United Nations A/67/525

General Assembly

Distr.: General
17 October 2012

Original: English

Sixty-seventh session
Agenda item 138
United Nations pension system

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Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board (A/67/9) as well as the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase diversification of the Fund (A/C.5/67/2). In addition, the Committee had before it a note by the Secretary-General on the membership of the Investments Committee (A/C.5/67/6). During its consideration of those matters, the Committee met with the Chair of the Pension Board, the Chief Executive Officer of the Pension Fund and the Representative of the Secretary-General for the Investments of the Fund.

2. In the present report, the Advisory Committee focuses its comments and recommendations primarily on areas requiring action by the General Assembly. Recommendations made and decisions taken by the Board at its fifty-ninth session that require action by the Assembly are listed in chapter II, section A of the report of the Pension Board (A/67/9). Annex XVII to that report contains a draft resolution proposed for adoption by the Assembly. Information provided on other action taken by the Board is contained in chapter II, section B of the report of the Pension Board.

3. The report of the Board of Auditors on the financial statements of the Fund for the biennium ended 31 December 2011 is contained in annex X to the report of the Pension Board (A/67/9). **The Advisory Committee concurs with the Board of Auditors' opinions in its report (A/67/9, annex X) and also points to other audit findings that need to be addressed as soon as possible (see paras. 6, 11, 18, 19 and 31-33 below).**

II. Summary of the operations of the Fund

4. The report of the Pension Board provides a summary of the operations of the Fund for the biennium ended 31 December 2011, which shows an increase in the number of participants in the Fund from 117,580 to 120,774, or by 2.7 per cent; an increase in the number of periodic benefits in award from 61,841 to 65,387, or by 5.7 per cent (A/67/9, para. 14); and an increase in the principal of the Fund from $33.1 billion to $35.2 billion (ibid., para. 15), or by 6.3 per cent. In addition, investment income, contributions and other income to the Fund totalled $6.9 billion in the biennium ended 31 December 2011, compared to $6.4 billion in the prior two-year period. Contributions and other income increased 12.2 per cent from $3.7 billion to $4.3 billion, while payments increased by 9.1 per cent from $3.8 billion to $4.1 billion. The Advisory Committee was informed that the expenditure for benefits and administrative and investment costs exceeded total contribution income by $82 million, whereas, in the prior biennium, total costs had exceeded total income by $163 million.

III. Actuarial matters

5. Chapter IV of the report of the Pension Board (A/67/9) deals with actuarial matters, including the results of the thirty-first actuarial valuation of the Fund, which is intended primarily to determine whether the current and estimated future assets of the Fund are sufficient to meet its liabilities. The actuarial valuation for the biennium ended 31 December 2011 indicates an actuarial deficit of 1.87 per cent of pensionable remuneration as at 31 December 2011, which is the second actuarial deficit, following that of 0.38 per cent of pensionable remuneration as at 31 December 2009. It is indicated in the report that the Committee of Actuaries reviewed the funded status, which, without the application of cost-of-living adjustments, decreased from 140 per cent at the previous valuation to 130 per cent at the current valuation, and from 91 to 86 per cent when those adjustments are taken into consideration (ibid., para. 51). The Board’s report indicates that the Committee of Actuaries noted, with concern, that the current valuation continued the downward trend in actuarial results of the past five actuarial valuations (ibid., para. 47). The Advisory Committee notes that the statement of actuarial sufficiency approved by the Committee of Actuaries indicates that the value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date, and that there is no requirement for deficiency payments under article 26 of the Regulations of the Fund (ibid., para. 53). The Committee further notes the Board’s view that the increase in the actuarial deficit was primarily the result of lower-than-expected returns on investments (ibid., para. 56).

6. In paragraph 129 of its report on the financial statements of the Fund, the Board of Auditors notes that the actuarial deficit is approaching the limits of the actuarial buffer recommended by the Committee of Actuaries (ibid., annex X). **The Advisory Committee shares the view of the Board that addressing the Fund’s actuarial deficit must be done prudently and must consider the long-term income and expenditure of the Fund (see A/67/9, para. 60). The Committee notes with concern, however, the continuing downward trend of results in the past five actuarial valuations and reiterates that, as the Committee of Actuaries has recommended an actuarial surplus of approximately 1 to 2 per cent of**

pensionable remuneration as a minimum safety margin, the actuarial deficit should be closely monitored with the aim of redressing the situation (see also A/65/567, para. 5).

