension Fund Management Unit, accountable to the PFGB for his execution of the decisions taken by the PFGB, legal representative of the Organization for all matters related to the Pension Fund.

He is appointed by the Council on the proposal of the PFGB. The PFGB determines the job description of the General Manager and the skills and competences required for his functions, selects him and recommends his appointment to the Council. Once the Council has approved his appointment, the Director-General will take the necessary administrative steps for his recruitment.

The General Manager is a CERN staff member, subject to the usual CERN contract conditions. The PFGB determines the General Manager’s objectives, issues him with instructions relating to the operations of the Fund and assesses his performance.

Main functions:

1. Responsibility for implementing the Pension Fund operation and administration decisions by the PFGB and the investment decisions taken by the PFGB and the Investment Committee.
2. Responsibility for the day-to-day management of the Pension Fund operation via the Pension Fund Management Unit and of external service providers, e.g. asset managers, auditors, actuaries and custodians.
3. Responsibility for applying and interpreting the Rules and Regulations of the Pension Fund. In the event of ambiguity, the matter shall be submitted to the PFGB.

E - Pension Fund Management unit

- General Manager
- Benefits service
- General services, including IT and accounting,
- Internal Investment Unit
Other CERN internal services can be used on request and charged to the Pension Fund Budget (conversely, the CERN Management may request the Unit to provide it with the information it requires to prepare its own proposals, e.g. concerning benefits and contributions).

**F – Auditor**

The annual financial accounts of the Pension Fund are audited by the CERN External Auditors appointed by the Council. The PFGB mandates a specialized pension fund audit consultancy firm to conduct an additional annual audit of the Pension Fund, which will be submitted to the Council.

**G - Actuary**

External actuary with relevant pension fund actuarial experience, meeting international best practice, appointed by the PFGB.

**H - Medical Practitioner**

Appointed by the PFGB on the proposal of the General Manager. Advises the Pension Fund on cases requiring an expert medical opinion.

**VII. Implementation: measures and schedule**

Implementation of the new governance principles and structure set out in this document necessitates their introduction into the relevant Pension Fund Rules and Regulations, i.e. a complete revision of Chapter I of the Rules and of those Regulations dealing with governance structure. The preparation of these amendments constitutes a major task requiring technical and legal expertise, and will have to be tackled by a working group set up by the PFGB once the Council has approved the governance principles and structure set out in this document and once the PFGB has been set up in its new composition.

One of the most important goals of the proposed new governance structure and principles is to enhance the professionalism of the Governing Board, including by the addition of professional experts in its membership and by the definition and application of funding principles. As the PFGB will have to draw up those principles for approval by the Council, it is desirable to allow it to function with the new membership as soon as possible on the basis of the corresponding amendment to the PFRR relating to the composition to be approved by the Council, without awaiting the completion of the abovementioned revision.

In order to allow time for the necessary appointments to be made, it would be appropriate to set up the new PFGB with effect from 1 October 2007. The existing Governing Board would thus continue to operate in its current form and with its current composition until 30 September 2007.

In order to allow the PFGB to be operational from 1 October 2007, all appointments need to be effective by that date.
To facilitate the setting-up of the new PFGB and to allow it to be fully operational from 1 October 2007, the Study Group proposes, as a transitional measure, that the existing Governing Board be mandated to recommend, for approval by Council at its September 2007 Session, the two professional members to serve on the newly constituted PFGB from 1 October 2007.

The new governance structure will fully enter into force once the required amendments to the Rules and Regulations have been approved. Pending the comprehensive revision of all pertinent Rules and Regulations, in particular Chapter I, the Pension Fund’s bodies will operate on the basis of the existing Rules and Regulations, and, with the exception of the PFGB, in their present composition. However, pending that comprehensive revision, the Pension Fund’s bodies should as far as possible already take into account the principles set out in this document.