7. The Advisory Committee notes that the Board has established a working group to consider possible measures to ensure the Fund's long-term sustainability, which it has directed to focus on such areas as governance, investment management and asset-liability management (see A/67/9, para. 61).The Committee further notes that the estimated cost of the working group of $174,000 for the biennium 2012-2013 will be absorbed from within the Fund's current appropriations. **The Committee welcomes the establishment of the working group on sustainability and looks forward to reviewing its proposals, and it urges the Pension Board to ensure that the working group takes into consideration all possible measures to strengthen the actuarial position of the Fund.**

IV. Investments of the United Nations Joint Staff Pension Fund

8. The Advisory Committee was informed that the total market value of the Fund's assets increased in the fiscal biennium by 12.3 per cent, from approximately $38.3 billion as at 31 March 2010 to $43.1 billion as at 31 March 2012, which implies an annualized return of 6.09 per cent, compared to the established policy benchmark of 7.42 per cent. For the fiscal year 2012, the Fund's return was 0.6 per cent, underperforming the policy benchmark by 2.07 per cent, while for the fiscal year 2011, the Fund's return was 11.9 per cent, underperforming the policy benchmark by 0.5 per cent (see A/C.5/67/2, para. 62).

9. The Advisory Committee was subsequently informed that, for the 10-year period ending 31 March 2012, the investments of the Fund had an annualized return of 7.3 per cent, which outperformed the policy benchmark of 6.6 per cent. The Fund's average annual return over the past 15 years of 6.9 per cent was also higher than the policy benchmark of 6.2 per cent (see A/C.5/67/2, para. 64). It is indicated in the Board's report that over the past 10 years, the Fund had outperformed the benchmark in the 5-, 7- and 10-year periods (A/67/9, para. 89).

10. The Advisory Committee notes, however, from the additional information provided to it (see annex) that the Fund underperformed against the investment return objective in each of the past three fiscal years and for the eight-year period ending 31 March 2012. In addition, the Fund underperformed in 6 of the past 12 fiscal years. In this regard, the Committee notes that the Board of Auditors, in its examination of the disclosure of realized and unrealized gains and losses in the financial statements for the biennium ended 31 December 2009, had revealed, as at 30 September 2009, a total of $3.61 billion in unrealized gains of over 50 per cent of the purchase cost and a total of $1.96 billion in unrealized losses of over 50 per cent of the purchase cost, including two investments that represented unrealized losses in excess of 90 per cent of the purchase cost (see A/65/9, annex X, paras. 98 and 99 and table 1). In its report on the financial statements for the biennium ended 31 December 2011, the Board of Auditors reiterated the need for a loss minimization strategy in cases where investment values show significant decline, and indicated that the Investment Management Division had introduced a trigger mechanism to review specific holdings when actual losses of 25 per cent or more are incurred over historical costs (A/67/9, annex X, para. 27). The representatives of the Fund

emphasized that data on historical costs were made available in existing information systems to portfolio managers in the course of their routine reviews of investment. The Committee was further informed that the Fund had striven to update, develop and strengthen its infrastructure and systems, including Charles River, SWIFT, RiskMetrics and MUREX, the latter of which was still in the testing phase, and had fine-tuned its investment techniques to meet the needs of the Fund regarding the high volatility in capital markets. Furthermore, the Investment Management Division stressed to the Committee that returns on investments needed to be viewed over the long term, where the impact of high volatility is moderated.

11. It is indicated in the Secretary-General's report that the investments of the United Nations Joint Staff Pension Fund, like those of other funds, have been experiencing unprecedented volatility in recent years due to the global financial crisis (see A/C.5/67/2, para. 68). Upon enquiry, the Advisory Committee was informed that investment portfolios such as that of the United Nations Joint Staff Pension Fund put assets at a certain level of risk in the expectation that overall results over time will reward risk-taking; however, the due diligence process as used by the Fund in stock selection cannot provide guaranteed protection against volatility in capital markets as a whole. **The Advisory Committee is nevertheless concerned that, while the long-term objectives of the Fund are still largely being met, the Fund has underperformed against the policy benchmark for three consecutive fiscal years, which has contributed to the current actuarial deficit of the Fund. The Committee recommends that, given the magnitude of the unrealized losses that were reported by the Board of Auditors, the Representative of the Secretary-General for the Investments of the Fund and the Investment Management Division should take appropriate measures to better monitor the investments of the Fund as a matter of priority.**

12. The Advisory Committee was also informed that during the fiscal biennium ended 31 March 2012, the Fund had continued to see extremely high volatility in capital markets worldwide and that the Fund had continued to take steps to protect its assets by increasing diversification, as well as focusing on acquiring some low-volatility assets. The Committee was further informed that the Fund was committed to pursuing a policy of broad diversification of its investments by currency, type of asset class and geographical area to improve the risk return profile of the Fund's portfolio over the long run.

13. The Advisory Committee notes that the Fund had reduced its equities asset allocation from 67.0 per cent on 31 March 2011 to 61.1 per cent by 31 March 2012, and had reduced its equities exposure in developed markets from 65.3 per cent in July 2011 to 60.6 per cent by 31 March 2012. Bonds were kept below the 31 per cent strategic guideline and were at 28.8 per cent as at 31 March 2012 (A/C.5/67/2, para. 47). In his report, the Secretary-General indicates that the Investment Management Division continued to review opportunities in private equity, real estate and commodities. Private equity investments were begun in June 2010 and the private equity asset allocation was 0.30 per cent by 31 March 2012 (ibid., para. 14); the real estate asset allocation was 4.57 per cent by 31 March 2012, compared to 3.64 per cent in March 2010 (ibid, para. 17).

14. The Secretary-General's report also reveals that, because of stronger growth potentials, further diversification opportunities in emerging and frontier markets are being carefully reviewed (ibid., para. 68). Direct and indirect investments in

developing countries amounted to $5.9 billion as at 31 December 2011, an increase of 14.3 per cent over the previous biennium. This reflects increases in the African, Asian, European and Latin American regions, as well as other international institutions. Investments in developing countries now account for approximately 17 per cent of the Fund's assets. The Advisory Committee notes that, as at 31 March 2012, the Fund had investments in 40 developing countries, reflecting a 23 per cent increase from $4.8 billion to $5.9 billion over the prior biennium (see A/67/9, para. 95). **The Advisory Committee recalls its previous recommendations in this area (see A/65/567, para. 10) and it welcomes the progress made and encourages further investment in emerging markets and developing countries, as appropriate, in order to strengthen diversification**.

15. The Advisory Committee notes that, as in the past, the financial data in the reports related to the United Nations Joint Staff Pension Fund are presented for the fiscal biennium from 31 March 2010 to 31 March 2012 with respect to investments, whereas the financial data for the operations of the Fund are presented in accordance with the regular United Nations biennium, from 1 January 2010 to 31 December 2011. The performance of the investments of the Fund is measured in comparison with more than 10 policy benchmarks and in respect of different periods, including for bienniums and for 12-month periods, and at different selected dates, such as for the period ending 30 June. The Committee further notes that it encountered discrepancies in the information provided to it on the performance of the Fund, including multiple record high levels for the investments of the Fund. Upon enquiry, it was clarified to the Committee that the Fund had recorded new historical high levels of $43.091 billion on 3 March 2011, surpassing the previous high level recorded in October 2007; of $44.523 billion in April 2012 and of $44.536 billion on 14 September 2012, a new all-time high level.

16. **While the Advisory Committee does not object to the use of two distinct biennium periods for reporting on the operations and on the investments of the United Nations Joint Staff Pension Fund, it is of the view that the reports of the Fund would benefit from the consistent application of select and relevant performance indicators. The Committee requests that the Fund present comprehensive financial information in the reports, in addition to key indicators of performance for the operations and investments of the Fund, in a format that facilitates comparison with prior financial periods, and ensure that the Committee is provided with up-to-date and accurate information on performance during its consideration of the reports.**

17. It is indicated in the Secretary-General's report that the North America equities portfolio is currently managed by only two Investment Officers, that recruitment to fill a newly established post of Investment Officer at the P-3 level for this area is under way and that the staff in this area are responsible for the management of approximately 700 different stocks, amounting to $14 billion of actively managed equity investment (see A/C.5/67/2, para. 11). The Advisory Committee was informed, upon enquiry, that the workload of the staff responsible for the North America equities portfolio in the Investment Management Division is heavy compared to industry norms, and that public and private sector investors have considerably higher levels of staff and other services at their disposal. The Committee notes that the Board of Auditors indicated that, while fund managers manage their investment portfolio as a whole, there is a need to consider individual investments in the portfolio (see A/67/9, annex X, para. 25). In this regard, the

Representative of the Secretary-General provided assurances to the Committee that the staffing complement for the North America equities area was nevertheless adequate to meet the needs of the Fund.