The following implementation schedule is therefore proposed:

1. Steps to be taken by the Council at its June 2007 Session

   a) Approval of the governance principles and structure and the corresponding implementation measures and schedule set out in Sections II to VII of this document;

   b) Approval of the amendments to the Pension Fund Rules relating to the new composition, chairmanship and vice-chairmanship of the Governing Board set out in Annex 2, to take effect from 1 October 2007;

   c) Mandate the existing Governing Board to propose, for appointment by the Council in September 2007, the two professional members for the new PFGB.

2. Steps to be taken after the June 2007 Council Session and before 1 October 2007

   a) Appointment by the CERN Council at its September 2007 Session of:
      i) two members to the PFGB;
      ii) the Chairman of the PFGB;
      iii) the two professional members, on the proposal of the current Governing Board.

   b) Appointment of the other six members to the new PFGB by their respective constituencies (ESO Council, CERN Director-General, CERN and ESO Staff Associations and the CERN and ESO Pensioners Association);

   c) Start of the drafting of the necessary amendments to the CERN-ESO Agreement to take account of the new composition of the PFGB for approval by their respective Councils as soon as possible.
3. Steps to be taken after 1 October 2007

a) Drafting by the PFGB of:
   
i. the amendments to the Pension Fund Rules and Regulations (PFRR) necessary for the implementation of the new governance principles and structure;
   
ii. funding policy and principles for the Pension Fund in line with Section IV of this document;
   
iii. standard terms of appointment for all the members of the PFGB;

   for approval by the Council as soon as possible.

b) Proposal by the PFGB of the Vice-Chairman for approval by the Council at its December 2007 Session;

c) Full implementation of the new governance structure (in particular the new Investment Committee) once the Council has approved all the corresponding amendments to the PFRR.

VIII. Proposal

The Council is therefore invited:

1. to take note of the Study Group’s Report;

2. to adopt the Resolution set out in Annex 3.
ANNEX 1

Composition of the Study Group

**Chairman:** Mr P. Levaux, appointed by the CERN Council

**Members:**
- Mr P. Williams, appointed by the CERN Council
- Mr F. Bello, appointed by the ESO Council
- Mr S. Lettow, appointed by the CERN Director-General
- Mrs D. Duret, appointed by the CERN Staff Association
- Mr E. Allaert, appointed by the ESO Staff Association
- Prof. F. Ferrini, appointed by the President of Council from amongst the Members of the Governing Board
- Mr P. Lambert, independent investment expert appointed by the President of the CERN Council
- Dr J.-A. Schneider, independent legal expert appointed by the President of the CERN Council

**CERN services:**
- Dr E.-M. Gröniger-Voss, CERN’s Legal Counsellor
- Dr J.-M. Favre, Legal Service
- Mr J. M. Wilkinson, Translation and Minutes Service

**Also present:**
- Mr F. Wittgenstein, representing the CERN Pensioners Association
ANNEX 2

Amendments to the Rules relating to the composition, chairmanship and vice-chairmanship of the Governing Board

Article I 2.05 : Composition of the Governing Board

1. The Governing Board shall consist of the following members:
   a) two appointed by the CERN Council, at least one of whom shall be a Council Delegate. The other shall be either a Council Delegate or a member of the Finance Committee. Their terms of office shall cease once they are no longer Council Delegates or members of the Finance Committee;
   b) one appointed by the ESO Council;
   c) one appointed by the Director-General of CERN from among the CERN staff members;
   d) two appointed by the CERN Staff Association from among the CERN staff members;
   e) one appointed by the ESO Staff Association from among the ESO staff members;
   f) one appointed by the CERN and ESO Pensioners Association from among the CERN and ESO beneficiaries of the CERN Pension Fund;
   g) two professional members specialized in pension fund matters selected by the members referred to in a) to f), appointed by the Council.

2. The General Manager shall attend the Governing Board in an *ex officio* capacity.

3. The members of the Governing Board shall be appointed for their competence in the matters falling within the remit of the Board. They shall accept standard terms of appointment by which they undertake in particular to act solely in the best interests of the Pension Fund and not as representatives of their respective constituencies.