V. Administrative matters of the Fund

Implementation of the International Public Sector Accounting Standards

18. The Board of Auditors comments on the status of implementation of the International Public Sector Accounting Standards (IPSAS) by the United Nations Joint Staff Pension Fund. The Advisory Committee notes that the financial statements for the biennium ended 31 December 2011 are the last to be prepared under the United Nations system accounting standards and that with effect from 1 January 2012 the Fund will produce statements in accordance with IPSAS (see A/67/9, para. 156). IPSAS will provide a better basis for the measurement of the Fund's investments and will be more aligned to performance reporting as the new standards rely on mark-to-market methodologies (ibid., para. 165). The Board of Auditors indicates that the Fund has completed all its accounting policies, key systems and processes for IPSAS-compliant financial statements (ibid., annex X, para. 54). However, the Committee notes that the Board of Auditors has recommended that the Fund (a) implement adequate strategies to manage the areas identified as needing attention in its implementation of IPSAS, in particular the finalization of the data-cleansing exercise, the preparation of opening balances and dry-run financial statements and (b) consider training initiatives to develop the expertise required to support the implementation of IPSAS (ibid., annex X, paras. 57 and 58). **The Advisory Committee welcomes the implementation of IPSAS by the Fund with effect from 1 January 2012 and requests the Secretary-General to ensure that the related Board of Auditors' recommendations are fully implemented and that the lessons learned from IPSAS implementation by the Fund are shared throughout the Secretariat.**

Information security

19. The Board of Auditors makes an observation expressing concern about the security of information systems. In particular, the Board was concerned that the applied access rights security settings were inadequate and did not reflect best practices with regard to passwords and lock-outs, and that auditing features were not activated to track inappropriate activities relating to security (ibid., annex X, para. 97). The Advisory Committee notes that the Fund agreed with the Board's recommendation that it (a) review the system domain policy settings to ensure they reflect best practices; (b) monitor the audit trail reports on the system domain policy settings on a regular basis; and (c) enable the Windows operating system security auditing features to allow the tracking and logging of security events (ibid., annex X, para. 98). Upon enquiry, the Committee was informed that the weaknesses identified by the Board of Auditors had not resulted in any breach of security in information systems that had been detected by the Fund. **The Advisory Committee requests that the Fund implement the recommendations of the Board of Auditors regarding the security of information systems without delay.**

Medical matters

20. The medical consultant to the Pension Board presented a report covering the period from 1 January 2010 to 31 December 2011, containing information and analysis with regard to new disability benefits awarded during that period and data on new disabled children's benefits and on deaths of participants while in service (see A/67/9, paras. 214-218). The medical consultant highlighted to the Board that the overall incidence of new disability cases and new death cases had been stable over time.

21. The Advisory Committee notes that since the United Nations Joint Staff Pension Fund has not established its own medical criteria for participation in the Fund, it has relied implicitly on the standard established by the United Nations system medical directors (ibid., para. 220). The United Nations Medical Directors' Working Group noted, in the report on their meeting of 22 June 2011, that most United Nations system organizations provided for some form of pre-employment medical clearance evaluations or examinations and the objective of such medical clearance evaluations, when performed, was to ensure, as far as possible, that staff members were physically and mentally fit to perform the functions for which they had been selected, without undue risk to the health and safety of themselves or others. On the basis of a proposal by the Working Group, the Chief Executive Officer of the Fund, in consultation with the medical consultant, recommended that the Board adopt the standard of "fitness for employment" as the basis for participation in the Fund under article 41 of the Fund's Regulations (ibid., para. 221). The Advisory Committee notes, however, that the Board has decided to defer consideration of this item to its next session, in 2013. In this regard, the Committee recalls General Assembly resolution 66/229 on the Convention on the Rights of Persons with Disabilities, in which it requested the Secretary-General to take further actions to promote the rights of persons with disabilities in the United Nations system in accordance with the Convention, including the retention and recruitment of persons with disabilities. **The Committee recommends that, should the Board consider a medical standard for participation in the Fund, it should ensure that there is no adverse impact on the possibility for employment of persons with disabilities in participating organizations.**

Transfer agreements

22. In paragraph 12 (c) of the Board's report, the General Assembly is asked to concur with the Board's approval of new transfer agreements of the Fund with the Organization for the Prohibition of Chemical Weapons and the African Development Bank, which are proposed to become effective on 1 January 2013. The draft texts of the two bilateral agreements, which are attached to the Board's report as annex XIV, were based on the model transfer agreement and were reviewed by the Committee of Actuaries at its fiftieth session, in 2011. Upon enquiry, the Advisory Committee was informed that the provisions of the two new transfer agreements did not contain any significant differences in their substantive provisions compared to previous such agreements. **The Committee has no objection to the course of action proposed by the Board concerning the proposed transfer agreements.**

23. The Advisory Committee notes that the Board recommends approval by the General Assembly of technical changes to the Fund's Regulations and the pension adjustment system, in accordance with past decisions and amendments adopted by

the Pension Board and approved by the General Assembly, as set out in annexes XI and XIII to the Board's report. **The Committee has no objection to the proposed revisions to the Fund's Regulations and the pension adjustment system.**

VI. Benefit provisions of the Fund

24. The Pension Board recommends that the General Assembly approve an amendment to the Regulations and Rules of the Fund that would allow the use of pension entitlements as a possible source of reimbursement for financial losses caused by staff members proven to have defrauded participating organizations. The Board states in its report that the purpose of such a provision would not be punitive, but rather to allow the participant's pension benefits to be used towards making restitution to the former employing organization. In order for the Fund to remit a portion of the pension benefit to the member organization as proposed, the participant must have been subject to a criminal conviction of fraud against that employing organization, as evidenced by a final and executable court order issued by a competent national court (see A/67/9, para. 302). The Advisory Committee was informed, upon enquiry, that the decision to recover funds from a participant's retirement benefit for payment to a third party, in this case to an employing organization, would be made under the discretionary authority of the Chief Executive Officer of the Fund on the basis of established criteria. Furthermore, the Committee notes that the Board approved criteria for implementation of the proposed new regulation, including that the employing organization submit evidence of efforts to recover the amounts owed and of participant's refusal to pay, and that, depending on the particular circumstances of each case, the Chief Executive Officer of the Fund is satisfied that the deduction does not bring hardship upon the beneficiary or his/her family (ibid., para. 303). **The Advisory Committee concurs with the recommendation of the Board that the General Assembly approve the proposed amendment, which provides for the recovery of financial losses caused by staff members having defrauded participating organizations.**

25. A second amendment would concern a proposal to increase the normal retirement age to 65 for new participants in the Fund, with effect from no later than 1 January 2014. The Board considers this action to be a priority among various other steps that could be taken to ensure the Fund's long-term sustainability (ibid., para. 13 (y)). The Board further indicates that an increase in the normal retirement age should be effected in coordination with the human resources policies of member organizations on the mandatory age of separation (ibid., para. 306). The Advisory Committee was informed, upon enquiry, that the Pension Fund currently provides unreduced benefits to participants who terminate their employment on or after the normal retirement age of 62. If a participant separates prior to the normal retirement age under the Fund's early retirement provisions, the participant's benefits are reduced to account for the extra benefits paid prior to age 62.

26. The Advisory Committee recalls that the General Assembly, in its resolution 64/231, requested the International Civil Service Commission to report to it, at its sixty-sixth session, on the results of the comprehensive analysis of the possibility of changing the mandatory age of separation. The Assembly also requested the Commission offer advice and recommendations on succession planning within the common system. The Commission, in its recent report (A/67/30 and Corr.1) considered both the impact of an increase in the mandatory retirement age on the

actuarial balance of the Fund and the effect on human resources outcomes in the organizations. In the light of the need to maintain the long-term sustainability of the Fund, the Commission agreed with the Pension Board's proposal that the normal retirement age be increased.