4. Any member may be dismissed from his office by the authority which appointed him at any time by a procedure similar to that followed for his appointment.

5. Subject to paragraph 4 above, the term of office of members of the Governing Board shall be three (3) years, renewable once for a further maximum consecutive period of three (3) years. No further terms of office on the Governing Board are possible.

6. Each member of the Governing Board has the right to vote. In the event of a tie, the Chairman, referred to under Article I 2.06 below, shall have a casting vote.
Article I 2.06 Chairman and Vice-Chairman of the Governing Board

1. The Chairman of the Governing Board shall be appointed by the Council.

2. The Chairman of the Governing Board must be chosen from among the two members appointed by the Council.

3. The Vice-Chairman of the Governing Board shall be appointed by the Council on the recommendation of the Governing Board from among the members appointed by the CERN Staff Association and the ESO Staff Association.

4. The term of office of the Chairman and Vice-Chairman shall be three (3) years and shall be renewable once for a further maximum consecutive period of three (3) years. No further terms of office on the Governing Board are possible.
ANNEX 3

Draft Resolution

The Council,

Having regard to:


Its decision dated 19 and 20 December 1955 to approve the principle of setting up a Pension Fund, hereinafter referred to as « the Fund », to act as an essential part of CERN’s own social security scheme;

The CERN pension scheme as defined by the CERN Staff Rules and Regulations and the Pension Fund Rules and Regulations;

Its Resolution dated 27 June 1986 (Annex IV of document CERN/FC/2946/Rev.) (cf. CERN/1628), concerning guarantees for the continued payment of the CERN personnel’s pension rights in the event of the dissolution of the Organization;

Its Resolution dated 23 June 1989 concerning the relations between the CERN Council, hereinafter referred to as « the Council », and the Fund, according to which the Council is the supreme supervisory body of the Fund whose purposes it guarantees and for whose management it assumes responsibility;

Its Resolution dated 20 December 1996, supplementing the Council Resolution dated 27 June 1986 (CERN/1628), concerning guarantees for the continued payment of the pension rights of CERN’s personnel in the event of dissolution of the Organization (CERN/2165);

The Agreement between CERN and ESO concerning the admission of ESO staff to the CERN Pension Fund, signed on 13 March 1991;

The guarantee by CERN and ESO of the benefits acquired under the Pension Fund Rules by the members of their own personnel until the cessation of the rights of the last beneficiary.
Considering:

The need to determine an appropriate governance structure to ensure the proper functioning of the Fund taking into account the particular framework of CERN as an international organization;

The desirability of ensuring the autonomous functioning, security and professional governance of the Fund in accordance with the guidelines for pension fund governance adopted by the OECD Council on 28 April 2005;

The need to ensure that the governance structure is best adapted to allow the Pension Fund to fulfil its purposes and to permit the Council to fulfil its responsibilities as supreme supervisory body;

The need for the Pension Fund to be fully funded in order to meet its obligations;

The need to clarify the respective roles of the Council and the Director-General of CERN and their relations with the Fund;

The need to ensure appropriate representation of ESO in the governance structure.

Taking into account:


The Report of the CERN Expert Panel on Pension Fund governance structure dated 22 September 2006 (CERN/CS/9097);

The Review of the CERN Pension Fund Expert Panel Report (CERN/2702) dated 1 December 2006;

The White Paper by the Study Group on a new governance structure for the CERN Pension Fund presented to the Council at its March 2007 Session;

The consultation of ESO pursuant to Article III of the 1991 CERN-ESO Agreement, by a letter of the President of the CERN Council dated 30 March 2007, and the reply of ESO dated 30 April 2007;
Decides:

1. to approve the proposed governance principles and structure and the corresponding implementation measures and schedule set out in Sections II to VII of document CERN/2733/Rev.;

2. to approve the amendments to Articles 2.05 and 2.06 of the Pension Fund Rules set out in Annex 2 of document CERN/2733/Rev. to take effect from 1 October 2007.