27. The Advisory Committee notes that the Commission requested its secretariat to work with organizations and staff representatives to prepare a strategic review of the implications of applying the increased mandatory age of separation to current staff members, and to report thereon to the Commission at its seventy-seventh session (see A/67/30, para. 85).

28. The Advisory Committee notes that the Pension Board has indicated that increasing the normal retirement age to 65 would yield actuarial savings, partially offsetting actuarial costs that have arisen from the increased longevity of participants, as reflected in the mortality tables recently incorporated into the actuarial valuation (see A/67/9, para. 306). It was indicated to the Committee that the new mortality assumptions had an annual cost of approximately 2 per cent of pensionable remuneration, and that the proposed increase in the normal retirement age might be expected to result in annual savings of approximately 1 per cent of pensionable remuneration. The Committee was further informed that, in proposing the increase in the normal retirement age with effect from no later than 1 January 2014, the Pension Board intended to allow each member organization to modify its human resources policies to coordinate with the Fund's normal retirement age. In this regard, the Committee notes that the timing of the proposed increase in the normal retirement age will allow participating organizations flexibility to take into account its impact, including on currently serving staff. **The Advisory Committee considers that the course of action proposed by the Pension Board would mitigate the actuarial deficit of the Fund and has no objection to increasing the normal retirement age for participants in the Fund to the age of 65. The Advisory Committee stresses, however, that an increase in the mandatory age of separation may have consequences with respect to the management of human resources in the Organization in such areas as the ageing of its personnel, productivity, mobility, gender balance, geographical distribution and the rejuvenation of the Secretariat, which may also affect its ability to meet mandated human resources objectives. The Committee takes note of the endorsement by the International Civil Service Commission of the proposal to increase the mandatory age of separation to 65 for new entrants to the system, and encourages the General Assembly to take into consideration the policy implications of an increase in the mandatory age of separation for human resources management in participating organizations.**

VII. Audit

29. The Pension Board considered the report of the Board of Auditors and agreed with its findings and recommendations (see A/67/9, annex X). The Advisory Committee recalls that the Board of Auditors had issued a modified opinion on the financial statements for the biennium 2008-2009 with one emphasis of matter on the management of investments of the United Nations Joint Staff Pension Fund, as a result of its audit of the financial statements and review of the operations of the Fund for the biennium ended 31 December 2009. Specifically, the audit opinion related to the non-disclosure of realized and unrealized losses on the investments of

the Fund in the financial statements during the period under review. For the period 2010-2011, the Board of Auditors issued an unqualified opinion regarding the Fund's financial statements. It notes that the Fund has sufficiently addressed the disclosures of unrealized gains and losses in the financial statements for the biennium ended 31 December 2011, and that it had also introduced an accounting policy to reflect significant and prolonged unrealized losses on the face of the financial statements (A/67/9, para. 252). As noted by the Board of Auditors, the Fund decided to write down or make adjustment to the historical costs of particular investments which incurred prolonged or significant decline. The total write-down or cost adjustment was $1.05 billion, of which $458 million relates to the biennium 2010-2011, while $593 million represents prior-period adjustments (ibid., annex X, para. 24). The Committee notes, however, that this policy affected only the accounting for investments under the United Nations system accounting standards, and did not affect performance reporting for the Fund's investments, which already reflected market values and incorporated all unrealized gains and losses, nor did the change affect the actuarial value of the investments used for the actuarial valuation of the Fund (A/67/9, para. 158).

30. **The Advisory Committee welcomes the progress made by the Fund in implementing the recommendations of the Board of Auditors with respect to accounting for unrealized losses and gains, and notes that the Board of Auditors has issued an unqualified audit opinion with respect to the Fund's financial statements for the biennium 2010-2011.**

31. The Advisory Committee notes that the Board of Auditors has indicated that two of its recommendations have remained outstanding for as long as 10 years. In its report on the Fund for the biennium 2008-2009, the Board of Auditors indicated that the Fund had submitted certified financial statements to the Board eight weeks late, which was in contravention of financial regulation 6.5, and it recommended that the Fund comply with the submission dates for financial statements as required by the Financial Regulations and Rules of the United Nations (see A/65/9, annex X, paras. 77 and 79). In its current report on the Fund, the Board of Auditors noted that the Fund's financial statements were not adequately supported by detailed closing instructions. Moreover, the Board found that the overall financial reporting process and monitoring of compliance with the prescribed accounting framework were not sufficiently documented. It considered that adequate supporting schedules and analysis would give management greater assurance as to the accuracy of the financial statements. Furthermore, the strengthening of the financial statement preparation process would help eliminate some disclosure errors that were subsequently corrected by management, and would assist the Fund in meeting the established 31 March deadline for the submission of its financial statements to the Board (see A/67/9, annex X). **The Advisory Committee fully supports the opinion of the Board of Auditors and considers that the recent introduction of policies, key systems and processes necessary to generate IPSAS-compliant financial information should facilitate the timely submission of the Fund's financial statements in accordance with the Financial Regulations and Rules of the United Nations.**

32. In its report on the Fund for the biennium 2008-2009, the Board of Auditors had also expressed the view that the recording of end-of-service and post-retirement liabilities in the financial statements called for a comprehensive and effective funding plan (see A/65/9, annex X, para. 127). In the report for the current biennium the Fund indicated that it had decided to follow the approach of the United Nations

in regard to after-service health insurance benefits, which was thus far unconfirmed (see A/67/9, annex X, para. 134). The Advisory Committee notes that the Pension Fund's financial statements for the period under review reflect end-of-service and post-retirement liabilities amounting to $48.31 million, of which $44.87 million represent after-service health insurance liabilities (ibid., para. 132). The Committee recalls that the Secretary-General will address this issue in the context of the report on managing after-service health liabilities that was requested by the General Assembly in its resolution 64/241, which will now be submitted to the Assembly at its sixty-eighth session. The Committee has commented further on the views of the Board of Auditors concerning the funding of after-service and end-of-service liabilities in its related report (see A/67/381, paras. 35 and 36). **The Advisory Committee looks forward to receiving the Secretary-General's proposal regarding the funding of end-of-service and post-retirement liabilities.**

33. The Advisory Committee notes that the Pension Board has accepted the Board of Auditors' reiterated recommendation to implement improved controls and procedures to ensure that amounts outstanding from overpayments of benefits are recovered in a timely manner (A/67/9, annex X, para. 73). It is indicated in the Pension Board's report that most of the overpayments relate to cases where the Fund was not advised in a timely manner of the death of beneficiaries and that it would not be feasible to carry out the normal certification of entitlement process more than once a year, as that requires significant time, effort and resources. The Fund has indicated that it intends to develop a tool that will measure the effectiveness of the certification of entitlement process and that it will inform beneficiaries on a continuing basis of the need to advise the Fund in a timely manner of any change in status through its website and through communication with all Associations of Former International Civil Servants (ibid., para. 72). The Committee also notes that, while total overpayments have decreased from $4.9 million in the biennium 2008-2009 to $4.6 million in the biennium 2010-2011, the recovery rate for overpayments was only 22 per cent. **The Committee concurs with the Board of Auditors regarding the need for improved control over payments of benefits.**

VIII. Membership of the Investments Committee

34. Article 20 of the Regulations of the Fund provides that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. The Secretary-General conveyed to the Pension Board and the Advisory Committee the names of two regular members and three ad hoc members of the Investments Committee whom he intended to propose to the Assembly for appointment or reappointment. The Committee communicated its concurrence with those proposals to the Secretary-General on 17 October 2012.

IX. Conclusion

35. A summary of the matters requiring the attention of and decisions by the General Assembly is provided in the draft resolution proposed for adoption by the Assembly contained in annex XVII to the Board's report (A/67/9). **The Advisory Committee recommends approval of the Pension Board's proposals (A/67/9, chap. II, sect. A), taking into account the observations and recommendations contained in the present report.**

Annex

Performance of the United Nations Joint Staff Pension Fund

Percentage change in value compared to the policy benchmark, 2001-2012

Fiscal years ending 31 March

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Policy benchmark	-14.8	-0.4	-8.9	30.9	9.4	12.3	13.6	5.2	-29.8	33.7	12.4	2.7
Actual return	-15.0	0.7	-3.8	28.7	10.4	13.3	13.4	8.1	-28.3	32.2	11.9	0.6